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Report on Federal Tax Expenditures

CONCEPTS, ESTIMATES AND EVALUATIONS

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Preface

This document reports on the estimated fiscal cost of federal tax expenditures, sets out the approach used in developing these estimates and projections, and provides detailed information on each tax expenditure. The Department of Finance Canada first reported on federal tax expenditures in 1979, and has published estimates of tax expenditures for personal and corporate income taxes as well as for the Goods and Services Tax (GST) since 1994. Over the years, this report has become a key component of the Government's reporting on the federal tax system, and has contributed significantly to the public dialogue on federal tax policies—a role it continues to play today.

As of last year's edition, the design and contents of this report were updated and improved to enhance its accessibility and utility to readers. The presentation of the tax expenditures was changed to facilitate analysis of the tax expenditures and better indicate their role in the tax system, and cost estimates are provided for eight years (2011 to 2018 in this year's report). Also, the methodological and reference information that was previously published periodically in the companion document *Tax Expenditures: Notes to the Estimates/Projections* has been integrated into this report and complemented with additional information on each tax expenditure. In addition to a brief description of each measure and of its objectives, information now being provided includes legal references, historical information, as well as references to key federal government spending programs that are relevant to the policy area of the tax expenditure to better inform Canadians and Parliamentarians about related programs. This information will continue to be updated every year and will provide a convenient, easily accessible point of reference for information on federal tax expenditures.

Evaluations and analytical papers addressing specific tax measures or aspects of the tax system will continue to be published every year as part of this report. This year's edition includes a statistical profile of federal tax expenditures over the period 1991 to 2015, as well as evaluations of the Children's Fitness Tax Credit, Children's Arts Tax Credit and Goods and Services Tax Credit.

Finally, in order to provide Canadians and Parliamentarians with a broader perspective on government expenditures, the publication of this report will continue to be coordinated with the tabling of the Main Estimates in the House of Commons by the President of the Treasury Board.

Disclaimer

The descriptions of tax measures contained in this document are intended to provide only a general understanding of how each of the tax measures operates. These descriptions do not replace the relevant legislation or regulations and should not be relied upon by taxpayers in arranging their tax affairs. Taxpayers are invited to contact the Canada Revenue Agency or consult the Agency's website at www.cra-arc.gc.ca for additional information on the administration of the federal tax system.

Introduction

The principal function of the tax system is to raise the revenues necessary to fund government expenditures. The tax system can also be used to achieve public policy objectives through the application of specific measures such as preferential tax rates, exemptions, deductions, deferrals and tax credits. These measures are often described as "tax expenditures" because they are used to achieve a policy objective that deviates from the core function of the tax system, at the cost of lower tax revenues.

Tax expenditure reporting is considered an international best practice to foster government budgetary and fiscal transparency. The International Monetary Fund and the Organisation for Economic Co-operation and Development have both issued guidelines that provide for the annual reporting of the cost of tax expenditures.[1]

This report adopts a broad definition of the concept of tax expenditures and provides information on a wide range of federal tax measures that are considered to depart from a "benchmark" tax structure that is characterized only by the most fundamental aspects of a tax system—for instance, the application of a general tax rate to a broadly defined tax base. This broad approach provides greater transparency by ensuring that information is being disclosed on a wide range of tax measures, including measures that may not be considered tax preferences. In addition to providing information on tax expenditures, this report provides information on a number of measures that may be considered part of the benchmark tax system and that are of particular interest from a tax policy perspective. Overall, this report provides information on some 209 different income tax and GST measures.

This report is divided into four parts:

- Part 1 introduces the concepts of "tax expenditure" and "benchmark tax system", sets out the approach used in estimating and projecting the fiscal cost of federal tax expenditures, and discusses the interpretation of the estimates and projections.
- Part 2 presents the estimates of the fiscal cost of federal tax expenditures for the years 2011 to 2018 and describes changes that have been made to tax expenditures since the last edition.
- Part 3 provides detailed descriptions of the tax expenditures, including their objectives.
- Part 4 presents tax evaluations and research reports.

1 International Monetary Fund, *Manual on Fiscal Transparency*, Fiscal Affairs Department, 2007; Organisation for Economic Co-operation and Development, *OECD Best Practices for Budget Transparency*, 2002.

Part 1
Tax Expenditures and the Benchmark Tax System: Concepts and Estimation Methodologies

Introduction

Part 1 provides methodological information on the tax expenditures and the calculation of their fiscal cost in order to facilitate the understanding of the estimates presented in Part 2. It is divided into three sections:

- The first section discusses the concepts of "tax expenditure" and "benchmark tax system" and presents the key features of the benchmark tax system that have been retained for the purpose of this report.
- The second section provides methodological information on the calculation of the cost estimates and projections.
- The third section discusses how to interpret the cost estimates and identifies some caveats in that respect.

Tax Expenditures and the Benchmark Tax System

Tax expenditure reporting is considered an international best practice in terms of government budgetary and fiscal transparency, and an increasing number of countries are adopting this practice. The scope and coverage of tax expenditure reporting vary among countries. Some countries provide information only for narrowly defined categories of tax measures, such as "tax preferences" or "tax subsidies". Most countries, however, have adopted the practice of reporting information on a larger number of tax measures that they consider to be departures from a "benchmark" tax system. This practice, which has been retained for the purpose of this report, contributes to transparency by providing an objective basis for selecting which tax measures to include in the report.

The definition of "tax expenditure" thus depends on how the benchmark tax system is defined. This report takes a broad approach in which the benchmark tax structure is characterized by only the most fundamental aspects of the tax system. This approach ensures that information is reported on a wide range of tax measures, including measures that may not be considered tax preferences or substitutes to direct program spending. This approach is also simpler and less subject to interpretation than the alternative approach of defining tax expenditures in reference to a "normative" tax system that is considered optimal from an economic and tax policy perspective.

The following two sections describe the features of the personal and corporate income tax system and of the GST that are considered to be part of the federal benchmark tax system for the purpose of identifying the tax expenditures included in this report. The elements of the benchmark tax system include the benchmark unit of taxation, taxation period, tax base and tax rate structure, among other features. Certain tax arrangements with provincial and territorial governments are also reflected in the benchmark tax system.

Benchmark Tax System for the Personal and Corporate Income Tax

The benchmark for the personal and corporate income tax system, as defined for the purpose of this report, has the following characteristics:

Unit of Taxation

- The benchmark unit of taxation for the personal income tax is the individual, while the benchmark unit of taxation for the corporate income tax is the single corporation as a separate legal entity.

Taxation Period

- The benchmark taxation period is the calendar year for individuals and the fiscal period for corporations.[2] Income is taxed as earned, on an accrual basis.
- Under the benchmark, business and capital losses not deducted in the taxation period in which these losses arose can be carried over to prior or subsequent taxation periods in recognition of the cyclical nature of business activity and investment.

Tax Base

- The benchmark personal and corporate income tax base comprises income from most sources, including income from employment, pension income, profits from a business and from investment, capital gains, and government transfers.[3] However, the following are considered not to be income subject to tax under the benchmark tax system:
  - Non-market transfers of money and property between taxpayers, such as gifts, inheritances and spousal and child support payments, since such amounts are generally paid out of income previously subject to tax.
  - The benefits derived from non-market household services, such as those provided by homemakers.
  - Imputed rents on owner-occupied dwellings (i.e., the benefits derived by homeowners from occupying their homes).
- Taxpayers resident in Canada are subject to tax on their worldwide income, while non-residents are taxable in Canada on their income from Canadian sources only.
- Current expenses incurred to earn taxable business or property income are deductible in the year incurred. In contrast, expenses incurred to earn employment income are not deductible. Accounting or financial reserves claimed in respect of contingent liabilities are not deductible.

2 A corporation's fiscal period is any period of 53 weeks or less.

3 The benchmark income tax base can be considered a variant of the comprehensive income tax base as was first defined by economists Robert M. Haig and Henry C. Simons. The comprehensive income tax base would require the taxation of real current additions to purchasing power, or real increases in wealth, which would cover worldwide income from all sources—labour income, rents, dividends, interest and capital gains (adjusted for inflation), transfers, imputed rent on owner-occupied dwellings, the imputed value of household services, and gifts and inheritances. A strict application of the Haig-Simons base would make corporate income tax redundant since income earned at the corporate level would be taxed as it accrues to individuals.

- The cost of a capital asset that contributes to earnings beyond the year in which the cost is incurred is deductible, once the asset is first used for the purpose of earning business income, at a rate that allocates the cost over the period during which the capital asset contributes to earnings—generally, the useful life of the asset. It is presumed that the capital cost allowance rates that are prescribed in the *Income Tax Regulations* permit the deductibility of the costs of depreciable capital assets over the useful lives of these assets, with the exception of the specific accelerated rates that are applicable to certain classes of assets.
- Losses can be deducted against income, but the excess of losses over income in a given taxation period is not refundable (as noted, unused losses can be carried over to prior or subsequent taxation periods). Losses can be deducted against income from any source, except for capital losses, which are only deductible against capital gains.

Tax Rates and Income Brackets

- The benchmark personal income tax rate and bracket structure is the rate and bracket structure as it exists at any given time. The credit for the Basic Personal Amount is viewed as being part of the existing rate structure, because this credit is universal in its application and effectively provides a zero rate of tax up to an initial level of income.
- The benchmark corporate income tax rate is the statutory general corporate income tax rate in effect at any given time.[4]

Treatment of Inflation

- The benchmark personal and corporate income tax base considers income on a nominal basis. The indexation of the personal income tax brackets and the Basic Personal Amount to inflation is considered to be part of the benchmark.

Avoidance of Double Taxation

- Measures that provide relief from double taxation are considered part of the benchmark income tax system. Examples of relief from double taxation include:
  - Individuals and corporations are taxed separately; however, recognition is given for taxes presumed to have been paid on a corporation's income when it is subsequently distributed and subject to tax at the individual level.
  - Double taxation is also avoided in situations where an amount on which a corporation has paid tax is transferred to another corporation, for instance when a taxable Canadian corporation pays a dividend to another Canadian corporation.

[4] It represents the statutory rate after the federal abatement and general rate reduction. As such, over the period covered by this report, the benchmark corporate income tax rate was 16.5% in 2011 and has been 15% since 2012.

– Relief from double taxation in the international context is provided in Canada in respect of income from foreign sources earned by Canadians and Canadian corporations.[5]

Taxation of Governments and Governmental Entities

- Constitutional immunity from taxation by virtue of section 125 of the *Constitution Act, 1867* is recognized as part of the benchmark income tax system. Accordingly, neither the federal nor the provincial governments (nor their Crown agents) are liable to taxation by the other.
- Federal Crown corporations and other federal government entities are not subject to federal income tax.
- Arrangements between the federal government and provincial and territorial governments to share tax bases among the two levels of government are reflected in the benchmark tax system.

Other Features

- Provisions exist to prevent certain forms of tax planning, such as the use of a holding corporation to defer tax on income from portfolio investment. These provisions are considered to be part of the benchmark as they are intended to improve the functioning of the tax system rather than to achieve other non-tax objectives.
- Non-resident withholding tax is imposed on payments to non-residents at the statutory rate of 25% or at the general rate provided for the particular type of payments under the applicable treaty.[6]
- Branch tax is imposed on the income derived by non-resident corporations from a business carried on in Canada and that is not reinvested in Canada, at the statutory rate of 25% or at the applicable treaty rate.

Benchmark Tax System for the Goods and Services Tax

The benchmark for the GST, as defined for the purpose of this report, has the following characteristics.[7]

Unit of Taxation

- The GST is intended to be borne by final consumers—in general, households.

Taxation Period

- There is no specific benchmark taxation period relevant to the determination of GST liabilities—GST is generally payable when a taxable supply is made or imported and remitted in accordance with the supplier's required filing frequency, whether it be monthly, quarterly or annual.

5 There are three possible benchmarks for taxing the active business income of foreign affiliates of Canadian corporations: (i) that income could be taxable in Canada as it accrues, with relief provided to the extent foreign taxes were paid on the income, consistent with a pure worldwide taxation approach whereby Canadian resident taxpayers are taxed on their worldwide income as it is earned; (ii) that income could be taxable in Canada at the time it is paid out as a dividend to the Canadian corporation; or (iii) that income could be exempt from tax in Canada, both when that income is earned and at the time it is paid out as a dividend to the Canadian corporation, consistent with a territorial approach whereby only Canadian-source business income is taxed in Canada. The three possible benchmarks would have different implications for measuring tax expenditures—see the description of the measure "Tax treatment of active business income of foreign affiliates of Canadian corporations and deductibility of expenses incurred to invest in foreign affiliates" in Part 3 of this report.

6 Non-resident withholding tax is often considered to act as a proxy for the income tax that would be payable had the payments been made to Canadian residents; hence the inclusion of this tax in the scope of this report.

7 A number of provinces have replaced their retail sales taxes with the Harmonized Sales Tax (HST). The base of the HST is virtually identical to that of the GST, and the HST is applied at a rate equal to the rate of the GST plus a provincial component that varies by province and is determined by each province. Sections of this report that refer to the GST/HST apply to both the federal and provincial portions of the tax whereas references to the GST apply only to the federal portion.

Tax Base

- The benchmark GST base is consumption broadly defined and comprises all goods and services consumed in Canada. As such, the benchmark for the GST provides that the tax applies on a "destination basis"—that is, at the point of consumption in Canada—and that it applies to goods and services imported into Canada, but not to goods and services exported from Canada.

Multi-Stage System

- The benchmark for the GST provides that the tax is imposed using a multi-stage system under which tax is applied to the sales of goods and services at all stages of the production and marketing chain. At each stage of production, businesses can claim tax credits to recover the GST paid on their business inputs, so that the GST effectively applies only to the value added at each stage. Since the only tax that is not refunded is the tax collected on sales to final consumers, the GST is effectively imposed on final consumption.
- The fact that certain entities, such as governments and non-profit organizations, cannot claim input tax credits to recover the GST paid on inputs used to supply goods and services that are not subject to the GST is also treated as part of the benchmark. This results in the GST being effectively imposed on these entities in respect of the value added at earlier stages in the supply of such goods and services, unless these entities continue to exercise their Crown immunity either through the use of tax exemption certificates or by paying the GST upfront and subsequently claiming a rebate in respect of the GST paid. In certain situations, as described below, such rebates are also considered part of the GST benchmark system.

Tax Rate

- The benchmark rate structure for the GST is the GST rate that applies in any given year (5% since January 1, 2008).

Taxation of Governments and Governmental Entities

- As with the income tax benchmark, constitutional immunity from taxation by virtue of section 125 of the *Constitution Act, 1867* is recognized as part of the benchmark GST system. Accordingly, neither the federal nor the provincial governments (nor their Crown agents) are liable to taxation by the other.
- However, to simplify the operation of the GST for transactions involving governments and their agents, the GST applies to purchases by all federal entities (e.g., federal departments and Crown corporations). Federal Crown corporations are therefore subject to the GST in the same manner as any other business entity; however, the rebating of the GST paid by those entities under a federal remission order is also considered part of the benchmark.
- Furthermore, reciprocal tax agreements signed between the federal government and most provincial and territorial governments are recognized in the GST benchmark system. Under these agreements, governments agree to pay each other's general sales taxes and specific taxes on goods and services under certain circumstances. As a result, many provincial Crown corporations are also subject to the GST in the same manner as business entities. Provincial and territorial governments and certain of their agents identified in the reciprocal tax agreements continue to exercise their Crown immunity from GST, either through the use of exemption certificates or through GST rebates. Rebates claimed as per these agreements are also viewed as part of the GST benchmark system.
- Most supplies made by public service bodies (municipalities, universities and public colleges, schools, and public hospitals) are exempt. That is, supplies such as educational or health services are generally not taxed, but public service bodies cannot claim input tax credits to recover the GST paid on their inputs in the way businesses can. Instead, they are generally entitled to claim full or partial rebates of the GST paid on the inputs used to provide their exempt supplies. The non-taxation of the outputs and the rebates paid to public service bodies are not part of the GST benchmark system.

Main Types of Tax Expenditures

On the basis of the above definition of the benchmark tax system, it is possible to identify eight main types of tax expenditures:

Type of Tax Expenditures	Examples
The exemption from tax of certain taxpayers.	Registered charities and non-profit organizations are exempt from income tax. Transportation, communications and iron ore mining corporations are exempt from branch tax.
The exemption from income tax of certain items of income or gains.	Capital gains realized on certain donated assets are not subject to income tax.
The exemption from GST or zero-rating of certain supplies of goods or services.[8]	GST is not charged on basic groceries, health services and financial services.
Tax rates that depart from the benchmark tax rates.	The income of small incorporated businesses is taxed at a preferential tax rate.
Tax credits, rebates and refunds.	A credit can be claimed against income tax payable in respect of above-average medical expenses incurred by individuals. A rebate is available in respect of the GST paid by public sector bodies (e.g., schools, hospitals) on purchases related to their supply of GST-exempt goods and services.
Provisions that permit the transfer of tax attributes among taxpayers or otherwise extend the unit of taxation.	Couples are allowed to split pension income for income tax purposes. Assets can be transferred between spouses or related corporations on a rollover basis.
Provisions that permit the deferral of tax or the depreciation of a capital asset faster than its useful life.	Taxation of contributions to a Registered Retirement Savings Plan and investment income earned within such a plan is deferred until these amounts are withdrawn from the plan. The cost of certain vessels can be depreciated at an accelerated rate.
Recognition is given for income tax purposes to expenses incurred to earn employment income or income that is not subject to income tax.	Employed artists can deduct certain costs related to their employment. Charitable donations made by corporations are deductible in determining taxable income.

[8] No GST is charged on exempt goods and services, while the GST applies on zero-rated goods and services, but at a zero GST rate. Vendors of zero-rated goods and services are entitled to claim input tax credits to recover the full amount of GST they paid on inputs used to produce zero-rated products; in contrast, vendors of exempt goods and services are not entitled to claim input tax credits to recover the GST they paid on their inputs.

Calculation of the Tax Expenditure Estimates and Projections

The value of a tax expenditure is calculated by estimating the revenues that the federal government forgoes as a result of the measure. This involves comparing the amount of revenues actually collected with the amount of revenues that would be collected in the absence of the measure, accounting for any changes in income-tested entitlements and assuming all else is unchanged. The method used to derive cost projections, as well as the period over which these projections are to be derived, vary depending on how the cost estimates are obtained. The cost of federal tax expenditures is projected up to 2018; as a result of delays in the availability of data, however, some of the values developed for the historical period are also projections.

The following describes how the estimates and projections presented in Part 2 and Part 3 are generally calculated. Specific information on the estimation and projection methods used for each tax expenditure can be found in the descriptions of the tax expenditures presented in Part 3 of this report. The estimation of the value of tax expenditures that are timing preferences, such as tax deferrals and provisions that accelerate the deductibility of capital costs, raises particular issues that are discussed in the Annex to this part. The inclusion in the report of items for which estimates and projections are not available reflects the intention to provide information on measures that are part of the tax system even if it is not always possible to determine their fiscal impact.

Personal Income Tax Expenditures

For most income tax expenditures, the forgone revenues are estimated using micro-simulation models that calculate tax revenues and income-tested entitlements (in the case of individuals) with and without a given tax expenditure for each taxpayer. These models generally optimize the tax situation of each taxpayer in the counterfactual scenario where the measure under consideration is not in place by assuming that the taxpayer would use all available deductions or credits to offset a potential increase in taxes payable.

The majority of the personal income tax expenditure estimates are calculated using the Department of Finance Canada's personal income tax micro-simulation model (known as the T1 micro-simulation model), which relies on a stratified sample of approximately 700,000 individual tax returns provided by the Canada Revenue Agency. Each tax expenditure accounts for changes in federal personal income tax as well as changes in income-tested entitlements delivered by the Canada Revenue Agency (e.g., child benefits and the GST/HST Credit). Tax expenditures whose costs cannot be estimated using this model due to the complexity of these measures or the absence of individual tax return data are estimated using supplementary data obtained from the Canada Revenue Agency, Statistics Canada and a number of other sources (e.g., other government departments and industry associations).

There is a two-year lag in the availability of the income tax return data used in the T1 model, and the value of personal income tax expenditures presented in this edition are therefore typically estimated using observed data up to 2014. Projections of personal income tax expenditures for subsequent years are calculated using the T1 model, which grows population, income and tax parameters to future years. Population growth is assumed to follow Statistics Canada's medium-growth population forecast by age, gender and province. Income growth assumptions, which vary by main sources of income, are consistent with the underlying forecasts used in the Department of Finance Canada's 2016 *Fall Economic Statement*. In addition, the projected costs of personal income tax expenditures account for future changes to tax parameters, such as legislated changes and the indexation of tax parameters. Assumptions related to indexation are consistent with the observed Consumer Price Index and forecasts used in the *Fall Economic Statement*. In many cases, projections derived using the T1 model are also complemented by comprehensive aggregate statistics for the most recent taxation year available.

Projections for personal income tax expenditures that are not calculated using the T1 model are either based on forecast changes in underlying economic variables or on historical trends. The projection periods for these tax expenditures will vary depending on the data sources used; exact projection periods are indicated in the descriptions of the tax expenditures found in Part 3.

Corporate Income Tax Expenditures

Similar to personal income tax expenditures, forgone revenues for many corporate income tax expenditures are estimated using the Department of Finance Canada's corporate income tax micro-simulation model (the T2 micro-simulation model). This model simulates changes to corporate income taxes using corporation tax return data for the entire population of tax-filing corporations. The T2 model calculates taxes payable on the basis of adjusted tax provisions, and takes into account the availability of unused tax credits, tax reductions, tax deductions and losses that would be used by corporations to minimize their tax liability. Other corporate income tax expenditures are estimated using supplementary data obtained from the Canada Revenue Agency, Statistics Canada and a number of other sources (e.g., other government departments and industry associations).

The value of corporate income tax expenditures that are calculated using the T2 model must be projected for years beyond 2014. Projections are not derived from the T2 model, but rather are mainly based on the Department of Finance Canada's forecast of total corporate taxable income in the 2016 *Fall Economic Statement* and on legislative changes to corporate tax parameters. In many cases, preliminary aggregate data from the most recent income tax returns are also used to inform the projections. Projections for other corporate income tax expenditures are based on forecast changes in underlying economic variables (again relying on the *Fall Economic Statement*) or on historical trends. The years of the projections are indicated in the descriptions of the tax expenditures found in Part 3.

GST Expenditures

The value of GST expenditures cannot be estimated using a tax micro-simulation model, as sufficient micro-data on the amounts of GST paid on most transactions are unavailable. Rather, the value of most GST rebates is estimated using administrative data obtained from the Canada Revenue Agency, and the value of GST exemptions and zero-rating provisions is estimated using the Department of Finance Canada's Goods and Services Tax Model. This simulation model makes use of product-level and industry-level data from Statistics Canada's Canadian System of National Accounts (more specifically from the Supply and Use Tables and National Income and Expenditure Accounts) to estimate the amount of GST payable on finely defined expenditure categories. The value of other GST expenditures is derived either from administrative data or other supplementary data from a variety of sources (e.g., *Public Accounts of Canada*).

There is a one- to two-year lag in the availability of complete administrative data used to estimate the tax expenditures associated with most GST rebates and certain other measures. Projections for years beyond 2014 are derived from the most recent complete administrative data and forecasts of related economic variables provided in the Department of Finance Canada's 2016 *Fall Economic Statement* or by third parties. As for GST expenditures estimated using the Goods and Services Tax Model, the values shown for 2011 and 2012 for these tax expenditures are based on the most recent Supply and Use Tables (which are available with a three-year lag) and projected for the following years. Projections are derived from forecasts of related economic variables provided in the *Fall Economic Statement* or by third parties. In many cases, preliminary aggregate data for 2014 and 2015 are also used to inform the projections.

Interpretation of the Estimates and Projections

A number of caveats apply to the interpretation of the tax expenditure estimates and projections, which reflect the methods and data used to calculate these estimates and projections. These caveats are discussed in the following sections.

Federal-Provincial Interaction

The forgone revenue estimates presented in this report relate to federal revenues only. The federal and provincial tax and benefit systems interact with each other to varying degrees, and as a result changes to tax expenditures in the federal system may have consequences for provincial revenues. Any such provincial revenue effects are not taken into account in this publication. Information on provincial tax expenditures can be obtained by consulting the tax expenditure reports that are produced by certain provinces (see references at the end of this part).

Static Estimates and Projections

The estimates and projections presented in this report represent the amounts by which federal revenues are reduced due to the existence of each tax expenditure, assuming all other factors remain unchanged. More specifically, the estimates and projections reflect the following three assumptions:

Absence of Behavioural Responses

It is assumed that the existence of a tax expenditure does not affect taxpayer behaviour. This omission of behavioural responses in the calculation methodology generates cost estimates and projections that may exceed the revenue gains that would result if a particular provision were eliminated, since in many instances the removal of a tax expenditure would cause taxpayers to change their behaviour to minimize the amount of tax they would have to pay.

The effects of this assumption can be illustrated for the income tax by considering the taxation of capital gains. The cost of the partial inclusion of capital gains is estimated on the basis of the amount of capital gains realized by taxpayers. However, should the inclusion rate for capital gains be increased, it is likely that taxpayers would react by postponing certain transactions on capital assets in order to reduce the burden of the resulting tax increase. This would reduce the expected revenue gains for the government of increasing the inclusion rate, an effect that is not taken into account when estimating this tax expenditure. Thus, the value of the tax expenditure can be considerably different from the estimated revenue gain that the government would project if it were to eliminate the measure.

No Impact on Economic Activity

Similarly, the estimates and projections do not take into account the potential impact of a particular tax expenditure on the overall level of economic activity, and thus on aggregate tax revenues. This could also mean that the estimate of the revenue that is forgone by the government because of a tax expenditure may not correspond to the increase in revenues that would result from repealing the tax expenditure. For example, eliminating a particular tax expenditure may affect the level of consumption or economic activity, which in turn could cause a further change in the amount of tax revenue collected. Eliminating a tax expenditure would also mean that the government would have more funds available to increase spending, reduce taxes or pay down debt—actions that could have additional dynamic effects on the economy and on tax revenues.

Consequential Government Policy Changes

A third reason for differences between the estimates of forgone revenues and the revenue impact of eliminating a tax expenditure is that the former ignore potential transitional provisions and other consequential government policy changes that might accompany the elimination of a particular measure. For example, if the government were to eliminate a particular tax deferral, it could require the deferred amount to be brought into income immediately. Alternatively, it might prohibit new deferrals but allow existing amounts to continue to be deferred, perhaps for a specified period of time.

Independent Estimates and Projections

The amounts by which federal revenues are reduced due to the existence of tax expenditures are estimated independently for each tax expenditure, assuming that all other tax provisions remain unchanged. However, aggregating the cost of individual tax expenditures can provide a biased estimate of the total cost of a particular group of tax expenditures or of all tax expenditures combined, which is another reason why the elimination of a tax expenditure would not necessarily yield the full amount of revenues shown in this report.

The value of a group of tax expenditures may not correspond to the sum of the value of each tax expenditure in that group for two main reasons: the income tax rate structure is progressive, and tax measures interact with one another.

Progressive Income Tax Rates

The combined effect of claiming a number of income tax exemptions and deductions may be to move an individual to a lower tax bracket than would have applied had none of the tax measures existed. To the extent that this occurs, aggregation of the individual estimates may understate the true cost to the federal government of maintaining all tax measures. For example, consider an individual whose taxable income was $1,000 below the level at which he or she would move from the 15% into the 20.5% tax bracket. Imagine that this taxpayer arrives at this level of taxable income by using two tax deductions of $1,000 each (e.g., the deductions for child care expenses and for Registered Retirement Savings Plan contributions). Eliminating either deduction by itself would increase taxable income by $1,000 and the taxpayer's federal tax liability by $150. Eliminating both measures simultaneously, however, would not raise the tax liability by $300 ($150 + $150), but rather by $355 ($150 + $205), given the higher tax rate that would then apply to the second tranche of $1,000 that is added to the individual's income.

While there is only one statutory tax rate for corporations, the preferential tax rate for small businesses creates a de facto progressive tax rate schedule for some corporations. In this way, the above argument is valid for the corporate income tax system as well.

Interaction of Tax Expenditures

Tax expenditures may interact, and some of these interactions may not be reflected when calculating the cost of each tax expenditure separately. Adding the fiscal cost of several tax expenditures without properly adjusting for such interactions may therefore provide an inaccurate measure of the total cost of these tax expenditures.

For instance, there may be interactions between deductions and between non-refundable income tax credits in situations where a taxpayer has more deductions than needed to reduce his or her taxable income to zero or more non-refundable credits than needed to reduce tax payable to zero. As an illustration, in a situation where a taxpayer has $1,000 in income and claims two deductions of $600 each, eliminating each deduction independently would only increase the taxpayer's taxable income by $400 (since the other $600 deduction would still be claimed), but the combined impact of simultaneously eliminating the two deductions would be to increase taxable income to $1,000. Similarly, some taxpayers may need to use only one of several non-refundable credits available to reduce their tax liability to zero. As a result, in some cases, the revenue gain obtained from eliminating such credits one by one would be zero but their combined effect would be positive.

Another example is the interaction between pension income splitting and the Pension Income Credit, which potentially allows couples that split pension income to increase the combined amount of Pension Income Credit they can claim. For instance, a one-earner couple with total pension income of $60,000 and no other income could split income equally between the two spouses to allow the spouse with no income to claim the full value of the Pension Income Credit. The tax expenditure associated with the increased amount of Pension Income Credit being claimed is captured in the forgone revenue estimates of both pension income splitting and the Pension Income Credit. Therefore, adding the costs of these two tax expenditures would mean counting twice the tax expenditure that is attributable to the interaction between these two measures, resulting in the overestimation of the total cost of these two measures.

A similar example is the interaction between GST exemptions and GST rebates. A number of services that are provided in a non-commercial context are exempt from GST, and institutions that provide these services are generally eligible for rebates on GST paid on their purchases. Although the exemptions and rebates are presented as two different tax expenditures, they are not independent. If one of these exemptions were repealed, the institutions providing the exempt services would begin charging GST on their supplies and receive input tax credits. The institutions would no longer require rebates since the GST paid on their purchases would be relieved by the input tax credits, effectively repealing the related rebate as well. In this report, the value of GST exemptions is calculated as the tax revenues the government would raise by taxing exempt services, net of the input tax credits that providers would then receive. However, the value of GST exemptions does not account for the portion of the GST paid by the providers that would be received as input tax credits should the services become taxable, but that are currently claimed as rebates. The value of GST rebates is presented separately, and should be netted out of the value of GST exemptions in order to obtain a closer approximation of the revenue impact of eliminating these measures.

Changes in the Estimates and Projections

The estimated and projected costs of a tax expenditure may vary from year to year or may be revised in a subsequent edition for any particular year. Variations and revisions may be attributable to a number of factors, including the following:

Legislative Changes

Changes may have been announced to a tax expenditure that increase or reduce its estimated or projected cost. Announced changes that have a coming-into-force date in the 2017 taxation year or earlier, even if the enacting legislation has not received Royal Assent by the time of production of this report, are taken into account for the purpose of estimating the cost of a measure. Information on legislative changes to tax expenditures since the last edition of this report is provided in Part 2, while important historical changes are noted in the descriptions of the tax expenditures in Part 3.

Broad-based changes to the tax system may affect tax expenditure estimates and projections to the extent that these changes modify the effective tax rates otherwise faced by taxpayers under the benchmark tax system, including because the changes would affect the number of individuals who do not pay tax. Specifically, a reduction (increase) in the effective tax rate under the benchmark tax system will generally result in lower (higher) tax expenditure estimates and projections. For instance, during the period covered by this publication, the reduction in the general corporate income tax rate from 16.5% to 15% on January 1, 2012 had the effect of reducing the estimates and projections for most corporate income tax expenditures. Also, many personal income tax expenditures are affected by the reduction in the second personal income tax rate to 20.5% from 22% and the introduction of a personal income tax rate of 33% on taxable income in excess of $200,000 that were announced on December 7, 2015 and came into effect for 2016 and subsequent taxation years.

Revisions to the Projections

As with any other projections, the projections of tax expenditures are inherently subject to forecast errors as they are based on historical data and expected economic outcomes. As a result, the projected values of tax expenditures may be revised substantially as more recent forecasts and data become available, and actual values may differ significantly from projected values. More important revisions can be expected for tax expenditures that are particularly sensitive to business or market cycles or to other economic parameters that are difficult to forecast.

Changes in Data and Methodology

Revisions to past estimates and projections may reflect the availability of new or improved data as well as changes to the estimation or projection methodology. In particular, updated corporate tax data for historical years may show substantial changes to the tax position of certain corporations due to the impact of loss carrybacks or tax reassessments. Significant changes to the methodology are mentioned in the descriptions of the tax expenditures in Part 3.

Additional Resources

For additional information on tax expenditures and the Canadian tax system, readers are invited to consult the following resources:

Department of Finance Canada website: **www.fin.gc.ca**
Taxes and Tariffs section: **www.fin.gc.ca/access/tax-eng.asp**
Budgets: **www.fin.gc.ca/access/budinfo-eng.asp**
Fiscal Reference Tables: **www.fin.gc.ca/pub/frt-trf/index-eng.asp**

Canada Revenue Agency website: **www.cra-arc.gc.ca**
Tax statistics: **www.cra-arc.gc.ca/gncy/stts/menu-eng.html**
Tax rates and parameters: **www.cra-arc.gc.ca/tx/llrts/menu-eng.html**

Statistics Canada website: **www.statcan.gc.ca**

Provincial tax expenditure reports:

Newfoundland and Labrador—*2016-2017 Estimates*, appendix 1
www.budget.gov.nl.ca/budget2016/estimates

Nova Scotia—*Budget 2016-2017—Budget Assumptions and Schedules*
www.novascotia.ca/finance/en/home/budget/budgetdocuments/2014-2016.aspx

Quebec—*Tax Expenditures*, 2015 edition (available in French only)
www.finances.gouv.qc.ca

Ontario—*Transparency in Taxation*, 2016 edition
www.fin.gov.on.ca/en/budget/fallstatement/2016/transparency.html

Manitoba—*Budget 2016*, Budget Paper C, "Tax Measures"
www.gov.mb.ca/finance/budget16/papers.html

Saskatchewan—*Budget 16-17*, Technical Papers, "Saskatchewan's Tax Expenditures"
www.finance.gov.sk.ca/budget2016-17

Alberta—*Budget 2016—Tax Plan*, "2016 Tax Expenditure Estimates"
www.finance.alberta.ca/publications/budget/budget2016

British Columbia—*Budget and Fiscal Plan 2016/17 - 2018/19*, Appendix A1 "Tax Expenditures"
www.bcbudget.gov.bc.ca/2016/

Annex—Estimating the Value of Tax Deferrals, Accelerated Depreciation Provisions and Other Timing Preferences

Certain tax measures defer income taxes from the current taxation year to a later one—for example, by accelerating deductions or by deferring income inclusions. Estimating the cost of tax deferrals presents a number of methodological challenges since, even though the tax is not currently received, it may be collected at some point in the future.

The cost of timing preferences such as these (with the exception of accelerated deductibility provisions—see explanation below) is presented in this report on a nominal cash-flow basis. On that basis, deferred income taxes from current-year activities represent a cost to the government while income taxes on prior-year activities for which the deferral has been completed are a revenue gain. Thus, if the level of activity in question were constant from year to year—that is, in a steady state—the two amounts would cancel each other out and the tax expenditure would be zero. An increase over time in the level of activity would tend to produce a positive tax expenditure, while a decrease would tend to produce a negative tax expenditure.

The cost of timing preferences could also be presented on a net present-value basis to emphasize the cost to the government that relates to the time value of money. There can be a cost to the government and a benefit to the taxpayer when tax deferrals are considered on a present-value basis, even when the cash-flow basis of measurement suggests that, in a steady state, there is no overall cost to the government. Because of the time value of money, a reduction in tax of a given amount today more than offsets a tax increase of the same nominal amount in a future period. This can be demonstrated with a calculation of the value of the implicit interest-free loan that is provided to the taxpayer when taxes are deferred to a later year. For example, if a taxpayer is able to defer $100 in income tax for one year, and the discount rate is 8%, then the present value of the future obligation is $92.59 and the taxpayer has received a benefit of $7.41 in today's dollars. There is an equivalent implicit interest cost to the government. On a present-value basis, unlike the cash-flow basis, a tax deferral would result in a positive tax expenditure in the steady state. The net present value of the tax expenditure associated with a tax deferral can also be affected by tax rates, for instance when a deduction is accelerated while tax rates are decreasing.

Estimating the net present value of the tax expenditure associated with a tax deferral with a reasonable degree of accuracy is very challenging when activities are not in a steady state and when precise projections cannot be derived over a relatively long horizon. For instance, estimating the net present value of the tax expenditures associated with the accelerated deductibility of capital costs and flow-through share deductions would require estimating future business cycles and economic conditions in the mining and oil and gas sectors, while estimating the net present value of the tax expenditures associated with Registered Pension Plans and Registered Retirement Savings Plans would require robust long-term projections of contributions and withdrawals. Given these challenges, this publication does not report on the present value of tax expenditures associated with tax deferrals.

The following section provides four examples of the calculation of the cost of timing preferences.

Registered Pension Plans, Pooled Registered Pension Plans and Registered Retirement Savings Plans

The cost of Registered Pension Plans, Pooled Registered Pension Plans and Registered Retirement Savings Plans presented in Part 2 and Part 3 is estimated on a cash-flow basis. The net cost of these plans in a given year is the revenue forgone associated with the deductibility of contributions to the plans made during the year and the non-taxation of investment income earned within these plans during the year, minus the taxes collected on withdrawals from these plans made in the year. The cost of these plans on a net present-value basis would be a measure of the net revenue forgone in today's dollars due to the contributions made in a given year, taking into account the fact that the deferred tax will be collected in the future when the contributions and investment income earned on them are withdrawn.

Accelerated Capital Cost Allowance

Where a tax deduction is allowed for the cost of capital investments, the deduction is normally required to be spread over a number of years. This is based on the principle that capital assets are not consumed in the period in which they are acquired, but instead contribute to earnings over several years. Therefore, the deduction is normally allowed at a rate which allocates the cost of the asset over the period that the asset contributes to earnings—the asset's useful life. Allocating the deduction for capital costs over the useful life of assets ensures that the tax system is neutral in its treatment of assets with different useful lives.[9]

For tax purposes, firms calculate their deductions for depreciable capital assets under the rules set out in the *Income Tax Act* and *Income Tax Regulations*. The allowable deduction rates for depreciable capital assets are set out in the capital cost allowance (CCA) system. This system generally allows for a portion of the original capital cost of an asset or group of assets to be deducted each year. In most cases, each successive year, a fixed percentage is applied to the declining balance of undeducted costs remaining. A similar system applies to deductions for intangible expenses in the natural resource sectors that are capital in nature, such as the costs of exploration and development.

The rate at which certain capital costs can be deducted for tax purposes is, in some cases, more rapid than would be permitted under the useful life benchmark. Examples are the provision of accelerated CCA for certain tangible capital assets (e.g., machinery and equipment used in manufacturing and processing, Canadian vessels) and of the immediate deduction of certain intangible expenses that are capital in nature in that they contribute to earnings over several years (e.g., advertising costs, expenditures on research and development).

These provisions result in tax deductions that are higher (as compared with the useful life benchmark) in the initial years of the life of an asset and lower in later years. While the total amount deducted over the life of the asset (equal to the original cost) is not affected, the acceleration in the deduction results in a deferral of tax. Given the time value of money, this can be an important financial benefit to firms. Changes in the timing of tax receipts can also have an important impact on the government's fiscal position in the short term.

9 The determination of the useful life of an asset involves the assessment of a variety of factors, including statistical estimates of the rate of economic depreciation applying to the asset, industry data on the engineering life of the asset and the repairs needed to keep it operating, and the treatment accorded to the asset for financial accounting purposes.

The cost for a given year of the accelerated deductibility of capital costs, measured on a cash-flow basis, equals the revenue forgone as a result of the additional capital costs being deducted in the year relative to the amounts that would have been deducted in absence of the measure. Accelerated deductions imply a larger cost in the early years and a smaller cost in the later years in comparison to the situation with no accelerated deductions. The cash-flow cost for a given year accounts for the fiscal impact of investments made in that year, but also of investments made in earlier years. For that reason, the net cash-flow cost could be positive or negative depending on past, current and projected investments, and is not necessarily equal to the amount of revenue that would be gained in the short run if the accelerated deductibility were to be eliminated for new investments.

The cost of accelerating the deductibility of capital costs, measured on a present-value basis, would reflect the expected stream of deductions in the future in respect of an investment or a group of investments made at a particular time. Under this approach, the tax expenditure would be estimated by comparing the discounted present value of tax payments associated with a given investment or group of investments made at a particular point in time over the life of those investments, with and without the accelerated deduction in place.

Notwithstanding the different methodologies available, annual tax expenditure estimates are not provided for accelerated deductibility provisions because adequate data are not generally available to calculate them with a reasonable degree of accuracy, and because many simplifying assumptions would be required to model the pattern of deductions that would be claimed in the absence of these provisions. More information on the estimation of the tax expenditures associated with the accelerated deductibility of capital costs can be found in the study "Tax Expenditures for Accelerated Deductions of Capital Costs" that was published in the 2012 edition of this report.

Flow-Through Share Deductions

An investor buying a flow-through share, in addition to receiving an equity interest in the issuing corporation, is also entitled to claim deductions on account of Canadian Exploration Expenses, Canadian Development Expenses and Canadian Renewable and Conservation Expenses transferred to the investor by the corporation.[10] On a cash-flow basis, the cost of this tax expenditure, for a given year, is equal to the amount of revenue forgone as a result of the transferred deductions claimed by investors in that year less the estimated incremental revenue gain associated with the zero cost base for flow-through shares sold by investors in that year. The transfer of unused deductions from the issuing corporations to the investors entails a cost to the government when the deductions are claimed by the investors earlier than they would have been claimed by the corporations or where the investors face higher tax rates than the issuing corporations. The fact that flow-through shares are deemed to have a zero cost base for tax purposes means that the gains realized by investors when the shares are sold will be larger than they would otherwise have been, resulting in more taxes being paid on the incremental capital gains.[11] On a present-value basis, the cost of this tax expenditure would be calculated by comparing the discounted present value of the deductions and capital gains, with and without the flow-through mechanism.

The estimates and projections of the cost of this tax expenditure presented in this report are on a cash-flow basis and represent an upper-bound of the cost, since it is effectively assumed that the issuing corporations would never have been able to deduct the transferred expenses.[12]

Deductibility of Contributions to a Qualifying Environmental Trust

A qualifying environmental trust is an arm’s length trust to which companies operating certain sites like mines and waste disposal sites are required by law to make contributions in order to pre-fund site reclamation costs. Since general income tax rules do not permit a deduction for contingent expenses, a deduction for prepaying such costs would normally only be allowed when the reclamation costs are actually incurred. In the absence of relief, this could give rise to cash-flow issues since no tax recognition would be provided when the contributions are made. Further, since reclamation expenses are normally paid after the closure of a site when it is no longer producing revenues, the company (particularly if it is a single-site company) may not have any taxable income against which to claim the expenses.

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10 For additional information on flow-through shares, see the study “Flow-Through Shares: A Statistical Perspective” published in the 2013 edition of this report.

11 The incremental portion of the gain is the difference between the zero cost base and the price at which the company would have been able to issue regular common shares.

12 Limited data is available to determine when, if ever, the expenses being flowed through would otherwise have been deducted by the issuing corporations. Available data indicates, for example, that 96% of corporations that flowed through expenses to investors for the 2013 taxation year were not taxable in that year and thus not in a position to immediately deduct the expenses themselves. Many junior exploration corporations in Canada, particularly in the mining sector, never become taxable entities. It is a common business model that once an exploitable resource is found, the resource will be sold to a larger corporation or group with more experience developing and operating extraction projects.

In response to these issues, it is possible to deduct a contribution made to a qualifying environmental trust in the year the contribution is made, provided that the contributor is a beneficiary under the trust. Income earned in the trust is subject to tax each year under Part XII.4 of the *Income Tax Act*. The income taxed in the trust is also considered taxable income of the corporation that established it, but the corporation receives a refundable tax credit equal to its share of the tax paid by the trust. The net result is that trust income is effectively taxed at the marginal tax rate applicable to the corporation, rather than the rate applicable to the trust. Amounts withdrawn from the trust to fund reclamation costs—both the original capital and income earned on it—are included in the recipient's income when withdrawn. As a result, the investment income is included in taxable income twice. Typically, however, the recipient will be able to deduct the reclamation costs incurred against the above income inclusion, resulting in no net tax cost at the time of withdrawal.

The inclusion of trust income in taxable income twice—once when earned and a second time when withdrawn—offsets in whole or in part (depending on whether the corporation's discount rate equals or exceeds the net rate of return earned by the capital invested in the trust) the present value benefit to the corporation of bringing forward the deduction for reclamation costs to the time when the funds are first contributed. The nominal value (ignoring the time value of money) of this tax expenditure over the life of a particular project may be negative as a result of the double inclusion in taxable income of the trust earnings. It will tend to be positive, however, if the company is taxable at the time of the contribution to the trust (so that the upfront deduction is available), but not taxable at the time of withdrawal (which could well be the case for a single-mine operation once the mine ceases to operate).

Part 2
Tax Expenditure Estimates and Projections

Introduction

Part 2 presents the estimates of the fiscal cost of federal tax expenditures for the years 2011 to 2018. It presents estimates for a wide range of tax expenditures, measures that are not considered tax expenditures (i.e., measures that are considered part of the benchmark tax system), and refundable tax credits that are classified as transfer payments. The estimates are followed by a second set of tables that present background statistics on total tax revenues by tax base, as well as some other useful statistics, such as the number of filers and tax paid by income tax bracket. Finally, key changes that have been made to tax expenditures since the last edition are described.

Notes:

The elimination of a tax expenditure would not necessarily yield the full tax revenues shown in the table. See Part 1 of this report for a discussion of the reasons for this.

A structural measure is one whose main objective is internal to the tax system. The classification of a measure as structural or non-structural is not indicative of the relevance and performance of the measure. A measure could pursue both structural and non-structural objectives, in which case it is categorized based on an assessment of whether the structural or non-structural component predominates (see explanation in the introduction to Part 3 of the report).

Amounts under $500,000 are reported as “S” (“small”), amounts between $500,000 and $5 million are rounded to the nearest $1 million, and amounts above $5 million are rounded to the nearest $5 million.

Symbols:

n.a.	No data available to support a meaningful estimate or projection
–	Tax expenditure not in effect
X	Not published for confidentiality reasons
PIT	Personal income tax
CIT	Corporate income tax
GST	Goods and Services Tax

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2011	2012	2013	2014	2015	2016	2017	2018
TAX EXPENDITURES									
ARTS AND CULTURE									
Structural									
Deduction for self-employed artists	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Children's Arts Tax Credit	PIT	30	35	40	40	45	30	–	–
BUSINESS – FARMING AND FISHING									
Structural									
Cash basis accounting	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from destruction of livestock	PIT	S	S	S	S	1	n.a.	n.a.	n.a.
	CIT	S	S	S	S	1	n.a.	n.a.	n.a.
Deferral of income from sale of livestock in a region of drought, flood or excessive moisture	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Flexibility in inventory accounting	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral of income from grain sold through cash purchase tickets	PIT	45	20	-10	-20	10	10	n.a.	n.a.
	CIT	55	20	-10	-25	15	10	n.a.	n.a.
Exemption for insurers of farming and fishing property	CIT	5	10	10	10	10	10	10	10
Patronage dividends paid as shares by agricultural cooperatives	PIT	2	2	1	1	2	2	2	2
	CIT	5	4	3	3	4	4	4	4
Tax treatment of farm savings accounts (AgriInvest and Agri-Québec)	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zero-rating of agricultural and fish products and purchases	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
BUSINESS – NATURAL RESOURCES									
Non-structural									
Accelerated capital cost allowance for liquefied natural gas facilities	PIT	–	–	–	–	n.a.	n.a.	n.a.	n.a.
	CIT	–	–	–	–	n.a.	n.a.	n.a.	n.a.
Accelerated capital cost allowance for mining and oil sands assets	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2011	2012	2013	2014	2015	2016	2017	2018
BUSINESS – NATURAL RESOURCES *(cont'd)*									
Accelerated deductibility of some Canadian Exploration Expenses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate Mineral Exploration and Development Tax Credit	CIT	70	35	15	30	5	10	10	10
Earned depletion	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	S	S	S	S	S	S	S	S
Flow-through share deductions	PIT	240	150	100	100	65	95	100	105
	CIT	65	45	30	30	40	30	30	30
Mineral Exploration Tax Credit for flow-through share investors	PIT	100	45	20	30	30	30	-4	-2
Reclassification of expenses under flow-through shares	PIT	-5	-10	-5	-5	-10	-5	-5	-4
	CIT	-2	-2	-1	-1	-1	-1	-1	S
BUSINESS – RESEARCH AND DEVELOPMENT									
Non-structural									
Expensing of current expenditures on scientific research and experimental development	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expensing of purchases of capital equipment used for scientific research and experimental development	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Scientific Research and Experimental Development Investment Tax Credit (non-refundable portion for CIT)	PIT	4	4	3	1	1	1	1	1
	CIT	1,645	1,845	1,935	1,345	1,360	1,385	1,445	1,500
BUSINESS – SMALL BUSINESSES									
Structural									
Small suppliers' threshold	GST	200	205	210	225	225	230	245	255
Non-structural									
Deduction of allowable business investment losses	PIT	35	40	30	40	40	40	40	40
	CIT	15	10	10	10	15	10	10	10
Non-taxation of provincial assistance for venture investments in small businesses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Preferential tax rate for small businesses	CIT	3,850	3,155	2,965	3,115	3,250	3,515	3,625	3,660
Rollovers of investments in small businesses	PIT	4	X	5	5	X	5	10	10

Table

Estimates and Projections

millions of dollars

		Estimates				Projections			
		2011	2012	2013	2014	2015	2016	2017	2018
BUSINESS – OTHER									
Structural									
Deductibility of costs of capital assets and eligibility for investment tax credits before asset is put in use	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deductibility of earthquake reserves	CIT	1	1	S	S	S	1	1	1
Deferral through five-year capital gain reserve	PIT	3	10	10	10	10	20	20	20
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through rollover of capital gains and capital cost allowance recapture in respect of involuntary dispositions	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through use of billed-basis accounting by professionals and professional corporations	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from GST for domestic financial services	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from branch tax for transportation, communications, and iron ore mining corporations	CIT	40	10	10	4	1	15	15	15
Expensing of advertising costs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Expensing of incorporation expenses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Holdback on progress payments to contractors	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	45	45	60	80	55	55	55	60
Tax status of certain federal Crown corporations	CIT	X	X	X	X	X	X	X	X
Non-structural									
Accelerated capital cost allowance for computer equipment	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated capital cost allowance for manufacturing or processing machinery and equipment	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated capital cost allowance for vessels	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Atlantic Investment Tax Credit (non-refundable portion for CIT)	PIT	10	10	10	10	10	10	10	10
	CIT	120	290	365	190	230	185	175	170
Deferral for asset transfers to a corporation and corporate reorganizations	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Deferral through 10-year capital gain reserve	PIT	20	30	25	35	30	45	45	45

Table

Estimates and Projections

millions of dollars

		Estimates				Projections			
		2011	2012	2013	2014	2015	2016	2017	2018
BUSINESS – OTHER *(cont'd)*									
Deferral through rollover of capital gains and capital cost allowance recapture in respect of dispositions of land and buildings	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from tax for international banking centres	CIT	X	X	X	–	–	–	–	–
Expensing of employee training costs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Foreign Convention and Tour Incentive Program	GST	15	15	10	15	20	20	20	25
Lifetime Capital Gains Exemption	PIT	985	1,085	1,100	1,260	1,395	1,360	1,450	1,510
Non-deductibility of advertising expenses in foreign media	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	-1	S	S	S	S	S	S	S
Special tax rate for credit unions	CIT	55	35	25	20	15	10	1	–
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS									
Non-structural									
Additional deduction for gifts of medicine	CIT	S	S	S	S	S	S	S	S
Charitable Donation Tax Credit	PIT	2,370	2,350	2,525	2,570	2,700	2,850	2,980	3,080
Deductibility of charitable donations	CIT	410	420	315	495	450	495	490	495
Deduction for certain contributions by individuals who have taken vows of perpetual poverty	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from GST for certain supplies made by charities and non-profit organizations	GST	1,090	950	1,010	1,090	1,160	1,230	1,305	1,335
First-Time Donor's Super Credit	PIT	–	–	5	4	4	4	4	–
Non-taxation of capital gains on donations of cultural property	PIT	10	5	5	10	10	5	10	10
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of capital gains on donations of ecologically sensitive land	PIT	2	2	2	2	1	2	3	2
	CIT	1	1	1	3	S	1	2	1
Non-taxation of capital gains on donations of publicly listed securities	PIT	45	40	45	70	60	70	75	80
	CIT	65	55	70	100	60	80	85	90

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2011	2012	2013	2014	2015	2016	2017	2018
DONATIONS, GIFTS, CHARITIES AND NON-PROFIT ORGANIZATIONS *(cont'd)*									
Non-taxation of non-profit organizations	PIT CIT	125	75	95	95	65	55	75	100
Non-taxation of registered charities	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rebate for poppies and wreaths	GST	X	X	X	X	X	X	X	X
Rebate for qualifying non-profit organizations	GST	70	65	65	70	65	65	70	75
Rebate for registered charities	GST	285	290	290	305	300	305	320	330
EDUCATION									
Structural									
Deduction for tuition assistance for adult basic education	PIT	3	3	3	2	2	2	2	2
Education Tax Credit	PIT	655	685	705	725	750	770	400	295
Textbook Tax Credit	PIT	105	110	115	115	120	125	65	50
Tuition Tax Credit	PIT	935	995	1,040	1,120	1,190	1,215	1,360	1,545
Non-structural									
Exemption from GST for tuition and educational services	GST	545	585	635	670	700	720	750	775
Exemption of scholarship, fellowship and bursary income	PIT	n.a.	n.a.	210	220	240	245	295	315
Rebate for book purchases made by certain organizations	GST	20	20	20	15	15	20	20	20
Rebate for schools, colleges and universities	GST	740	700	700	710	720	745	750	750
Registered Education Savings Plans	PIT	170	160	170	155	150	125	110	110
Student Loan Interest Credit	PIT	40	45	45	40	40	40	40	35
EMPLOYMENT									
Structural									
Apprentice vehicle mechanics' tools deduction	PIT	4	4	4	3	3	3	4	4
Canada Employment Credit	PIT	1,995	2,040	2,110	2,185	2,240	2,260	2,325	2,380
Child care expense deduction	PIT	925	990	965	1,100	1,360	1,290	1,300	1,335
Deductibility of certain costs incurred by musicians	PIT	1	1	2	2	2	2	2	2
Deductibility of expenses by employed artists	PIT	S	S	S	S	S	S	S	S

Table

Estimates and Projections

millions of dollars

		Estimates				Projections			
		2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
EMPLOYMENT ***(cont'd)***									
Deduction for tradespeople's tool expenses	PIT	3	2	2	2	2	2	2	2
Deduction of other employment expenses	PIT	955	970	955	920	960	1,000	1,010	1,055
Deduction of union and professional dues	PIT	825	860	890	915	975	985	1,025	1,070
Moving expense deduction	PIT	100	100	95	100	105	110	110	115
Non-taxation of allowances for diplomats and other government employees posted abroad	PIT	45	25	25	25	35	40	n.a.	n.a.
Non-taxation of allowances for members of legislative assemblies and certain municipal officers	PIT	15	15	15	20	20	20	20	25
Non-taxation of benefits in respect of home relocation loans	PIT	S	S	S	S	S	S	S	S
Non-taxation of certain non-monetary employment benefits	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rebate to employees and partners	GST	70	65	65	60	65	65	65	70
Non-structural									
Apprenticeship Job Creation Tax Credit	PIT	2	2	2	2	2	2	2	2
	CIT	70	85	95	95	95	100	100	100
Employee benefit plans	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Employee stock option deduction	PIT	740	590	630	745	685	695	725	755
Non-taxation of income earned by military and police deployed to international high- and moderate-risk operational missions	PIT	35	15	15	5	10	10	n.a.	n.a.
Northern Residents Deductions	PIT	170	180	175	180	180	230	230	235
Overseas Employment Tax Credit	PIT	75	70	55	40	20	–	–	–
ENVIRONMENT									
Structural									
Deductibility of contributions to a qualifying environmental trust	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	5	-2	S	-3	55	55	55	55

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2011	2012	2013	2014	2015	2016	2017	2018
ENVIRONMENT ***(cont'd)***									
Non-structural									
Accelerated capital cost allowance for clean energy generation equipment	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Accelerated deductibility of Canadian Renewable and Conservation Expenses	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Public Transit Tax Credit	PIT	160	170	180	180	190	190	200	205
FAMILIES AND HOUSEHOLDS									
Structural									
Adoption Expense Tax Credit	PIT	3	3	2	2	2	2	2	2
Caregiver Credit	PIT	110	120	130	140	145	145	150	155
Child Tax Credit	PIT	1,500	1,545	1,585	1,645	–	–	–	–
Eligible Dependant Credit	PIT	785	785	775	795	895	925	940	960
Family Caregiver Tax Credit	PIT	–	55	65	65	70	70	70	75
Goods and Services Tax/Harmonized Sales Tax Credit	GST	3,870	3,995	4,090	4,175	4,315	4,450	4,490	4,595
Infirm Dependant Credit	PIT	5	5	5	5	5	5	10	10
Spouse or Common-Law Partner Credit	PIT	1,575	1,635	1,580	1,580	1,500	1,540	1,580	1,620
Non-structural									
Deferral of capital gains through transfers to a spouse, spousal trust or alter ego trust	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption from GST for child care	GST	130	135	145	150	155	160	165	175
Exemption from GST for personal care services	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Family Tax Cut	PIT	–	–	–	1,700	1,715	–	–	–
Inclusion of the Universal Child Care Benefit in the income of an eligible dependant	PIT	2	2	2	2	5	4	–	–
Investment Tax Credit for Child Care Spaces	PIT	S	S	S	S	S	S	S	S
	CIT	S	S	S	S	S	S	S	S
Non-taxation of up to $10,000 of death benefits	PIT	5	5	5	5	5	5	5	5
Tax treatment of alimony and maintenance payments	PIT	60	60	65	65	65	75	80	80
Zero-rating of feminine hygiene products	GST	–	–	–	–	15	35	35	35

Table

Estimates and Projections

millions of dollars

		Estimates				Projections			
		2011	2012	2013	2014	2015	2016	2017	2018
HEALTH									
Structural									
Disability supports deduction	PIT	2	2	1	3	3	3	3	4
Disability Tax Credit	PIT	685	760	815	890	935	960	995	1,035
Medical Expense Tax Credit	PIT	1,135	1,160	1,200	1,300	1,385	1,480	1,595	1,715
Non-structural									
Children's Fitness Tax Credit (before 2015)	PIT	110	115	115	180	–	–	–	–
Exemption from GST for health care services	GST	610	655	670	705	735	760	790	820
Exemption from GST for hospital parking	GST	–	–	–	15	15	20	20	20
Home Accessibility Tax Credit	PIT	–	–	–	–	–	40	40	45
Non-taxation of benefits from private health and dental plans	PIT	2,315	2,420	2,520	2,585	2,650	2,605	2,740	2,865
Rebate for hospitals, facility operators and external suppliers	GST	620	590	635	650	690	710	720	720
Rebate for specially equipped motor vehicles	GST	S	S	S	S	S	S	S	S
Registered Disability Savings Plans	PIT	10	25	30	35	40	55	55	65
Surtax on the profits of tobacco manufacturers	CIT	X	X	X	X	X	X	X	X
Zero-rating of medical and assistive devices	GST	325	325	340	360	370	380	385	400
Zero-rating of prescription drugs	GST	725	735	755	775	785	820	855	885
HOUSING									
Structural									
Exemption from GST for sales of used residential housing and other personal-use real property	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Exemption from GST for certain residential rent	GST	1,580	1,695	1,655	1,670	1,775	1,865	1,960	2,065
Exemption from GST for short-term accommodation	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
First-Time Home Buyers' Tax Credit	PIT	110	110	105	115	120	120	120	125
Non-taxation of capital gains on principal residences	PIT	4,700	3,900	4,160	5,110	6,195	7,490	6,770	6,615
Rebate for new housing	GST	575	580	595	575	575	550	525	505
Rebate for new residential rental property	GST	65	85	110	120	120	110	100	100

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2011	2012	2013	2014	2015	2016	2017	2018
INCOME SUPPORT									
Non-structural									
Non-taxation of certain veterans' benefits	PIT	270	265	255	240	230	215	210	200
Non-taxation of Guaranteed Income Supplement and Allowance benefits	PIT	130	140	140	145	155	175	190	210
Non-taxation of investment income on certain amounts received as damages in respect of personal injury or death	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of RCMP pensions and other compensation in respect of injury, disability or death	PIT	15	20	20	25	25	30	30	30
Non-taxation of social assistance benefits	PIT	155	175	180	185	195	205	215	225
Non-taxation of workers' compensation benefits	PIT	610	630	620	645	650	640	660	675
INTERGOVERNMENTAL TAX ARRANGEMENTS									
Structural									
Income tax exemption for certain public bodies	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Rebate for municipalities	GST	2,010	1,995	2,055	2,160	2,220	2,200	2,235	2,285
Refunds for aboriginal self-governments	GST	5	5	5	5	5	5	5	5
Non-structural									
Logging Tax Credit	PIT	1	1	1	1	1	1	1	1
	CIT	10	10	15	20	20	20	20	25
INTERNATIONAL									
Structural									
Deductibility of countervailing and anti-dumping duties when paid	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Exemption for international shipping and aviation by non-residents	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of certain importations	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of life insurance companies' foreign income	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Travellers' exemption	GST	195	215	230	250	250	250	260	270

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2011	2012	2013	2014	2015	2016	2017	2018
INTERNATIONAL *(cont'd)*									
Non-structural									
Exemptions from non-resident withholding tax	PIT CIT	4,075	4,620	4,955	5,215	5,220	5,310	5,540	5,745
Tax treatment of active business income of foreign affiliates of Canadian corporations and deductibility of expenses incurred to invest in foreign affiliates	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
RETIREMENT									
Non-structural									
Deferred Profit-Sharing Plans	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Partial inclusion of U.S. Social Security benefits	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pension Income Credit	PIT	1,035	1,065	1,100	1,140	1,165	1,195	1,235	1,275
Pension income splitting	PIT	975	1,040	1,075	1,150	1,195	1,245	1,340	1,435
Pooled Registered Pension Plans	PIT	–	–	–	–	n.a.	n.a.	n.a.	n.a.
Registered Pension Plans	PIT	15,335	18,910	20,840	24,925	24,040	24,850	26,220	27,405
Registered Retirement Savings Plans	PIT	9,735	12,360	13,700	15,960	15,605	15,715	16,275	16,935
Saskatchewan Pension Plan	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SAVINGS AND INVESTMENT									
Structural									
$200 capital gains exemption on foreign exchange transactions	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Capital gains exemption on personal-use property	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tax treatment of investment income from life insurance policies	PIT	285	275	270	255	220	210	195	200
Taxation of capital gains upon realization	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-structural									
Labour-Sponsored Venture Capital Corporations Credit	PIT	140	150	145	125	90	150	155	160
Non-taxation of capital dividends	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Partial inclusion of capital gains	PIT	3,775	3,310	4,115	5,580	5,755	5,590	6,005	6,265
	CIT	3,930	3,925	4,510	5,370	5,890	6,085	6,255	6,490
Tax-Free Savings Account	PIT	170	250	410	555	655	885	1,020	1,140

Table

Estimates and Projections

millions of dollars

		Estimates				Projections			
		2011	2012	2013	2014	2015	2016	2017	2018
SOCIAL									
Non-structural									
Age Credit	PIT	2,530	2,720	2,885	3,025	3,145	3,330	3,465	3,620
Deduction for clergy residence	PIT	85	90	85	90	95	95	100	100
Exemption from GST and rebate for legal aid services	GST	30	30	30	35	35	35	35	40
Exemption from GST for ferry, road and bridge tolls	GST	10	10	10	10	10	10	10	10
Exemption from GST for municipal transit	GST	170	175	185	190	200	205	215	220
Exemption from GST for water, sewage and basic garbage collection services	GST	205	210	230	245	255	265	275	285
Political Contribution Tax Credit	PIT	25	25	25	30	55	35	35	35
Search and Rescue Volunteers Tax Credit	PIT	–	–	–	2	2	2	2	2
Tax-free amount for emergency services volunteers	PIT	3	4	3	3	3	3	3	3
Volunteer Firefighters Tax Credit	PIT	15	15	15	15	15	15	15	15
Zero-rating of basic groceries	GST	3,645	3,765	3,880	4,060	4,115	4,295	4,460	4,630
OTHER									
Structural									
Non-taxation of income from the Office of the Governor General of Canada	PIT	S	S	–	–	–	–	–	–
Non-structural									
Non-taxation of personal property of status Indians and Indian bands situated on reserve	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	GST	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2011	2012	2013	2014	2015	2016	2017	2018
TAX MEASURES OTHER THAN TAX EXPENDITURES									
BUSINESS – OTHER									
Structural									
Deduction of carrying charges incurred to earn income	PIT	1,105	1,100	1,200	1,305	1,430	1,485	1,550	1,640
	CIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-capital loss carry-overs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	6,485	6,165	7,185	7,030	6,895	7,010	7,340	7,625
Partial deduction of and partial input tax credits for meals and entertainment	PIT	180	185	190	190	195	195	200	200
	CIT	280	275	265	290	295	300	295	300
	GST	150	155	160	165	165	175	180	185
Patronage dividend deduction	CIT	340	240	220	225	180	190	185	190
EMPLOYMENT									
Structural									
Non-taxation of strike pay	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tax treatment of Canada Pension Plan and Quebec Pension Plan contributions and benefits	PIT	8,250	8,880	9,195	9,625	10,180	10,315	10,670	11,065
Tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits	PIT	3,265	3,540	3,805	3,970	4,180	4,210	3,750	3,935
INTERGOVERNMENTAL TAX ARRANGEMENTS									
Structural									
Non-taxation of lottery and gambling winnings	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Quebec Abatement	PIT	3,885	4,040	4,130	4,270	4,615	4,615	4,890	5,110
Transfer of income tax points to provinces	PIT	18,340	19,115	20,155	21,120	22,845	22,830	24,185	25,325
	CIT	2,440	2,515	2,655	2,855	2,890	3,035	3,020	3,045
INTERNATIONAL									
Structural									
Foreign tax credit for individuals	PIT	770	860	970	1,210	1,225	1,235	1,255	1,270

Table
Estimates and Projections
millions of dollars

		Estimates				Projections			
		2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
SAVINGS AND INVESTMENT									
Structural									
Capital loss carry-overs	PIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	CIT	565	535	560	810	870	625	650	670
Dividend gross-up and tax credit	PIT	4,145	4,415	5,025	4,625	5,695	3,560	4,595	4,870
Investment corporation deduction	CIT	S	S	S	S	S	S	S	S
Refundable capital gains tax for investment and mutual fund corporations	CIT	205	110	225	555	1,000	615	640	665
OTHER									
Structural									
Credit for the Basic Personal Amount	PIT	28,915	30,275	31,495	32,505	33,950	34,690	35,745	36,705
Non-taxation of veterans' Disability Awards and Critical Injury Benefits	PIT	95	105	115	115	155	180	195	210
Refundable taxes on investment income of private corporations	CIT	215	55	-20	-740	-395	-605	-695	-730
Special tax computation for certain retroactive lump-sum payments	PIT	S	S	4	1	S	S	S	S
REFUNDABLE TAX CREDITS CLASSIFIED AS TRANSFER PAYMENTS									
Atlantic Investment Tax Credit (refundable portion)	CIT	15	15	15	15	20	20	20	20
Canada Child Benefit	PIT	10,050	10,265	10,400	10,370	10,510	19,900	22,900	22,600
Canadian Film or Video Production Tax Credit	CIT	225	265	255	255	265	275	300	310
Children's Fitness Tax Credit (after 2014)	PIT	–	–	–	–	210	145	–	–
Film or Video Production Services Tax Credit	CIT	90	90	90	140	145	145	150	155
Refundable Medical Expense Supplement	PIT	135	140	140	140	145	150	155	160
Scientific Research and Experimental Development Investment Tax Credit (refundable portion)	CIT	1,495	1,455	1,335	1,290	1,265	1,305	1,350	1,405
Teacher and Early Childhood Educator School Supply Tax Credit	PIT	–	–	–	–	–	25	25	25
Working Income Tax Benefit	PIT	1,080	1,100	1,180	1,165	1,165	1,165	1,165	1,165

Tables

Background Statistics

Federal Revenues, Fiscal Year 2015–16

	Revenues (billions of dollars)	Share of total revenues (%)	Share of gross domestic product (%)
Personal income taxes	144.9	49.0	7.3
Corporate income taxes	41.4	14.0	2.1
Non-resident withholding taxes	6.5	2.2	0.3
Goods and Services Tax	33.0	11.2	1.7
Other excise duties and taxes	16.9	5.7	0.8
Total tax revenues	242.7	82.1	12.2
Non-tax revenues	52.8	17.9	2.7
Total revenues	**295.5**	**100.0**	**14.9**

Note: Non-tax revenues include revenues from consolidated Crown corporations, net income from enterprise Crown corporations, returns on investments, foreign exchange revenues and proceeds from the sales of goods and services. Totals may not add due to rounding. Source: Department of Finance Canada, *Fall Economic Statement 2016*.

Federal Personal Income Tax Brackets and Rates, Tax Filers and Taxes Paid, 2014[13]

	Tax Brackets		Tax Filers		Taxes Paid	
	Income range	Rate	Number (millions)	Share (%)	Amount (billions of dollars)	Share (%)
First bracket	Under $43,953	15%	8.2	30	14.2	11
Second bracket	$43,953 - $87,907	22%	6.6	25	44.5	35
Third bracket	$87,907 - $136,270	26%	1.5	6	24.6	20
Fourth bracket	Over $136,270	29%	0.8	3	42.7	34
Taxable filers			17.1	64	126.0	100
Non-taxable filers			9.8	36		
All tax filers			**26.9**	**100**		

Note: These statistics are presented on a public accounts basis and calculated using the T1 micro-simulation model, which relies on individual tax returns for the 2014 taxation year provided by the Canada Revenue Agency. Taxes paid reflect the total amount of net federal tax reported on line 420 of the Income Tax and Benefit Return. Totals may not add due to rounding. Source: T1 Income Tax and Benefit Return sample data.

Federal Corporate Taxable Income, Number of Corporations and Taxes Paid (Corporations With Positive Taxable Income), 2014

	Taxable Income		Corporations Reporting Income		Taxes Paid	
	Amount (billions of dollars)	Share (%)	Number (thousands)	Share (%)	Amount (billions of dollars)	Share (%)
Canadian-controlled private corporations	151.3	51	867.3	98	19.7	49
Business income taxed at the preferential tax rate for small businesses	76.2	26	713.9	81		
Other business income taxed at the general rate	55.1	19	85.4	10		
Other income	20.0	7	275.9	31		
Other corporations	142.6	49	18.0	2	20.8	51
Business income taxed at the general rate	140.3	48	17.5	2		
Other income	2.3	1	9.0	1		
Total	**293.9**	**100**	**885.3**	**100**	**40.5**	**100**

Note: The sum of the number of corporations reporting each type of income does not add up to the total number of corporations, as a corporation may report income of more than one type. Totals may not add due to rounding. Source: T2 Corporation Income Tax Return (Corporation Tax Processing System) data.

[13] Effective for the 2016 and subsequent tax years, the rate applying to the second personal income tax bracket was reduced to 20.5%, and a fifth bracket was added to tax income over $200,000 at a rate of 33%.

Changes to Tax Expenditures Since the 2016 Edition

New tax measures were introduced and others modified since the last edition of this report. In addition to tax measures for which legislation is already in force, this report also considers announced measures that have a coming-into-force date in the 2017 taxation year or earlier, even if the enacting legislation of the measure has not received Royal Assent by the time of production of this report. Changes affecting estimates and projections of tax expenditures are described below.

Personal Income Tax

Canada Child Benefit

To simplify and consolidate the previous system of federal benefits for families with children under the age of 18, while ensuring that help is more generous and better targeted to those who need it most, Budget 2016 introduced the Canada Child Benefit.

Canada Child Benefit payments began in July 2016, replacing the Canada Child Tax Benefit, including the National Child Benefit supplement, and the Universal Child Care Benefit. The Canada Child Benefit provides a maximum benefit of $6,400 per child under the age of 6 and $5,400 per child aged 6 through 17. On the portion of adjusted family net income between $30,000 and $65,000, the benefit is phased out at a rate of 7% for a one-child family, 13.5% for a two-child family, 19% for a three-child family and 23% for larger families. Where adjusted family net income exceeds $65,000, remaining benefits are phased out at rates of 3.2% for a one-child family, 5.7% for a two-child family, 8% for a three-child family and 9.5% for larger families, on the portion of income above $65,000. Indexation to inflation of the maximum benefit amounts and phase-out thresholds is to begin for the 2020–21 benefit year.

Table
Canada Child Benefit Phase-out Rates and Adjusted Family Net Income Thresholds

	Phase-Out Rates (%)	
Number of children (for phase-out rates)	$30,000 to $65,000	Over $65,000
1 child	7.0	3.2
2 children	13.5	5.7
3 children	19.0	8.0
4 or more children	23.0	9.5

To recognize the additional costs of caring for a child with a severe disability, Budget 2016 continues to provide an additional amount of up to $2,730 per child eligible for the Disability Tax Credit, effective July 1, 2016. The phase-out of this additional amount is made to generally align with the Canada Child Benefit. Specifically, it is phased out at a rate of 3.2% for families with one eligible child and 5.7% for families with more than one eligible child, on adjusted family net income in excess of $65,000. This additional amount is included in the Canada Child Benefit payments made to eligible families.

Entitlement to the Canada Child Benefit for the July 2016 to June 2017 benefit year is based on adjusted family net income for the 2015 taxation year.

Family Tax Cut

A non-refundable income splitting tax credit (referred to in this report as the Family Tax Cut) was available for couples with at least one child under the age of 18. The credit allowed a higher-income spouse or common-law partner to notionally transfer up to $50,000 of taxable income to their spouse or common-law partner for the purpose of reducing the couple's total income tax liability by up to $2,000.

Budget 2016 eliminated this income splitting tax credit for couples with at least one child under the age of 18 for the 2016 and subsequent taxation years.

Northern Residents Deductions

Individuals who live in prescribed areas in northern Canada for at least six consecutive months beginning or ending in a taxation year may claim the Northern Residents Deductions in computing their taxable income for that year. The amounts that a taxpayer may deduct under the Northern Residents Deductions depend on whether the taxpayer resides in the Northern Zone or the Intermediate Zone. Residents of the Northern Zone are eligible to deduct the full amounts, while residents of the Intermediate Zone may deduct half of the amounts.

Budget 2016 increased the maximum residency deduction that each member of a household may claim from $8.25 to $11 per day and, where no other member of the household claims the residency deduction, from $16.50 to $22 per day for the 2016 taxation year. Residents of the Intermediate Zone will be entitled to deduct half of these increased amounts.

Labour-Sponsored Venture Capital Corporations Credit

Prior to 2015, individuals acquiring shares in a Labour-Sponsored Venture Capital Corporation (LSVCC) qualified for a 15% federal tax credit for investments of up to $5,000 each year. The federal LSVCC tax credit was reduced to 10% for the 2015 taxation year and to 5% for the 2016 taxation year. The credit was scheduled to be eliminated for the 2017 and subsequent taxation years.

To support provinces that use LSVCC programs, Budget 2016 restored the federal LSVCC tax credit to 15% for share purchases of provincially registered LSVCCs for the 2016 and subsequent taxation years.

Teacher and Early Childhood Educator School Supply Tax Credit

In recognition of costs educators often incur at their own expense for teaching supplies, Budget 2016 introduced a new Teacher and Early Childhood Educator School Supply Tax Credit. This measure will allow an eligible educator to claim a 15% refundable tax credit based on an amount of up to $1,000 in eligible supplies per year. Eligible educators will generally include teachers with a valid teacher's certificate and early childhood educators with a certificate or diploma in early childhood education. Eligible supplies will include games and puzzles, supplementary books for classrooms, educational support software, and containers (such as plastic boxes or banker boxes for themes and kits), as well as consumable goods, such as construction paper for activities, flashcards or activity centres. This measure will apply to supplies acquired on or after January 1, 2016.

Ontario Electricity Support Program

The Ontario Electricity Support Program (OESP) is a program of the Government of Ontario that, effective January 1, 2016, provides assistance to low-income households in Ontario for the cost of electricity. The OESP reduces the cost of household electricity by providing a monthly credit on a recipient's electricity bill. The credit depends on household income and how many people live in the household.

To ensure that income-tested benefits are not reduced as a result of OESP amounts, Budget 2016 exempted from income amounts received under the OESP. This measure will apply to the 2016 and subsequent taxation years. The impact of this change is reflected in the tax expenditure "Non-taxation of social assistance benefits".

Mineral Exploration Tax Credit for Flow-Through Share Investors

The Mineral Exploration Tax Credit is a reduction in tax, available to individuals who invest in flow-through shares, equal to 15% of specified mineral exploration expenses incurred in Canada and transferred to flow-through share investors. The credit was introduced on a temporary basis in 2000 and has generally been extended on an annual basis since then. Budget 2016 announced an extension of the credit for an additional year, to flow-through share agreements entered into on or before March 31, 2017. Under the one-year "look-back" rule, funds raised with the benefit of the credit in 2017, for example, can be spent on eligible exploration up to the end of 2018.

Education and Textbook Tax Credits

To enhance financial assistance for students from low- and middle-income families, Budget 2016 eliminated the Education Tax Credit and Textbook Tax Credit effective January 1, 2017. Unused Education and Textbook Tax Credit amounts carried forward from years prior to 2017 remain available to be claimed in 2017 and subsequent years.

Children's Fitness and Arts Tax Credits

Budget 2016 announced the phased-out of the Children's Fitness Tax Credit and Children Arts Tax Credit by reducing the maximum eligible amounts from $1,000 to $500 for the Children's Fitness Tax Credit and from $500 to $250 for the Children's Arts Tax Credit in 2016. The supplemental amounts for children eligible for the Disability Tax Credit remain unchanged at $500 in 2016. Both credits and the supplemental amounts are eliminated effective January 1, 2017.

Corporate Income Tax

Preferential Tax Rate for Small Businesses

Small businesses benefit from a reduced income tax rate (relative to the general corporate tax rate of 15%) on their first $500,000 of active business income. The preferential rate was reduced to 10.5% (from 11%) as of 2016 under legislation to enact changes announced in Budget 2015. Budget 2016 announced the deferral of further reductions in the rate. In order to preserve the integration of the personal and corporate income tax systems, Budget 2016 also announced that the current gross-up factor and Dividend Tax Credit rate applicable to non-eligible dividends (generally, dividends distributed from corporate income taxed at the small business rate) would be maintained.

Deduction for Intangible Assets (Eligible Capital Expenditures)

Eligible capital property for income tax purposes includes intangible property such as goodwill and licences, franchises and quotas of indeterminate duration, as well as certain other rights. Budget 2016 announced that the eligible capital property regime will be repealed and will be replaced with a new capital cost allowance class available to businesses, effective January 1, 2017. Accordingly, the eligible capital property regime is no longer presented as a separate measure in this report.

Expensing of Incorporation Expenses

Budget 2016 announced that to reduce compliance burdens in respect of incorporation expenses, a separate business deduction will be provided for these expenditures, such that the first $3,000 of these expenditures will be treated as a current expense rather than being capitalized and depreciated over time. This measure is effective January 1, 2017.

Accelerated Capital Cost Allowance for Clean Energy Generation Equipment

Budget 2016 expanded the accelerated capital cost allowance under classes 43.1 and 43.2, which provide accelerated tax depreciation for clean energy generation and energy conservation equipment, to include certain electric vehicle charging stations and electrical energy storage equipment. These changes apply to property acquired after March 21, 2016.

Canadian Film or Video Production Tax Credit

Talk shows were made eligible for the Canadian Film or Video Production Tax Credit by removing the reference to “talk shows” from the definition of “excluded production” for the purposes of the credit. This change applies to productions for which the principal photography starts after February 16, 2016.

Part 3
Descriptions of Tax Expenditures

Introduction

This part presents detailed information on the tax expenditures presented in this report. The following information is provided for each tax expenditure:

Description

A short description is provided of the key design features of the tax expenditure, as applicable on December 31, 2016 (unless otherwise noted).

Type of tax

Whether a measure is a tax expenditure under the personal income tax, the corporate income tax and/or the GST.

Beneficiaries

Indicates the group of taxpayers (e.g., families, seniors, small businesses) benefiting from the tax expenditure.

Type of measure

One of the following types of measures is attributed to the tax expenditure:

Exemption: The non-taxation of certain taxpayers, income or gains.

Exemption and zero-rating under the GST: No GST is charged on exempt goods and services, while the GST applies on zero-rated goods and services, but at a zero GST rate. Vendors of zero-rated goods and services are entitled to claim input tax credits to recover the full amount of GST they paid on inputs used to produce zero-rated products; in contrast, vendors of exempt goods and services are not entitled to claim input tax credits to recover the GST they paid on their inputs. A number of GST expenditures are not exemptions or zero-rating provisions from a legal perspective, yet have the effect of not imposing the GST on certain goods and services (e.g., travellers' exemption, small suppliers' threshold). These measures are classified as "other".

Deduction: An amount subtracted from total income in determining net income, or from net income in determining taxable income.

Credit (refundable, non-refundable): An amount subtracted from tax payable. A credit is refundable when any excess of the credit over the amount of tax payable is refunded to the taxpayer.

Rebate and refund: An amount of tax paid that is refunded to the taxpayer.

Preferential tax rate: A tax rate that is lower than the general benchmark rate.

Surtax: A tax that is imposed in addition to the basic tax payable.

Timing preference: A measure that permits the deferral of tax relative to the benchmark tax treatment, for instance by delaying the time income or gains are brought into income, or by accelerating the use of deductions.

Legal reference

Indicates the legal provisions that relate to the tax expenditure. Only the main acting provision is generally indicated, but more than one provision may be indicated when a tax expenditure results from the interaction of multiple key provisions.

Implementation and recent history

Indicates the date or year the tax expenditure was implemented and became effective. Key recent developments are also reported.

Objective

Indicates the objective(s) being pursued by the tax expenditure, as officially stated by the Government when the tax expenditure was introduced or subsequently. When no official statement could be found, the objective(s) currently pursued by the tax expenditure is indicated, as can be determined from the design and effects of the tax expenditure.

For presentation purposes, objectives have been classified in the following standard categories:

Objectives that are internal to the tax system:

- To reduce administration or compliance costs
- To provide relief for special circumstances
- To assess tax liability over a multi-year period
- To prevent double taxation
- To recognize non-discretionary expenses (ability to pay)
- To recognize expenses incurred to earn employment income
- To recognize education costs
- To promote the fairness of the tax system
- To ensure a neutral tax treatment across similar situations
- To implement intergovernmental tax arrangements
- To implement a judicial decision

Other objectives:

- To extend or modify the unit of taxation
- To provide income support or tax relief
- To encourage savings
- To encourage or attract investment
- To encourage investment in education
- To encourage employment
- To support competitiveness
- To support business activity
- To achieve an economic objective - other
- To achieve a social objective

Category

The category indicates whether the measure is structural or non-structural. A structural tax measure is one whose main objective is internal to the tax system (see above list under "Objective"). When a measure pursues both structural and non-structural objectives, it is categorized based on an assessment of whether the structural or non-structural component predominates; for instance, the Home Accessibility Tax Credit supports independent living and as such is classified as non-structural, even though this credit also provides tax recognition for some non-discretionary expenses, which is a structural objective. The classification of a tax expenditure as structural or non-structural is not indicative of the relevance and performance of the measure.

Refundable tax credits (with the exception of the GST/HST Credit) are treated as direct spending for government accounting purposes, and for that reason are assigned to a separate category.

Reason why this measure is not part of benchmark tax system

Indicates the manner(s) in which the tax expenditure is departing from the benchmark tax system (see the section "Main Types of Tax Expenditures" in Part 1 of the report). Measures that are part of the benchmark tax system are indicated as such.

Subject

Tax expenditures are classified based on their subject matter. This classification is provided solely for presentational purposes and is not intended to reflect underlying policy considerations. The following subjects have been identified:

Arts and culture

Business - farming and fishing

Business - natural resources

Business - research and development

Business - small businesses

Business - other

Donations, gifts, charities and non-profit organizations

Education

Employment

Environment

Families and households

Health

Housing

Income support

Intergovernmental tax arrangements

International

Retirement

Savings and investment

Social

Other

Canadian Classification of Functions of Government 2014 code

The Canadian Classification of Functions of Government (CCOFOG) is a classification used by Statistics Canada in reporting government finance, fiscal and public sector statistics. This classification is a variant of the international functional expenditure classification standard that was developed by the Organisation for Economic Co-operation and Development to facilitate international comparisons. The full 2014 CCOFOG can be accessed on the Statistics Canada website at www.statcan.gc.ca.

Other relevant government programs

This provides background information on spending programs of the federal government that are relevant to the policy area of the tax expenditure. Additional information on these programs can be found in the table at the end of Part 3 and in the Departmental Plans and Departmental Performance Reports of the relevant departments and agencies.[14]

Source of data

Indicates the source of the data used in calculating the cost estimates and projections for the tax expenditure.

Estimation method

Provides a short description of the method used to calculate the cost estimates for the tax expenditure. For additional details, see the section "Calculation of the Tax Expenditure Estimates and Projections" in Part 1 of the report.

Projection method

Provides a short description of the method used to calculate the cost projections for the tax expenditure. For additional details, see the section "Calculation of the Tax Expenditure Estimates and Projections" in Part 1 of the report.

Number of beneficiaries

Provides information (when available) on the number of individuals, families, corporations or other organizations that benefit from the tax expenditure. A taxpayer benefits from a measure when the measure reduces his or her net tax payable. Some taxpayers are not taxable and may not get any tax relief from a given measure even though, for instance, they claim a particular deduction or credit on their tax returns. In some cases, in lieu of information on the number of beneficiaries, information on the number of claimants or other information providing some indication of the number of potential beneficiaries is provided.

Cost information

Cost estimates and projections for the tax expenditure, when available, are copied from the table in Part 2 for convenience. Additional details are also provided for some measures.

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[14] These documents can be accessed on the Government of Canada website (www.canada.ca) under "Government-wide reporting". Departmental Plans were entitled "Reports on Plans and Priorities" prior to the 2017–18 release.

Cost estimates and projections are presented on a calendar year basis. The fiscal period of a corporation may overlap more than one calendar year; when this is the case, the value of a tax expenditure is allocated to the calendar year in which the corporation's fiscal period ends.

Totals may not add due to rounding.

Notes:

Amounts under $500,000 are reported as "S" ("small"), amounts between $500,000 and $5 million are rounded to the nearest $1 million and amounts above $5 million are rounded to the nearest $5 million.

n.a.	No data available to support a meaningful estimate or projection
n/a	Not applicable
–	Tax expenditure not in effect
X	Not published for confidentiality reasons
P	Projection

$200 capital gains exemption on foreign exchange transactions

Description	The first $200 of net capital gains of an individual on foreign exchange transactions is exempt from tax.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 39(1.1) and (2)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Technical legislative changes to move the $200 exception for individuals from subsection 39(2) into subsection 39(1.1) were adopted on June 26, 2013.
Objective – category	To reduce administration or compliance costs
Objective	This measure was introduced to minimize record keeping and simplify administration with respect to modest foreign exchange transactions.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Accelerated capital cost allowance for clean energy generation equipment

Description	Specified clean energy generation equipment that generates electricity and/or heat from renewable energy sources (e.g., wind, solar, small hydro) and from waste (e.g., wood waste, landfill gas) or by making efficient use of fossil fuels (e.g., high efficiency cogeneration) and that is acquired by a taxpayer after February 21, 1994 can be depreciated on a declining-balance basis at an accelerated capital cost allowance (CCA) rate of 30% (Class 43.1). If acquired after February 22, 2005 and before 2020, such equipment can be depreciated on a declining-balance basis at an accelerated CCA rate of 50% (Class 43.2). The eligibility criteria for these two classes are generally the same, except that cogeneration systems that use fossil fuels must meet a higher efficiency standard for Class 43.2 than for Class 43.1, electric vehicle charging stations must meet a higher power threshold and electrical energy storage equipment must be connected to an electricity generation system that is eligible for Class 43.2. Without Class 43.1 and Class 43.2, depending on their nature or use, many of these assets would be depreciated at lower rates of 4%, 8% or 20%. A related measure addresses specified intangible start-up costs of clean energy projects (see the measure “Accelerated deductibility of Canadian Renewable and Conservation Expenses”).
Tax	Personal and corporate income tax
Beneficiaries	Businesses using clean or efficient energy generation equipment
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, Classes 43.1 and Class 43.2 of Schedule II
Implementation and recent history	• The predecessor Class 34, introduced in 1976, provided an accelerated CCA rate of 50% on a straight-line basis for a range of energy generation and conservation equipment. • Class 43.1 was introduced in Budget 1994, effective for assets acquired after February 21, 1994. • Class 43.2 was introduced in Budget 2005, effective for assets acquired after February 22, 2005 and before 2012. Budget 2007 extended the eligibility for Class 43.2 to assets acquired before 2020.
Objective – category	To encourage or attract investment
Objective	This measure encourages businesses to invest in specified clean energy generation and energy efficiency equipment (*Technical Guide to Class 43.1 and 43.2*, Natural Ressources Canada, 2013).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Environment Business - other
CCOFOG 2014 code	70435 - Economic affairs - Fuel and energy - Electricity 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions by unincorporated businesses of specified clean energy generation equipment is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Accelerated capital cost allowance for computer equipment

Description	Eligible computers and software acquired after January 27, 2009 and before February 2011 could be depreciated at a 100% capital cost allowance (CCA) rate. The half-year rule, which generally allows one half of the CCA write-off otherwise available in the year the asset is first available for use, did not apply to these acquisitions. As a result, a business was able to fully deduct the cost of an eligible computer and software in the first year that CCA deductions were available. If not for this measure, these assets would have been depreciated at a 55% CCA rate on a declining-balance basis, subject to the half-year rule.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, subparagraph 1100(1)(a)(xxxiii) and Class 52 of Schedule II
Implementation and recent history	• Introduced in Budget 2009. Effective for eligible computers and software acquired after January 27, 2009 and before February 2011.
Objective – category	To encourage or attract investment
Objective	This temporary measure provided stimulus by assisting businesses to increase or accelerate investment in computers (Budget 2009).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permitted the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on computer purchases by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Accelerated capital cost allowance for liquefied natural gas facilities

Description	An accelerated capital cost allowance (CCA) is available for certain property acquired for use in facilities in Canada that liquefy natural gas. The accelerated CCA takes the form of an additional 22% allowance that, combined with the regular CCA rate of 8%, brings the CCA rate up to 30% for liquefaction equipment used in Canada in connection with natural gas liquefaction. A second additional allowance equivalent to 4% brings the CCA rate up to 10% from 6% for non-residential buildings that are part of facilities that are used to liquefy natural gas. These additional allowances may only be claimed against income of the taxpayer that is attributable to the liquefaction of natural gas at the facility.
Tax	Personal and corporate income tax
Beneficiaries	Businesses in the natural gas liquefaction industry
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, paragraph 1100(1)(yb), subsection 1101(4i) and paragraph (b) of Class 47 of Schedule II
Implementation and recent history	• Introduced in 2015 (Prime Minister of Canada news release, February 19, 2015). Effective for capital assets acquired after February 19, 2015 and before 2025.
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage investment in facilities that liquefy natural gas to supply emerging international and domestic markets (Prime Minister of Canada news release, February 19, 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - natural resources
CCOFOG 2014 code	70455 - Economic affairs - Transport - Pipeline and other transport
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on investment in liquefied natural gas facilities by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Accelerated capital cost allowance for manufacturing or processing machinery and equipment

Description	Machinery and equipment acquired by a taxpayer after March 18, 2007 and before 2016 and that is primarily for use in Canada for the manufacturing or processing of goods for sale or lease can be depreciated on a straight-line basis at an accelerated capital cost allowance (CCA) rate of 50% (Class 29 of Schedule II to the *Income Tax Regulations*). Machinery and equipment acquired after 2015 but before 2026 is depreciable on a declining-balance basis at an accelerated CCA rate of 50% (Class 53). Machinery and equipment acquired outside of these periods is included in Class 43 and qualifies for a CCA rate of 30% calculated on a declining-balance basis.
Tax	Personal and corporate income tax
Beneficiaries	Businesses in the manufacturing and processing industry
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, subparagraphs 1100(1)(t) and (ta), subsection 1102(16.1), and Classes 29 and 53 of Schedule II
Implementation and recent history	• The accelerated CCA provided at a rate of 50% on a straight-line basis was introduced in Budget 2007, effective for eligible manufacturing and processing machinery and equipment acquired on or after March 19, 2007. • Extended in Budgets 2008, 2009, 2011 and 2013. • Budget 2015 introduced the 50% accelerated CCA on a declining-balance basis, effective for eligible assets acquired after 2015 and before 2026.
Objective – category	To encourage or attract investment
Objective	This temporary measure provides an incentive for manufacturing and processing businesses to accelerate or increase capital investment (Budget 2008). Providing this incentive for an extended period of time helps to provide businesses with planning certainty for larger projects where the investment may not be completed until several years after the investment decision is made and for longer-term investments with multiple phases (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions by unincorporated businesses of manufacturing or processing machinery and equipment is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 13,800 corporations made additions to the relevant CCA class in 2014. No data is available for unincorporated businesses.

Accelerated capital cost allowance for mining and oil sands assets

Description	In addition to the regular capital cost allowance (CCA) deduction of 25% per year (Class 41), for assets used in mining, an accelerated CCA has been provided for assets acquired for use in new mines, including oil sands mines, and major mine expansions (i.e., expansions that increase the capacity of a mine by at least 25%). The additional allowance allows the taxpayer to deduct up to 100% of the remaining cost of the eligible assets in computing income for a taxation year, not exceeding the taxpayer's income for the year from the mine (calculated after deducting the regular CCA). This measure is being phased out and will no longer be available after 2020.
Tax	Personal and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, subsection 1100(1) and Classes 41, 41.1 and 41.2 of Schedule II
Implementation and recent history	• Introduced in Budget 1971, effective 1972. • Extended in Budget 1996 to in-situ oil sands projects (that is, projects that use oil wells rather than open-pit mining techniques to extract bitumen). This change ensured that both types of oil sands projects are accorded the same CCA treatment. Budget 1996 also extended the accelerated CCA to expenditures on eligible assets acquired in a taxation year for use in a mine or oil sands project, to the extent that the cost of those assets exceeds 5% of the gross revenue for the year from the mine or project. • Budget 2007 announced the phase-out over the 2011-2015 period of the accelerated CCA for oil sands projects. • Budget 2013 announced the phase-out over the 2017-2020 period of the accelerated CCA for all other mining projects.
Objective – category	To encourage or attract investment
Objective	This measure was introduced to maintain an incentive for mining investment while eliminating the three-year exemption for corporate profits that was previously provided for new mines, which was considered in many circumstances to be too generous (*Proposals for Tax Reform*, 1969).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 7043 - Economic affairs - Fuel and energy
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on Class 41 expenditures by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Accelerated capital cost allowance for vessels

Description	New vessels (including furniture, fittings, radio communication equipment and other equipment) that are constructed and registered in Canada and that were not used for any purpose whatsoever before acquisition by their owners can be depreciated at a maximum capital cost allowance (CCA) rate of 33⅓% on a straight-line basis. Vessels that do not qualify for this treatment are depreciable at a CCA rate of 15% on a declining-balance basis.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Regulations*, paragraph 1100(1)(v)
Implementation and recent history	• Introduced in 1967 (Order in Council P.C. 1967-1668). Effective for assets acquired on or after March 23, 1967.
Objective – category	To encourage or attract investment
Objective	This measure encourages investment in new vessels built and registered in Canada.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on acquisitions of vessels by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Accelerated deductibility of Canadian Renewable and Conservation Expenses

Description	Canadian Renewable and Conservation Expenses (CRCE) can be deducted in full in the year incurred even though some of these expenses are capital in nature. CRCE generally includes intangible start-up costs of renewable energy and energy efficiency projects for which at least 50% of the cost of depreciable assets can reasonably be expected to be property that is eligible for accelerated capital cost allowance (CCA) under CCA Class 43.1 or Class 43.2. CRCE also include expenses such as the cost of engineering and feasibility studies, which may be considered analogous to exploration expenses incurred by firms in the non-renewable resource sector. As a type of Canadian Exploration Expense, CRCE can be carried forward indefinitely or transferred to flow-through share investors. For more information, see the related measures "Accelerated capital cost allowance for clean energy generation equipment" and "Flow-through share deductions".
Tax	Personal and corporate income tax
Beneficiaries	Businesses using clean or efficient energy generation equipment
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 66.1(6) *Income Tax Regulations*, section 1219
Implementation and recent history	• Introduced in Budget 1996. Effective for expenditures incurred after December 5, 1996.
Objective – category	To encourage or attract investment
Objective	This measure encourages investments in clean energy generation and energy conservation projects and makes the tax treatment of the renewable and non-renewable energy sectors more similar (Budget 1996; *Technical Guide to Canadian Renewable and Conservation Expenses*, Natural Resources Canada, 2012).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Environment Business - other
CCOFOG 2014 code	70435 - Economic affairs - Fuel and energy - Electricity 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on CRCE incurred by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Accelerated deductibility of some Canadian Exploration Expenses

Description	Canadian Exploration Expenses (CEE) are deductible at a rate of 100% in the year incurred. CEE includes certain intangible costs incurred to determine the existence, location, extent or quality of a crude oil or natural gas reservoir or of a mineral resource not previously known to exist. For the mining sector (including oil sands mines), CEE have also included intangible pre-production development expenses—costs incurred for the purpose of bringing a new mine into production in reasonable commercial quantities. However, the eligibility of these latter expenses will be phased out by 2018. Exploration expenses are undertaken to create an asset (the reserves discovered), and as with generally accepted accounting tax principles, the benchmark tax treatment would be to capitalize and amortize the expenses of successful exploration over the life of the asset. Unsuccessful efforts that do not result in an exploitable asset could be expensed. On the other hand, some unsuccessful exploration could be considered part of a more general project and may provide valuable information that can assist future exploration efforts, which may imply amortization.
Tax	Personal and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 66.1
Implementation and recent history	• Budget 1974 introduced CEE as a category distinct from Canadian Development Expenses. • Budget 1978 expanded coverage to include certain expenditures relating to the development of a new mine. • Budget 2011 announced the phasing out by 2016 of the eligibility for CEE of pre-production development expenses for oil sands mines. • Budget 2013 announced the phasing out by 2018 of the eligibility for CEE of pre-production development expenses for all other mines.
Objective – category	To encourage or attract investment
Objective	This measure recognizes the challenges facing mining and oil and gas companies—a low probability of success, large capital requirements and long timeframes before reporting positive cash flow—as they explore for resources (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 70432 - Economic affairs - Fuel and energy - Petroleum and natural gas
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on CEE incurred by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Additional deduction for gifts of medicine

Description	Corporations that donate medicines from their inventory to an eligible charity can claim an additional deduction equal to the lesser of: • 50% of the amount by which the fair market value of the donated medicine exceeds its cost; and • the cost of the medicine. An eligible charity is a registered charity that meets the conditions prescribed by regulation. In particular, the registered charity must: • deliver the medicine received outside Canada; • act in a manner consistent with the principles and objectives of the *Guidelines for Drug Donations* issued by the World Health Organization; • have expertise in delivering medicines to the developing world; and • implement appropriate policies and practices with respect to the delivery of international development assistance. Unused deductions may be carried forward for up to five years.
Tax	Corporate income tax
Beneficiaries	Corporate donors
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 110.1(1)(a.1)
Implementation and recent history	• Introduced in Budget 2007. Effective for gifts made on or after March 19, 2007. • Amended in Budget 2008 to ensure that the charities to which the medicines are donated have appropriate oversight and accountability practices.
Objective – category	To achieve a social objective
Objective	This measure provides an incentive for corporations to donate medicines for use in international programs for the distribution of medicines (Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is not incurred to earn income. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	70711 - Health - Medical products, appliances, and equipment - Pharmaceutical products
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model
Projection method	The tax expenditure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	A small number of corporations (fewer than 20) claim this deduction each year.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	S	S	S	S	S	S	S	S

Adoption Expense Tax Credit

Description	Adoptive parents can claim the Adoption Expense Tax Credit in respect of the cost of adopting a child under the age of 18. The non-refundable credit is calculated by applying the lowest personal income tax rate to eligible adoption expenses, which are capped at $15,453 per child (2016, indexed to inflation). Eligible adoption expenses cover a range of expenses, including adoption agency fees, legal expenses, and travel and living expenses for themselves and the child, but do not include any expenses for which the adoptive parent has been or is entitled to be reimbursed. Eligible adoption expenses may be incurred for domestic adoptions or for a child adopted from outside of Canada. They must also have been incurred during the "adoption period", as defined in the legislation. Parents are able to claim the credit in the taxation year in which the adoption is finalized. The two adoptive parents can split the amount if the total combined claim for eligible expenses for each child is not more than the amount before the split.
Tax	Personal income tax
Beneficiaries	Adoptive parents
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.01
Implementation and recent history	• Introduced in Budget 2005. Effective for the 2005 and subsequent taxation years. • Budget 2013 extended the adoption period to allow for the eligibility of additional adoption-related expenses (e.g., fees for a mandatory home study and adoption courses). • Budget 2014 increased the maximum eligible expenses claimable to $15,000.
Objective – category	To recognize non-discretionary expenses (ability to pay) To achieve a social objective
Objective	This measure provides tax recognition to parents for costs that are unique to the decision to adopt a child (Budget 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2,100 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	3	3	2	2	2	2	2	2

Age Credit

Description	The Age Credit is provided to individuals aged 65 and over. The value of the credit is calculated by applying the lowest personal income tax rate to the annually indexed credit amount ($7,125 for 2016). The credit is income-tested—the credit amount is reduced by 15% of net income in excess of an annually indexed threshold amount ($35,927 for 2016). The credit is completely phased out at an income level of $83,427 in 2016. Any unused portion of the credit may be transferred to a spouse or common-law partner.
Tax	Personal income tax
Beneficiaries	Seniors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118(2)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous age exemption. • The 2006 Tax Fairness Plan increased the Age Credit amount by $1,000 to $5,066 effective for the 2006 taxation year. • Budget 2009 increased the Age Credit amount by $1,000 to $6,408 (indexed thereafter).
Objective – category	To provide income support or tax relief To achieve a social objective
Objective	This measure was introduced to reduce the tax burden borne by elderly Canadians (Budget 1972; Budget 2009).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Social Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5.4 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	2,530	2,720	2,885	3,025	3,145	3,330	3,465	3,620

Apprentice vehicle mechanics' tools deduction

Description	Registered apprentice vehicle mechanics may deduct, in computing their employment income subject to income tax, the extraordinary portion of the cost of new tools they purchase in the taxation year or in the last three months of the previous taxation year if the apprentice is in his or her first year. The extraordinary tool costs are those that exceed either the combined value of the deduction for tradespeople's tool expenses ($500) and the Canada Employment Credit ($1,161 in 2016) or 5% of the taxpayer's income, whichever is greater.
Tax	Personal income tax
Beneficiaries	Apprentice vehicle mechanics
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(r) and subsection 8(6)
Implementation and recent history	• Introduced in Budget 2001. Effective for tools acquired after 2001. • In Budget 2007, the threshold for recognition of tool costs was integrated with the new deduction for tradespeople's tool expenses and Canada Employment Credit.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes that apprentice vehicle mechanics have reduced ability to pay tax relative to other taxpayers with the same income due to the extraordinary portion of the cost of new tools they have to provide as a condition of their employment (Budget 2001; Budget 2007).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Education
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 3,000 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	4	4	4	3	3	3	4	4

Apprenticeship Job Creation Tax Credit

Description	Employers can claim a 10% non-refundable tax credit in respect of wages paid to qualifying apprentices in the first two years of their contract, to a maximum of $2,000 per apprentice per year. A qualifying apprentice is defined as someone working in a prescribed trade in the first two years of their apprenticeship contract. This contract must be registered with the federal government or a provincial or territorial government under an apprenticeship program designed to certify or license individuals in the trade. Prescribed trades include the trades currently listed as Red Seal Trades. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 2006. Effective in respect of salaries and wages paid to qualifying apprentices on or after May 2, 2006.
Objective – category	To encourage employment
Objective	This measure encourages employers to hire new apprentices and to support apprentices in their training (Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by employers.
Projection method	Personal income tax: The tax expenditure is projected based on historical growth. Corporate income tax: The tax expenditure is projected to grow in line with total employment.
Number of beneficiaries	About 1,000 individuals and 12,400 corporations claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	2	2	2	2	2	2	2	2
Corporate income tax								
Earned and claimed in current year	50	60	70	70	70	75	75	75
Claimed in current year but earned in prior years	15	20	20	20	20	20	20	20
Earned in current year but carried back to prior years	5	4	4	5	4	4	5	5
Total – corporate income tax	70	85	95	95	95	100	100	100
Total	70	85	95	100	100	100	100	100

Atlantic Investment Tax Credit

Description	A 10% credit is available for qualifying acquisitions of new buildings, machinery and equipment and prescribed energy and conservation property used primarily in qualified activities in the Atlantic provinces, the Gaspé Peninsula and their associated offshore regions. Qualified activities include farming, fishing, logging, manufacturing and processing, the storing of grain, the harvesting of peat, and the production or processing of electrical energy or steam. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years. Where the credit exceeds the amount of tax payable in a year, 40% of the credit is refundable for small Canadian-controlled private corporations and individuals.
Tax	Personal and corporate income tax
Beneficiaries	Businesses in the Atlantic provinces and the Gaspé region
Type of measure	Credit, refundable and non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 1977. • Budget 2012 announced the reduction of the credit rate from 10% to 5% for assets for use in oil and gas and mining activities acquired in 2014 and 2015. The tax credit ceases to be available for such assets acquired after 2015.
Objective – category	To encourage or attract investment
Objective	This measure promotes economic development of the Atlantic provinces and the Gaspé region (Budget 1977).
Category	Non-structural tax measure and refundable tax credit
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The portion of this measure that is refundable is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
Projection method	Personal income tax: The cost of this measure is projected based on historical growth. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 4,700 individuals and 5,500 corporations claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	10	10	10	10	10	10	10	10
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	60	85	85	65	60	55	55	55
Claimed in current year but earned in prior years	40	65	150	110	105	110	110	110
Earned in current year but carried back to prior years	20	145	130	10	60	20	10	4
Total – non-refundable portion	120	290	365	190	230	185	175	170
Refundable portion	15	15	15	15	20	20	20	20
Total – corporate income tax	135	310	380	205	250	205	195	190
Total	140	315	390	210	255	210	205	195

Canada Child Benefit

Description	The Canada Child Benefit provides a maximum benefit of $6,400 per child under the age of 6 and $5,400 per child aged 6 through 17. The Canada Child Benefit is income-tested based on adjusted family net income with the benefit phase-out rate depending on the number of children. On the portion of adjusted family net income between $30,000 and $65,000, the benefit is phased out at a rate of 7% for a one-child family, 13.5% for a two-child family, 19% for a three-child family and 23% for larger families. Where adjusted family net income exceeds $65,000, remaining benefits are phased out at rates of 3.2% for a one-child family, 5.7% for a two-child family, 8% for a three-child family and 9.5% for larger families, on the portion of income above $65,000. Indexation to inflation of the maximum benefit amounts and phase-out thresholds is to begin for the 2020-21 benefit year. The Child Disability Benefit is an additional amount provided to families caring for a child eligible for the Disability Tax Credit. The Child Disability Benefit provides up to $2,730 in benefits per eligible child. The phase-out of this additional amount generally aligns with the Canada Child Benefit. It is phased out at a rate of 3.2% for families with one eligible child and 5.7% for families with more than one eligible child, on adjusted family net income in excess of $65,000. This additional amount is included in Canada Child Benefit payments made to eligible families. Canada Child Benefit payments are made monthly and are non-taxable. The payment cycle runs from July to June.
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.6
Implementation and recent history	• The Child Tax Benefit (the precursor to the Canada Child Tax Benefit) was introduced in Budget 1992 and replaced, effective January 1993, the former refundable child tax credit, family allowance and non-refundable tax credit. • The Canada Child Tax Benefit and National Child Benefit supplement were introduced in 1998. The Child Disability Benefit was introduced in 2003. • The Canada Child Benefit was introduced in Budget 2016 and replaced the Canada Child Tax Benefit, including the National Child Benefit supplement, and the Universal Child Care Benefit. Payments of the Canada Child Benefit began in July 2016.
Objective – category	To recognize non-discretionary expenses (ability to pay) To achieve a social objective
Objective	This measure gives families more money to help with the high cost of raising their children.
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	*Public Accounts of Canada* T1 Income Tax and Benefit Return
Estimation method	This measure is presented on a fiscal year basis as reported in the *Public Accounts of Canada* (e.g., the amount for 2010 corresponds to the expenditure reported for the 2010–11 fiscal year).
Projection method	Projections of the value of this measure are calculated based on projected inflation and growth in family income and population.
Number of beneficiaries	About 2.9 million families received this benefit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	10,050	10,265	10,400	10,370	10,510	19,900	22,900	22,600

Canada Employment Credit

Description	Taxpayers with employment income may qualify for the Canada Employment Credit. The value of the credit is calculated by applying the lowest personal income tax rate to the lesser of $1,161 (in 2016) and the individual's employment income for the year. The maximum amount is indexed to inflation.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118(10)
Implementation and recent history	• Introduced in Budget 2006. Effective July 1, 2006. The maximum amount in 2006 was $500, doubling to $1,000 on January 1, 2007.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides general tax recognition of work-related expenses (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 17.6 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	1,995	2,040	2,110	2,185	2,240	2,260	2,325	2,380

Canadian Film or Video Production Tax Credit

Description	Qualified corporations can claim a 25% refundable tax credit in respect of salaries and wages of an eligible Canadian film or video production. The maximum amount of Canadian labour cost qualifying for the credit is 60% of the total cost of a film or video production. The Canadian Audio-Visual Certification Office of the Department of Canadian Heritage is responsible for certifying productions that are eligible for the credit.
Tax	Corporate income tax
Beneficiaries	Corporations in the film and video production industry
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 125.4
Implementation and recent history	• Introduced in Budget 1995 at a rate of 25% of the cost of eligible salaries and wages incurred after 1994 and up to a maximum of 12% of the total cost of production. It replaced the film tax shelter mechanism for certified Canadian films in place prior to 1995. • The maximum amount of the credit was increased to 15% of total production cost for productions, effective for expenditures incurred on or after November 14, 2003. • Talk shows were made eligible for the Canadian Film or Video Production Tax Credit by removing the reference to "talk shows" from the definition of "excluded production" for the purposes of the credit. This change applies to productions for which the principal photography starts after February 16, 2016.
Objective – category	To achieve a social objective To support business activity
Objective	This measure encourages Canadian programming and the development of an active domestic independent production sector (Canadian Heritage news release, December 12, 1995).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Arts and culture
CCOFOG 2014 code	70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 1,500 corporations received this benefit in 2013.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	225	265	255	255	265	275	300	310

Capital gains exemption on personal-use property

Description	Personal-use property is held primarily for the use and enjoyment of the owner rather than as an investment. In calculating the capital gain on personal-use property, both the proceeds of disposition and the adjusted cost base of the property are deemed to be no less than the greater of $1,000 and the actual proceeds of disposition or adjusted cost base, as appropriate. Consequently, no capital gain is recognized if the proceeds of disposition are $1,000 or less. If the proceeds exceed $1,000, the owner of the property could realize a capital gain if the proceeds exceed the cost of the property; however, the capital gain is reduced in situations where the adjusted cost base of the property, as it would be determined in the absence of this measure, is actually less than $1,000. Personal-use property of a corporation is property owned mainly for the personal use or enjoyment of an individual who is related to the corporation.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 46
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Budget 2000 introduced rules that prevent the $1,000 deemed adjusted cost base and deemed proceeds of disposition for personal-use property from applying if the property is acquired after February 27, 2000 as part of an arrangement or scheme in which the property is donated as a charitable gift.
Objective – category	To reduce administration or compliance costs
Objective	This measure was introduced to minimize record keeping and simplify administration with respect to the purchase and disposal of personal-use items (*Summary of 1971 Tax Reform Legislation*, 1971).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Capital loss carry-overs

Description	Net capital losses may be carried back three years and forward indefinitely to offset capital gains of other years. Notwithstanding these rules, net capital losses realized in the year in which a taxpayer dies may be deductible against all forms of income for that taxation year and the immediately preceding year. Unused net capital losses from prior years carried forward to the year of death may also be deductible against all forms of income for that taxation year and the immediately preceding year.
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 111(1) and 111(2)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Budget 1983 extended the carry-back for capital losses from one year to three years.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure supports investors by reducing the risk associated with investment (Budget 1983).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 micro-simulation model. The estimate for a given year represents the tax relief associated with the carry-forward to that year of losses incurred in prior years and the deductibility of losses in the year of death of a taxpayer. Data on losses carried back to a previous year is not available. Corporate income tax: The estimate for a given year represents the tax relief associated with both the carry-forward to that year of losses incurred in prior years and the carry-back to previous years of losses incurred in that year. The estimate is equal to the amount of losses carried over multiplied by the tax rate applicable in the year in which the losses are applied.
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: The value of this measure is projected to grow in line with corporate capital gains.
Number of beneficiaries	About 628,000 individuals and 58,700 corporations made use of this measure in 2014 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax								
Carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Applied to current year	345	300	415	530	420	480	590	640
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	100	120	120	100	340	140	135	130
Applied to current year	465	415	440	710	525	485	520	540
Total – corporate income tax	565	535	560	810	870	625	650	670
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Caregiver Credit

Description	The Caregiver Credit provides tax relief to individuals providing in-home care to a parent or grandparent 65 years of age or over or an infirm adult dependent relative, including a child or grandchild, a brother, a sister, an aunt, an uncle, a niece or a nephew. The value of the non-refundable credit is calculated by applying the lowest personal income tax rate to the credit amount per eligible dependant ($4,668 in 2016). The credit is reduced when the dependant's net income exceeds $15,940 and is fully phased out when the dependant's income reaches $20,608. Both the credit amount and the income threshold at which the credit starts to be reduced are indexed to inflation.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(c.1)
Implementation and recent history	• Introduced in 1998. Effective for the 1998 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that individuals providing in-home care for elderly or infirm family members have reduced ability to pay tax compared to other taxpayers with similar income (Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 243,000 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	110	120	130	140	145	145	150	155

Cash basis accounting

Description	Under the benchmark tax system, income is taxable when it accrues, and expenses are deductible in the period when the related revenue is reported. Individuals and corporations engaged in farming and fishing activities may elect to include revenues when received, rather than when earned, and deduct expenses when paid rather than when the related revenue is reported. This measure allows farmers and fishers to better match cash receipts with cash expenses, and may enable them to defer paying tax on income realized but not yet received.
Tax	Personal and corporate income tax
Beneficiaries	Farming and fishing businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 28(1)
Implementation and recent history	• Prior to 1948, cash basis accounting was an acceptable method for determining business income for tax purposes. Amendments to the Income Tax Act in 1948 introduced the concept of profit and the use of accrual accounting, but at the same time preserved the ability of taxpayers who had been using cash basis accounting to continue to use that method. • In 1955, a provision specifically allowing farmers to use cash basis accounting was introduced. • In 1958, the provision preserving the ability for other taxpayers to continue to use cash basis accounting was repealed. • In 1980, cash basis accounting was confirmed for fishers on a retroactive basis to 1972. • In 1996, a provision was introduced to prevent prepaid expenses (other than for inventory) relating to a taxation year at least two years after the year of payment from reducing cash basis income in the year of payment. This provision was effective for amounts paid after April 26, 1995.
Objective – category	To provide relief for special circumstances To reduce administration or compliance costs
Objective	This measure recognizes that requiring all farmers and fishers to adopt the accrual method of income reporting could result in accounting and liquidity problems (*Report of the Royal Commission on Taxation*, vol. 4, 1966; *Proposals for Tax Reform*, 1969).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Charitable Donation Tax Credit

Description	The Charitable Donation Tax Credit is a non-refundable tax credit on donations to registered charities, registered Canadian amateur athletic associations and other qualified donees. In 2016, the formula for determining the credit for individuals is linked to the lowest, second-highest and highest federal tax rates. The credit rate is 15% on the first $200 of total annual gifts and 29% on total annual gifts over $200, with the exception of donors with taxable income exceeding $200,000, who may claim a 33% tax credit on the portion of total annual donations over $200 made from taxable income greater than $200,000. In general, the credit may be claimed on donations totalling up to 75% of an individual's net income (up to 100% of net income for donations of ecologically sensitive land and cultural property or in certain other circumstances) and may be carried forward for up to 5 years (up to 10 years for donations of ecologically sensitive land).
Tax	Personal income tax
Beneficiaries	Individual donors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.1 and subsections 248(30) to (41)
Implementation and recent history	• Introduced in 1917 as a deduction "for amounts paid during the year to the Patriotic and Red Cross Funds, and other patriotic and war funds approved by the Minister." • The general income limit on donations was increased in several stages from 10% in 1970 to 75% in 1997. • In 1988, the deduction for donations made by individuals was converted to a two-tier tax credit as part of the 1987 Tax Reform. • Budget 1994 reduced the threshold to which the higher rate applies from $250 to $200. • Budget 1995 eliminated the net income limit for donations of ecologically sensitive land eligible for the tax credit. • In Budget 2014, the carry-forward period for donations of ecologically sensitive land was extended from 5 to 10 years. • In 2016, the Government amended the Charitable Donation Tax Credit to allow donors with taxable income greater than $200,000 to claim a 33% tax credit on the portion of donations greater than $200 made from income that is subject to the 33% marginal tax rate. Any donations that exceed the amount of a donor's taxable income above $200,000 will be subject to the 29% credit rate. This change will be effective for the 2016 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure is designed to support the important work of the charitable sector in meeting the needs of Canadians (*Report of the Royal Commission on Taxation*, vol. 3, 1966; 1987 Tax Reform).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T1 Income Tax and Benefit Return Canadian Cultural Property Export Review Board Environment and Climate Change Canada
Estimation method	The value of this measure in respect of donations other than cultural property and ecologically sensitive land is estimated using the T1 micro-simulation model. The value of this measure in respect of donations of cultural property is calculated by multiplying an estimate of donations made in the year by the 29% credit rate. The value of this measure in respect of donations of ecologically sensitive land is estimated by multiplying total donations by the 29% credit rate.

Projection method	Projections are obtained using the T1 micro-simulation model in the case of donations other than cultural property and ecologically sensitive land. Projections in respect of donations of cultural property and ecologically sensitive land are made based on the historical trend in the number and value of donations; in particular, projections in respect of cultural property are made based on an average of past donations.
Number of beneficiaries	About 5.5 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
By type of donations								
Publicly listed securities	140	125	145	240	195	235	250	260
Ecologically sensitive land	5	5	5	5	5	5	5	5
Cultural property	25	25	25	30	25	20	25	30
Other	2,200	2,195	2,350	2,295	2,475	2,590	2,695	2,785
Total – personal income tax	2,370	2,350	2,525	2,570	2,700	2,850	2,980	3,080

Child care expense deduction

Description	Child care expenses incurred for the purpose of earning business or employment income, taking an occupational training course, pursuing education or carrying on research for which a grant is received are deductible from income, up to a limit. The deduction may not exceed the lesser of (i) the total of the maximum dollar limits for all children ($8,000 per child under age 7, $5,000 per child between 7 and 16 years of age and infirm dependent children over age 16, and $11,000 for a child eligible for the Disability Tax Credit, regardless of their age), (ii) two-thirds of earned income for the year (not applicable to single-parent students), and (iii) the actual amount of child care expenses incurred. The spouse with the lower income must generally claim the deduction. However, the higher-income parent may claim a deduction if the lower-income parent is infirm, confined to a bed or a wheelchair, in prison or a similar situation for at least two weeks, attending a designated educational institution, or living apart due to a breakdown in the relationship for a period of at least 90 days during the year.
Tax	Personal income tax
Beneficiaries	Families with children
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 63
Implementation and recent history	• Announced in Budget 1971. Legislation introduced in 1972 and effective for the 1972 and subsequent taxation years. • Budget 1988 eliminated the overall maximum limit of $8,000 per taxpayer for child care expenses. • Budget 1996 increased the age limit for children from 14 to 16 years. • Maximum dollar amounts increased by $1,000, effective for the 2015 taxation year (Prime Minister of Canada news release, October 30, 2014).
Objective – category	To recognize expenses incurred to earn employment income To recognize education costs
Objective	This provision recognizes the child care costs incurred by single parents and two-earner families in the course of earning employment income, pursuing education or performing research (Budget 1992; Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income. Expenses incurred to earn business income are generally deductible under the benchmark tax system; however, child care expenses may also have an element of personal consumption, hence the classification of this measure as a tax expenditure.
Subject	Employment Education Families and households
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70989 - Education - Education not elsewhere classified 71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.3 million individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	925	990	965	1,100	1,360	1,290	1,300	1,335

Child Tax Credit

Description	The Child Tax Credit was a non-refundable credit that provided tax relief of up to $338 per child in 2014. The value of the credit was calculated by applying the lowest personal income tax rate to an amount ($2,255 in 2014) for each child under the age of 18 at the end of the taxation year. This amount was indexed to inflation. Only one parent could claim the credit in a year in respect of a child, but any unused portion of the credit was transferable to a spouse or common-law partner. This credit was repealed as of the 2015 taxation year.
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, formerly under paragraph 118(1)(b.1)
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2007 to 2014 taxation years. • Repealed as of the 2015 taxation year, and replaced by the enhancement to the Universal Child Care Benefit (Prime Minister of Canada news release, October 30, 2014).
Objective – category	To recognize non-discretionary expenses (ability to pay) To achieve a social objective
Objective	This measure was intended to reduce the tax burden on families with children (Budget 2007).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 3.8 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	1,500	1,545	1,585	1,645	–	–	–	–

Children's Arts Tax Credit

Description	Parents could claim a non-refundable tax credit at the lowest personal income tax rate on up to $250 (in 2016) in eligible fees for the enrolment of a child under the age of 16 in an eligible program of artistic, cultural, recreational or developmental activity. The credit could be claimed by either parent. If a child qualified for the Disability Tax Credit, the age limit was raised to under 18 years of age and an additional $500 amount could be claimed, subject to the parents spending a minimum of $100 on registration or membership fees for an eligible program of artistic, cultural, recreational or developmental activity. As well, the requirements for an eligible activity were relaxed to cover a broader range of programs more suited to the challenges experienced by these children. Budget 2016 announced the phase-out of this measure by 2017 (see details below).
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.031 *Income Tax Regulations*, section 9401
Implementation and recent history	• Introduced in Budget 2011. Effective for the 2011 and subsequent taxation years ($500 maximum amount per child for eligible fees). • Budget 2016 reduced the maximum amount of eligible fees to $250, effective for the 2016 taxation year, and eliminated the credit effective for the 2017 taxation year.
Objective – category	To achieve a social objective
Objective	This measure better recognized the costs associated with children's artistic, cultural, recreational and developmental activities (Budget 2011).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure was transferable between spouses or common-law partners.
Subject	Arts and culture
CCOFOG 2014 code	70869 - Recreation, culture, and religion - Recreation, culture, and religion not elsewhere classified
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 615,000 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	30	35	40	40	45	30	–	–

Children's Fitness Tax Credit

Description	Parents could claim a refundable tax credit at the lowest personal income tax rate on up to $500 (in 2016) in eligible fees for the enrolment of a child under the age of 16 years in an eligible program of physical activity. The credit could be claimed by either parent. If a child qualified for the Disability Tax Credit, the age limit was raised to under 18 years of age and an additional $500 amount could be claimed, subject to the parents spending a minimum of $100 on registration or membership fees for an eligible program of physical activity. As well, the requirements for an eligible activity were relaxed to cover a broader range of programs more suited to the challenges experienced by these children. Budget 2016 announced the phase-out of this measure by 2017 (see details below).
Tax	Personal income tax
Beneficiaries	Families with minor children
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.8 *Income Tax Regulations*, section 9400
Implementation and recent history	• Introduced in Budget 2006 as a non-refundable tax credit. Effective for the 2007 and subsequent taxation years ($500 maximum amount per child for eligible fees). • Guidelines were released in 2006 on the credit and enhancement of the credit for children with disabilities (Department of Finance Canada news release 2006-084, December 19, 2006). • The maximum amount of the credit was doubled to $1,000, effective for the 2014 taxation year, and the credit was made refundable, effective for the 2015 taxation year (Prime Minister of Canada news release, October 9, 2014). • Budget 2016 reduced the maximum amount of eligible fees to $500, effective for the 2016 taxation year, and eliminated the credit effective for the 2017 taxation year.
Objective – category	To achieve a social objective
Objective	This measure promoted physical fitness among children (Budget 2006).
Category	Non-structural tax measure and refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure was classified as a transfer payment for government accounting purposes, and therefore was not considered to be a tax expenditure.
Subject	Health
CCOFOG 2014 code	70761 - Health - Health not elsewhere classified - Health prevention programs (collective)
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.7 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Pre-2015 (non-refundable)	110	115	115	180	–	–	–	–
Post-2014 (refundable)	–	–	–	–	210	145	–	–
Total – personal income tax	110	115	115	180	210	145	–	–

Corporate Mineral Exploration and Development Tax Credit

Description	A 10% non-refundable credit was available to corporations in respect of expenditures incurred in Canada for grassroots exploration and pre-production mine development in relation to the mining of diamonds, base and precious metals as well as industrial minerals that become base or precious metals through refining. Budget 2012 announced the phase-out of this credit to make the tax system more neutral between mining and other industries and, as a result, this credit does not apply after 2015. However, unused credits can be pooled and carried forward, and the use of previously earned credits will continue beyond 2015.
Tax	Corporate income tax
Beneficiaries	Corporations in the mining industry
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(9), paragraph (a.3) of definition of "investment tax credit"
Implementation and recent history	• Introduced in Budget 2003. The credit applied at a rate of 5% in 2003, 7% in 2004 and 10% as of 2005. • Budget 2012 announced the phase-out of this credit. In the case of exploration expenditures, the credit rate was reduced to 5% for expenses incurred in 2013 and is not available for expenses incurred after 2013. In the case of pre-production development expenditures, the credit rate was reduced to 7% for expenses incurred in 2014, 4% for expenses incurred in 2015, and is not available for expenses incurred after 2015.
Objective – category	To encourage or attract investment
Objective	This measure was introduced to improve the international competitiveness of the resource sector and promote the efficient development of Canada's natural resource base (*Improving the Income Taxation of the Resource Sector in Canada*, March 3, 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The cost of this measure in a year is calculated using data on actual credits claimed in the year. The cost in the initial year is partially offset in the following year as the corporation's cumulative Canadian Exploration Expense account is then reduced by the credit claimed the year before.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	About 50 corporations claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Corporate income tax	70	35	15	30	5	10	10	10

Credit for the Basic Personal Amount

Description	Individual taxpayers can claim a non-refundable credit in respect of the Basic Personal Amount. The value of the credit is calculated by applying the lowest personal income tax rate (15% in 2016) to the Basic Personal Amount ($11,474 in 2016). The credit amount is indexed to inflation.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(c)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous basic personal exemption. • Between 1998 and 2009, the Basic Personal Amount was periodically increased.
Objective – category	To promote the fairness of the tax system
Objective	This measure contributes to tax fairness by ensuring that no tax is paid on a basic amount of income (*Report of the Royal Commission on Taxation*, vol. 3, 1966; Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 26.8 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	28,915	30,275	31,495	32,505	33,950	34,690	35,745	36,705

Deductibility of certain costs incurred by musicians

Description	Employed musicians can deduct amounts from their employment income for the expenses they incur for the maintenance, rental and insurance of musical instruments they are required to provide as a term of their employment. The measure also provides for the deduction of capital cost allowance in respect of these instruments.
Tax	Personal income tax
Beneficiaries	Employed musicians
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(p)
Implementation and recent history	• Introduced in 1987 as part of the 1987 Tax Reform. Effective for the 1988 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	The deductibility of certain expenses incurred by artists and musicians recognizes that these expenses are necessary to carry on employment in those fields (*Musical Instruments: Income Tax Reform*, 1987).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Arts and culture
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 3,750 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	1	1	2	2	2	2	2	2

Deductibility of charitable donations

Description	Donations made by corporations to registered charities are deductible in computing taxable income within certain limits. In general, a deduction may be claimed on donations totalling up to 75% of a corporation's taxable income. The limit is increased by 25% of the amount of taxable capital gains arising from donations of appreciated capital property and 25% of any capital cost allowance recapture arising from donations of depreciable capital property. The net income restriction does not apply to certain gifts of cultural property or ecologically sensitive land. Donations in excess of the particular limit applied may be carried forward up to 5 years with the exception of gifts of ecologically sensitive land, which may be carried forward up to 10 years.
Tax	Corporate income tax
Beneficiaries	Corporate donors
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 110.1
Implementation and recent history	• Budget 1930 introduced the deductibility of donations to any church, university, college, school or hospital in Canada amounting to no greater than 10% of a taxpayer's net income. By 1933, the deduction applied to donations made to charities. • Budget 1997 increased the deduction limit to 75% of a corporation's net income, reduced to 25% the portion of taxable capital gains arising from the donations of appreciated capital property that can be added to the deduction limit, and added to the deduction limit 25% of recaptured capital cost allowance amounts.
Objective – category	To achieve a social objective
Objective	This measure is designed to support the important work of the charitable sector in meeting the needs of Canadians (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is not incurred to earn income. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model
Projection method	The cost of this measure is projected to grow in line with corporate taxable income.
Number of beneficiaries	This measure provided tax relief to about 89,600 corporations in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
By type of donations								
Ecologically sensitive land	5	2	5	3	1	3	3	4
Cultural property	5	35	3	10	20	15	15	15
Gifts to the Crown	S	S	S	S	S	S	S	S
Other	395	385	310	480	430	475	475	475
Total – corporate income tax	410	420	315	495	450	495	490	495

Deductibility of contributions to a qualifying environmental trust

Description	Contributions to a qualifying environmental trust are deductible in computing the contributor's income in the years the contributions are made, provided that the contributor is a beneficiary under the trust. Amounts withdrawn from the trust to fund reclamation costs are included in the recipient's income when withdrawn; however, there is typically no net tax cost at the time of withdrawal since the recipient will be able to deduct the reclamation costs incurred against the above income inclusion. This measure is intended to improve the cash flow of taxpayers at the time the contributions to a qualifying environmental trust are made. It also ensures that companies, such as single-mine companies, which might not have had sufficient taxable income against which to deduct actual reclamation expenses when these expenses were incurred (for the most part at the end of the life of a mine or after its closure), obtain some tax relief for these expenses. Additional details on this measure can be found in the Annex to Part 1 of this report.
Tax	Personal and corporate income tax
Beneficiaries	Businesses contributing to a qualifying environmental trust
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 20(1)(ss)
Implementation and recent history	• Introduced in Budget 1994. Effective for contributions to eligible mine reclamation trusts for taxation years ending after of February 22, 1994. • Budget 1997 extended this measure to similar trusts established for waste disposal sites and quarries for the extraction of aggregate and similar substances, effective for taxation years ending after February 18, 1997. • Budget 2011 further extended this measure to include trusts established for pipeline reclamation, effective for taxation years ending after 2012.
Objective – category	To provide relief for special circumstances
Objective	This measure assists firms that are required to make contributions to a qualifying environmental trust set up for the purpose of funding reclamation costs (Budget 1997).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition in respect of a contingent expense, resulting in a deferral of tax.
Subject	Environment
CCOFOG 2014 code	70549 - Environmental protection - Protection of biodiversity and landscape
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, Parks Canada and Natural Resources Canada also support environment-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on contributions to qualifying environmental trusts by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: The cost of this measure is based on net contributions (total contributions minus funds withdrawn) to qualifying environmental trusts.
Projection method	Personal income tax: No projection is available. Corporate income tax: Projections are based on current market conditions and the anticipated impact that National Energy Board pipeline regulations will have on the use of qualifying environmental trusts.
Number of beneficiaries	A small number of corporations (fewer than 20) claimed this deduction in 2014. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	5	-2	S	-3	55	55	55	55
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Deductibility of costs of capital assets and eligibility for investment tax credits before asset is put in use

Description	Corporations may claim capital cost allowance and investment tax credits on depreciable assets at the earlier of the time that is the end of the taxation year in which the asset is available for use or the second taxation year following its year of acquisition.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 13(27) and 127(11.2)
Implementation and recent history	• Introduced in 1990, applicable to property acquired after 1989.
Objective – category	To reduce administration or compliance costs
Objective	This measure facilitates the application and administration of the capital cost allowances regime and investment tax credits by limiting the period between the acquisition of a capital asset and the time the cost of the asset is recognized for tax purposes.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deductibility of countervailing and anti-dumping duties when paid

Description	In accordance with rules established by the World Trade Organization, countries may impose countervailing and anti-dumping duties to offset the injurious effects of imports that are subsidized or dumped. Countervailing and anti-dumping duties paid by Canadian businesses in order to export their products are deductible in computing income subject to tax in the year that the duties are paid, even if the payment is based on a preliminary finding. By contrast, under general income tax rules, since the amount payable may be subsequently adjusted under the trade remedy process, the liability would be considered contingent and no deduction would be allowed until the final determination of the amount of the liability. Under the measure, any refunds or additional amounts (e.g., interest) received as a result of the final determination of the liability must be included in income when received.
Tax	Personal and corporate income tax
Beneficiaries	Businesses that pay a countervailing or anti-dumping duty
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 20(1)(vv)
Implementation and recent history	• Introduced in Budget 1998. Effective for duties that became payable and are paid after February 23, 1998.
Objective – category	To provide relief for special circumstances
Objective	This measure recognizes that businesses that pay countervailing and anti-dumping duties are required to pay amounts that are not under their control and that, although these amounts may be subsequently refunded in whole or in part, this process can take several years (Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition in respect of a contingent expense, resulting in a deferral of tax.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deductibility of earthquake reserves

Description	Federally regulated property and casualty insurance companies can deduct, for income tax purposes, earthquake premium reserves which are set aside pursuant to guidelines established by the Office of the Superintendent of Financial Institutions. These reserves represent a surplus appropriation, and would not otherwise be deductible under the benchmark system.
Tax	Corporate income tax
Beneficiaries	Property and casualty insurers
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 20(7)(c) *Income Tax Regulations*, the description of L in subsection 1400(3)
Implementation and recent history	• Introduced in Budget 1998. Effective for the 1998 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure helps ensure that federally regulated property and casualty insurance companies have sufficient financial capacity to pay insured earthquake losses when they occur (Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition in respect of a contingent expense, resulting in a deferral of tax.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data on earthquake premium reserves is provided by the Office of the Superintendent of Financial Institutions.
Estimation method	This tax expenditure is estimated by taking the annual net change in total earthquake premium reserves and multiplying that change by the statutory corporate income tax rate for the year. The net change, and not the amount of the reserve, is of importance because the deduction is effectively applied on a net basis (the taxpayer includes in income the reserve from the previous year, and deducts from income the reserve for the current year).
Projection method	Earthquake premium reserves are projected to grow at the compound annual growth rate observed over the last eight years.
Number of beneficiaries	About 20 corporations claimed this deduction in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	1	1	S	S	S	1	1	1

Deductibility of expenses by employed artists

Description	Employed artists are allowed to deduct amounts paid in the year to earn income from their artistic activities up to the lesser of $1,000 or 20% of their income derived from employment in the arts. An amount deductible in a year under this measure is reduced by motor vehicle expenses and musical instrument costs that are also deducted against the taxpayer's income from the same artistic activity for the year.
Tax	Personal income tax
Beneficiaries	Employed artists
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(q)
Implementation and recent history	• Introduced on May 16, 1990 (Government response to the *Report of the Standing Committee on Communications and Culture Respecting the Status of the Artist*). Effective for amounts paid after 1990.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides greater certainty to employed artists with respect to the tax treatment of their professional expenses (Government response to the *Report of the Standing Committee on Communications and Culture Respecting the Status of the Artist*, 1990).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment Arts and culture
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 500 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	S	S	S	S	S	S	S	S

Deduction for certain contributions by individuals who have taken vows of perpetual poverty

Description	Individuals who have taken a vow of perpetual poverty as a member of a religious order may claim a deduction in a year in which they are a member of that religious order for the amount of earned income and pension benefits assigned and paid in the year to the order.
Tax	Personal income tax
Beneficiaries	Individuals who have taken vows of perpetual poverty as members of a religious order
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsection 110(2)
Implementation and recent history	• Introduced in 1949. Effective for the 1949 and subsequent taxation years.
Objective – category	To achieve a social objective To provide relief for special circumstances
Objective	This measure recognizes the special situations of members of religious orders who make vows of poverty and assign all of their income to the religious order.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	70849 - Recreation, culture, and religion - Religious and other community services
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	No reliable data is available for this measure. As such, estimates and projections are no longer presented.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deduction for clergy residence

Description	A member of the clergy who is supplied living accommodation by their employer, or receives a housing allowance, may claim an offsetting deduction to the extent that this benefit is included in their income for the year. When no allowance is received nor living accommodation provided, a calculated deduction for rent and utilities is provided. The taxpayer must be in charge of or administer a diocese, parish or congregation, or be engaged exclusively in full-time administrative service by appointment of a religious order or denomination. The amount deducted cannot exceed the taxpayer's income from the office or employment, and is equal to the total amount included in the taxpayer's income as a taxable benefit because of the housing accommodation or allowance. In general, if the taxpayer owns or rents the accommodation, the amount that may be deducted is restricted to the lesser of two amounts: (1) the greater of $1,000 multiplied by the number of months (up to 10 months) in the year during which the taxpayer qualified as a member of the clergy and one-third of the taxpayer's remuneration from the office or employment; and (2) the amount, if any, by which rent paid (or the fair market value of the accommodation) exceeds the total deducted by the taxpayer in connection with the residence from income earned from the office or employment or a business.
Tax	Personal income tax
Beneficiaries	Members of the clergy or of a religious order, regular ministers of a religious denomination
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(c)
Implementation and recent history	• Introduced in Budget 1949. Effective for the 1948 and subsequent taxation years. • In 2001, the amount of the deduction when the living accommodation is rented or owned by the clergy was limited to the least of three amounts: the clergy person's total remuneration from employment for the year; one-third of that remuneration or $10,000, whichever is greater; and the fair rental value of the residence (reduced by other amounts deducted in connection with the same residence).
Objective – category	To achieve a social objective
Objective	This measure recognizes the special nature of the contributions and circumstances of members of the clergy (Budget, March 1949).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Social
CCOFOG 2014 code	70849 - Recreation, culture, and religion - Religious and other community services
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 27,000 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	85	90	85	90	95	95	100	100

Deduction for self-employed artists

Description	Artists who are self-employed and who create paintings, prints, etchings, drawings, sculptures or similar works of art (but not including those in the business of reproducing works of art) may elect to value their inventory at nil, effectively allowing them to deduct the costs of creating a work of art in the year the costs are incurred rather than in the year the work of art is sold.
Tax	Personal income tax
Beneficiaries	Self-employed artists
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 10(6)
Implementation and recent history	• Introduced in Budget 1985. Effective for the 1985 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	The special treatment of costs incurred by artists recognizes artists' problems in valuing their works of art on hand, attributing costs to particular works and carrying inventories over long periods of time (Budget 1985).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Arts and culture
CCOFOG 2014 code	70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deduction for tradespeople's tool expenses

Description	A tradesperson can claim a deduction of up to $500 of the total cost of eligible new tools acquired in a taxation year as a condition of employment that exceeds the amount of the Canada Employment Credit ($1,161 in 2016). The total cost of eligible new tools cannot exceed the total of the employment income earned as a tradesperson and apprenticeship grants received to acquire the tools, which are required to be included in income.
Tax	Personal income tax
Beneficiaries	Tradespeople
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 8(1)(s)
Implementation and recent history	• Introduced in Budget 2006. Effective in respect of eligible new tools acquired on or after May 2, 2006.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for the extraordinary cost of tools that tradespeople must provide as a condition of employment (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T777 Statement of Employment Expenses
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 21,000 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	3	2	2	2	2	2	2	2

Deduction for tuition assistance for adult basic education

Description	A student can claim a deduction for the amount of tuition assistance received for adult basic education when the tuition assistance has been included in the student's income and the student does not qualify for the Tuition Tax Credit. In order to be eligible, the tuition assistance must be received under a program established under Part II of the *Employment Insurance Act*, a program established under the authority of the *Department of Employment and Social Development Act*, a similar program (in certain circumstances) or a prescribed program.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraph 110(1)(g)
Implementation and recent history	• Introduced in Budget 2001. Effective retroactively to the 1997 and subsequent taxation years.
Objective – category	To recognize education costs
Objective	This measure provides assistance to adults undertaking basic education courses as part of a government training program (Budget 2001).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4E Statement of Employment Insurance and Other Benefits
Estimation method	The value of this measure is calculated by multiplying total non-taxable tuition assistance by an assumed marginal tax rate.
Projection method	The value of this measure is projected based on historical growth.
Number of beneficiaries	About 3,000 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	3	3	3	2	2	2	2	2

Deduction of allowable business investment losses

Description	Capital losses arising from the disposition of shares and debt instruments are generally deductible only against capital gains. However, one-half of the capital loss from a deemed disposition of bad debts or shares of a bankrupt corporation or from a disposition to an arm's length person of shares or debts of a small business corporation (known as an "allowable business investment loss") may be used to offset other income. Unused allowable business investment losses may be carried back 3 years and forward 10 years. After 10 years, the loss reverts to an ordinary capital loss and may be carried forward indefinitely. Allowable business investment losses must be reduced by the sum of Lifetime Capital Gains Exemptions claimed in prior years multiplied by the inclusion rate of capital gains applicable to the particular year (to the extent that allowable business investment losses have not already been reduced by those exemptions). The amount by which a taxpayer's allowable business investment loss is reduced under this provision is treated as a capital loss for the year in which it arose, and may be carried back three years and forward indefinitely to offset capital gains of other years.
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Deduction
Legal reference	*Income Tax Act*, subsection 38(c) and paragraph 39(1)(c)
Implementation and recent history	• Introduced in Budget 1978 (November 16, 1978). Effective for the 1978 and subsequent taxation years.
Objective – category	To encourage or attract investment
Objective	This measure recognizes that small businesses often have difficulty obtaining adequate financing, and provides special assistance for risky investments in such businesses (Budget 1985; Budget 2004).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deduction of capital losses otherwise than against capital gains.
Subject	Business - small businesses Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The value of this tax expenditure corresponds to the tax relief provided by permitting allowable business investment losses to be deducted from other income in the year they arise. The tax expenditure is overstated since it is assumed that the losses would not have been otherwise deducted against capital gains. Personal income tax: T1 micro-simulation model Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: Projections are based on the average cost of the previous three years, projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 9,600 individuals and 1,600 corporations claimed this deduction in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	35	40	30	40	40	40	40	40
Corporate income tax	15	10	10	10	15	10	10	10
Total	50	50	40	50	50	50	50	50

Deduction of carrying charges incurred to earn income

Description	Interest and other carrying charges incurred to earn business or investment income are deductible under certain conditions. Carrying charges generally include fees, other than commissions, paid for advice sought by a taxpayer on buying or selling specific securities, or for the administration or the management of securities of the taxpayer. The management of securities includes the custody of securities, the maintenance of accounting records, and the collection and remittance of income. Carrying charges also include certain legal fees incurred in relation to the establishment or collection of support payments from a current or former spouse or common-law partner, or from the natural parent of the taxpayer's child.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Deduction
Legal reference	*Income Tax Act*, paragraphs 20(1)(c) and (bb)
Implementation and recent history	• Interest on borrowed funds used to earn income was made deductible in 1923, and investment counselling fees in 1951. Interest incurred by corporations to buy shares of other corporations was made deductible in 1972. • Budget 1996 introduced amendments to ensure that fees to establish child support amounts remained deductible. • Budget 2013 removed the deduction in respect of safety deposit box charges for taxation years that began on or after March 21, 2013.
Objective – category	To recognize expenses incurred to earn business or property income
Objective	This measure recognizes that carrying charges are incurred for the purpose of earning income.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Business - other Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: No data is available.
Estimation method	Personal income tax: T1 micro-simulation model Corporate income tax: No estimate is available.
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: No projection is available.
Number of beneficiaries	About 2 million individuals claimed this deduction in 2014. No data is available for corporations.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	1,105	1,100	1,200	1,305	1,430	1,485	1,550	1,640
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Deduction of other employment expenses

Description	Under certain conditions, an employee can deduct a number of specific employment expenses in computing income, such as automobile expenses, the cost of meals and lodging for certain transport employees, and legal expenses paid to collect salary.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 8
Implementation and recent history	• Expenses of railway employees, sales expenses and transport employees' expenses were made deductible in Budget 1948, effective for the 1949 and subsequent taxation years. • Travel expenses, motor vehicle travel expenses, and dues and other expenses of performing duties were made deductible in Budget 1951, effective for the 1951 and subsequent taxation years. • Teachers' exchange fund contributions were made deductible in Budget 1957, effective for the 1956 and subsequent taxation years. • Legal expenses of employees were made deductible in Budget 1961, effective for the 1961 and subsequent taxation years. • Aircraft costs were made deductible in Budget 1979, effective for the 1980 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for certain expenses incurred for the purpose of earning employment income.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 785,000 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	955	970	955	920	960	1,000	1,010	1,055

Deduction of union and professional dues

Description	A deduction is available in respect of annual union, professional or like dues paid in the year by an employee (or paid by the employer and included in the employee's income) in the course of employment. The deduction does not apply to the extent the employee is, or is entitled to be, reimbursed by the employer.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Deduction
Legal reference	*Income Tax Act*, subparagraphs 8(1)(i)(i) and (iv)-(vii)
Implementation and recent history	• Introduced in Budget 1951. Effective for the 1951 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for mandatory employment-related expenses.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 5.7 million individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	825	860	890	915	975	985	1,025	1,070

Deferral for asset transfers to a corporation and corporate reorganizations

Description	Transfers of assets to a taxable Canadian corporation for consideration that includes at least one share of the corporation may be made on a tax-deferred basis. The tax deferral, which is on an elective basis, includes accrued capital gains and recapture of excess capital cost allowance deductions that would otherwise be realized on a taxable transfer. In general, the deferral results in the transferor having an accrued gain in respect of the share(s) acquired from the corporation and the corporation having deferred tax consequences in respect of the acquired property. Shareholders of a taxable Canadian corporation as well as the corporation are also permitted tax deferrals under certain corporate reorganization rules in which corporate assets are transferred. These reorganization rules include amalgamations, windings-up and so-called "corporate butterflies".
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, sections 55, 85, 87 and 88 and subsection 84(2)
Implementation and recent history	• These measures were introduced at various times (1948 for rules related to the recapture of excess capital cost allowance, 1958 for amalgamations, 1972 for capital gains on a transfer of an asset to a corporation and for a corporate winding-up, and 1980 for corporate butterflies). The winding-up rule in subsection 84(2) dates back to the 1920s.
Objective – category	To extend or modify the unit of taxation To support business activity
Objective	These measures facilitate tax-deferred transfers of assets used in business to a corporation and the reorganization of the corporation itself.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation. This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral of capital gains through intergenerational rollovers of family farms or fishing businesses

Description	Sales or gifts of assets to children, grandchildren or great-grandchildren typically give rise to taxable capital gains to the extent that the fair market value exceeds the adjusted cost base of the property. However, capital gains realized by an individual on intergenerational transfers of certain types of farm or fishing property (i.e., land, depreciable property including buildings, and eligible capital property such as quotas) and shares in a family farm or fishing corporation or interests in a family farm or fishing partnership, may be deferred in certain circumstances until the property is disposed of in an arm's length transaction, if the farm or fishing property continues to be used principally in a farming or fishing business.
Tax	Personal income tax
Beneficiaries	Farming and fishing businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 70(9) to (9.31) and 73(3) to (4.1)
Implementation and recent history	• Implemented in Budget 1973. Effective for the 1972 and subsequent taxation years. • Budget 2001 ensured that the existing intergenerational tax-deferred rollover for farm property is available for transfers of commercial woodlots after December 10, 2001, where they are operated in accordance with a prescribed forest management plan. • Budget 2006 extended this measure to include qualified fishing property effective May 2, 2006. • Budget 2014 extended the measure to generally treat a taxpayer’s combined farming and fishing business the same as separate farming and fishing businesses conducted by the same taxpayer, applicable to dispositions and transfers that occur in the 2014 and subsequent taxation years.
Objective – category	To achieve an economic objective - other
Objective	This measure allows for continuity in the management of family farms or family fishing businesses in Canada by permitting property used principally in a family farming or fishing business to pass from generation to generation on a tax-deferred basis (Budget 1973; Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes. This measure extends the unit of taxation.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral of capital gains through transfers to a spouse, spousal trust or alter ego trust

Description	When a property is transferred to another person, capital gains are generally considered to be realized at the time of the transfer on the basis of the fair market value of the property at that time. However, if an individual transfers capital property to a spouse, spousal trust or alter ego trust (i.e., a trust for the benefit of the transferor), the capital property is deemed to have been disposed of by the individual at its adjusted cost base (or at the undepreciated capital cost in the case of depreciable property), and to have been acquired by the spouse or trust for an amount equal to those deemed amounts. This treatment effectively provides a deferral of the taxable capital gain until the disposition of the property by the spouse or trust, or until the transferee or relevant trust beneficiary dies.
Tax	Personal income tax
Beneficiaries	Individuals, their spouses and common-law partners
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 70(6) and section 73
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Extended in 2001 to transfers to alter ego trusts (Department of Finance Canada news release 1999-112, December 17, 1999).
Objective – category	To extend or modify the unit of taxation
Objective	This measure recognizes that it is not always appropriate to treat a transfer of assets between spouses (or to a trust for one's own benefit or for the benefit of a spouse) as a disposition for income tax purposes, and therefore allows families flexibility in structuring their total assets (Budget 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes. This measure extends the unit of taxation.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral of income from destruction of livestock

Description	A taxpayer may defer to the following taxation year, in part or in full, the income received in compensation for the forced destruction of livestock under statutory authority.
Tax	Personal and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 80.3
Implementation and recent history	• Introduced in Budget 1976. Effective for the 1976 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure was introduced to allow farmers adequate time to replace their herds, destroyed under statutory authority, without imposing a tax burden in the year of livestock destruction (Budget 1976).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Direct Payments to Agriculture Producers, Table 1-33
Estimation method	Personal income tax (unincorporated farms): The value of this measure is calculated as the total deferred income in a given year minus the total amount deferred from the year before, multiplied by the share of farm income accruing to unincorporated farms and the average marginal tax rate applicable to farm income. Corporate income tax (incorporated farms): A similar methodology is used except that the average tax rate used is the estimated average tax rate applicable to meals and entertainment expenses.
Projection method	Projections for 2016 through 2018 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	S	S	S	S	1	n.a.	n.a.	n.a.
Corporate income tax	S	S	S	S	1	n.a.	n.a.	n.a.
Total	S	S	S	S	2	n.a.	n.a.	n.a.

Deferral of income from grain sold through cash purchase tickets

Description	Farmers may make deliveries of grain to a grain elevator and receive payment in the form of a cash purchase ticket. If a cash purchase ticket is issued upon the delivery to an elevator of certain listed grains and the holder of the cash purchase ticket is entitled to payment after the end of the taxation year in which the grain is delivered, then the taxpayer may exclude the amount stated on the cash purchase ticket from income for the taxation year in which the grain was delivered, and instead include it in income for the immediately following taxation year.
Tax	Personal and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 76(4) and (5)
Implementation and recent history	• Introduced in Budget 1974. Effective for the 1973 and subsequent taxation years. • Consequential amendments to this measure due to the elimination of the Canadian Wheat Board were made in 2012 (first Budget 2012 implementation bill). These amendments removed the previous geographical restriction for the measure and extended it to farmers of the listed grains anywhere in Canada.
Objective – category	To achieve an economic objective - other
Objective	By permitting the deferred reporting of income on grain sales, this measure facilitates the orderly delivery of grain to elevators, which helps meet Canada’s grain export commitments (Budget May 1974).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, CANSIM table 002-0001
Estimation method	Personal income tax (unincorporated farms): The value of this measure is calculated as the total deferred income from cash purchase tickets in a given year minus the total income from exchanging cash purchase tickets for their cash value, multiplied by the share of farm income accruing to unincorporated farms and the average marginal tax rate applicable to farm income. Corporate income tax (incorporated farms): A similar methodology is used except that the average tax rate used is the estimated average tax rate applicable to meals and entertainment expenses.
Projection method	The projection for 2016 uses data available for the first three quarters of the calendar year. Projections for 2017 and 2018 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	45	20	-10	-20	10	10	n.a.	n.a.
Corporate income tax	55	20	-10	-25	15	10	n.a.	n.a.
Total	100	40	-15	-45	30	20	n.a.	n.a.

Deferral of income from sale of livestock in a region of drought, flood or excessive moisture

Description	Farmers may defer recognition of a portion of the income received on the sale of breeding livestock (breeding animals and breeding bees) in prescribed regions affected by drought, flood or excessive moisture. Such deferred income must be recognized in the first taxation year beginning after the region ceases to be a prescribed region.
Tax	Personal and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 80.3 *Income Tax Regulations*, sections 7305 and 7305.02
Implementation and recent history	• Introduced in 1988 in respect of farmers forced to sell breeding livestock due to drought conditions (Department of Finance Canada news release 88-155, December 12, 1988). Effective for the 1988 and subsequent taxation years. • Expanded in March 2009 to apply to farmers carrying on business in a region of flood or excessive moisture (Department of Finance Canada news release 2009-024, March 5, 2009). Effective for the 2008 and subsequent taxation years. • Budget 2014 extended the measure to bees, and to all types of horses that are over 12 months of age, that are kept for breeding. Effective for the 2014 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure allows farmers to use the proceeds from the forced sale of livestock due to drought, flood or excessive moisture conditions to fund the acquisition of replacement livestock (Department of Finance Canada news release 88-155, December 12, 1988; Department of Finance Canada news release 2009-024, March 5, 2009; Budget 2014).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral through 10-year capital gain reserve

Description	If the proceeds derived from the sale of a farm or fishing property or small business shares to a child, grandchild or great-grandchild are not all receivable in the year of sale, recognition of a portion of the capital gain realized may be deferred until the year in which the proceeds become receivable. However, a minimum of 10% of the gain must be brought into income per year, creating a maximum 10-year reserve period. This contrasts with the treatment of capital property generally, where the maximum reserve period is five years (see measure "Deferral through five-year capital gain reserve").
Tax	Personal income tax
Beneficiaries	Farming and fishing businesses, individual investors
Type of measure	Timing preference
Legal reference	*Income Tax Act,* subsection 40(1.1)
Implementation and recent history	• Budget 1981 proposed the elimination capital gain reserves; however this original proposal was later modified to allow a five-year reserve generally and introduced the 10-year capital gain reserve for a transfer to a child (Department of Finance Canada news release 81-126). Effective for dispositions of property occurring after November 12, 1981. • Budget 2006 extended the scope of the measure to include fishing property. • Budget 2014 introduced simplifying rules for farmers carrying on farming and fishing businesses in combination.
Objective – category	To achieve an economic objective - other
Objective	This measure eases the intergenerational transfer of farm or fishing property sold to a child (Explanatory Notes for *Act to Amend the Income Tax Act*, December 1982; Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing Business - small businesses
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting 70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The value of this tax expenditure corresponds to the difference between the amount of tax that would have been payable if capital gain reserves were fully included in income in the year of disposition of the asset and the amount of tax that is payable as reserve amounts are included in income over time.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 11,000 individuals claimed a 10-year capital gain reserve in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
By type of property								
Farm and fishing property	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Small business shares	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – personal income tax	20	30	25	35	30	45	45	45

Deferral through five-year capital gain reserve

Description	In some cases, a taxpayer may receive portions of the payment from the sale of a capital property over a number of years. Under those circumstances, realization of a portion of the capital gain may be deferred until the year in which the proceeds are received. A minimum of 20% of the gain must be brought into income per year, creating a maximum five-year deferral period.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 40(1)
Implementation and recent history	• Budget 1981 proposed the elimination of capital gain reserves; however, this original proposal was later modified with the introduction of the five-year capital gain reserve (Department of Finance Canada news release 81-126). Effective for dispositions of property occurring after November 12, 1981.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure, while limiting tax deferral opportunities, recognizes that where capital gain proceeds are receivable over time, fully taxing gains in the year of sale could result in significant liquidity problems for taxpayers (Explanatory Notes for *Act to Amend the Income Tax Act*, December 1982).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: No data is available.
Estimation method	The value of this tax expenditure corresponds to the difference between the amount of tax that would have been payable if capital gain reserves were fully included in income in the year of disposition of the asset and the amount of tax that is payable as reserve amounts are included in income over time. Personal income tax: T1 micro-simulation model Corporate income tax: No estimate is available.
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: No projection is available.
Number of beneficiaries	About 8,400 individuals claimed a five-year capital gain reserve in 2014. No data is available for corporations.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	3	10	10	10	10	20	20	20
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Deferral through rollover of capital gains and capital cost allowance recapture in respect of dispositions of land and buildings

Description	Capital gains and capital cost allowance recapture resulting from the voluntary disposition of land and buildings by businesses may be deferred if replacement properties are purchased within a specified time period (e.g., a business changing location). The rollover is generally not available for properties used to generate rental income.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 13(4) and 44(1)
Implementation and recent history	• The deferral of capital cost allowance recapture was introduced in 1955. Effective for the 1954 and subsequent taxation years. • The capital gains deferral was introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To support business activity
Objective	This measure supports businesses by permitting the deferral of capital gains and capital cost allowance recapture that are incidental to an active business.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral through rollover of capital gains and capital cost allowance recapture in respect of involuntary dispositions

Description	Capital gains and capital cost allowance recapture resulting from an involuntary disposition (e.g., insurance proceeds received for an asset destroyed in a fire) may be deferred if the funds are reinvested in a replacement asset within a specified period. The capital gain and capital cost allowance recapture are taxable upon disposition of the replacement property.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 13(4) and 44(1)
Implementation and recent history	• The deferral of capital cost allowance recapture was introduced in 1955. Effective for the 1954 and subsequent taxation years. • The deferral of capital gains was introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	Rollover provisions are provided in some situations in which it would be unfair to collect capital gains tax even though the taxpayer has sold or otherwise disposed of an asset at a profit (*Proposals for Tax Reform*, 1969).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferral through use of billed-basis accounting by professionals and professional corporations

Description	In computing income for tax purposes, individuals and corporations carrying on the practice of certain professions (i.e., accounting, legal, medical doctor, dental, chiropractic or veterinary professional practice) can either use an accrual accounting method by default, or elect to use a billed-basis accounting method. Under the default accrual method, expenses must be matched with their associated revenues. Under the elective billed-basis method, the expenses relating to work in progress can be deducted as incurred even though the associated revenues are not brought into income until either the revenues are billed and become receivable or are paid. This treatment gives rise to a deferral of tax.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations carrying on certain professional practices
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 34
Implementation and recent history	• Introduced in Budget 1971. Effective for fiscal years ending after December 31, 1971.
Objective – category	To reduce administration or compliance costs
Objective	This measure recognizes the inherent difficulty in valuing unbilled time and work in progress (*Summary of 1971 Tax Reform Legislation*, 1971).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Deferred Profit-Sharing Plans

Description	A Deferred Profit-Sharing Plan (DPSP) is an arrangement under which an employer contributes profits from their business to a trust for the benefit of a designated group of employees. Employers may make tax-deductible contributions to a DPSP on behalf of their employees. The contributions are not immediately taxed in the hands of the employee, and the investment income is not taxed as it is earned. Withdrawals are included in the income of the employee for tax purposes. Employer contributions are limited to 18% of an employee's earnings up to one-half of the defined contribution Registered Pension Plan (RPP) dollar limit for the year ($13,005 for 2016). Total contributions to a DPSP and a defined contribution RPP are limited to 18% of an employee's earnings up to a specified dollar amount ($26,010 for 2016).
Tax	Personal income tax
Beneficiaries	Employees with a Deferred Profit-Sharing Plan
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 147
Implementation and recent history	• In 1961, amendments were introduced to provide that an employee would not be subject to income tax on amounts contributed to a profit-sharing plan on their behalf by their employer until actually received as proceeds from the plan. • In 1989, a number of amendments to the DPSP tax rules were introduced that, among other changes, increased the limit on deductible employer contributions and prohibited employee contributions (*Saving for Retirement: A Guide to the Tax Legislation and Regulations,* Department of Finance Canada, 1989).
Objective – category	To encourage savings To achieve an economic objective - other
Objective	The tax treatment of these plans encourages additional retirement savings, and fosters co-operation between employers and their workers by encouraging employees to participate in their employer's business (Budget 1960).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Disability supports deduction

Description	Attendant care as well as certain other disability supports expenses incurred to carry on a business or for education or employment purposes are deductible from income unless they have been reimbursed by a non-taxable payment (e.g., insurance payment). Generally, the deduction is limited to the lesser of the amounts paid for eligible expenses and the taxpayer's earned income. Students are additionally entitled to claim the deduction against up to $15,000 of non-earned income, subject to the length of their educational program. Individuals do not have to be eligible for the Disability Tax Credit in order to claim the deduction, although other criteria may apply for eligibility of certain types of disability supports. Expenses claimed under the disability supports deduction cannot be claimed under the Medical Expense Tax Credit.
Tax	Personal income tax
Beneficiaries	Individuals with disabilities
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 64
Implementation and recent history	• Introduced in Budget 2004, effective for the 2004 and subsequent taxation years, replacing the previous attendant care deduction.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the costs incurred by taxpayers with disabilities for disability supports required to enable them to earn business or employment income or to attend school (Budget 1989; Budget 2000; Budget 2004).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income. This measure provides tax recognition for an expense that is incurred for education purposes.
Subject	Health Employment Education
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability 70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70989 - Education - Education not elsewhere classified
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2,000 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	2	2	1	3	3	3	3	4

Disability Tax Credit

Description	The Disability Tax Credit provides tax relief for non-itemizable disability-related costs in respect of an eligible individual that has been certified by a qualified medical practitioner as having a severe and prolonged disability. The value of the non-refundable credit is calculated by applying the lowest personal income tax rate to the disability credit amount ($8,001 in 2016). The credit amount is indexed to inflation and can be transferred to a supporting spouse, parent, grandparent, child, grandchild, brother, sister, aunt, uncle, nephew or niece of the individual. Families caring for eligible children with severe and prolonged impairments may claim an additional amount as a supplement to the credit. For the 2016 taxation year, the value of the supplement is calculated by applying the lowest personal income tax rate to the supplement amount ($4,667 in 2016) and is reduced dollar-for-dollar by the amount of child care or attendant care expenses in excess of $2,734 that is claimed under the child care expense deduction, the disability supports deduction or the Medical Expense Tax Credit. Both the expense threshold and the supplement amount are indexed to inflation.
Tax	Personal income tax
Beneficiaries	Individuals with disabilities
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118.3(1)
Implementation and recent history	• Introduced in 1944 as a $480 deduction for blind persons. • Expanded in 1985 to individuals with severe disabilities. • Replaced by a non-refundable tax credit as part of the 1987 Tax Reform. • Introduction in 2000 of the supplement for children. • Budget 2005 extended eligibility to individuals who face multiple restrictions that together have a substantial impact on their everyday lives and to more individuals requiring extensive life-sustaining therapy on an ongoing basis.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure improves tax fairness by recognizing the effect of a severe and prolonged disability on an individual's ability to pay tax (Budget 1997; Budget 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation.
Subject	Health
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 674,000 individuals claimed this credit for themselves in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	685	760	815	890	935	960	995	1,035

Dividend gross-up and tax credit

Description	Income earned by corporations is subject to corporate income tax and, on distribution as dividends to individuals, personal income tax. The result is that dividends received by Canadian taxpayers are taxed at both the corporate and the personal levels. The Dividend Tax Credit (DTC), provided within the personal income tax system, is intended to compensate a taxable individual for corporate income taxes that are presumed to have been paid. The DTC is generally meant to ensure that income earned by a corporation and paid out to an individual as a dividend will be subject to the same amount of tax as income earned directly by the individual. The DTC mechanism calculates a proxy for pre-tax corporate profits and then provides a tax credit to individuals in recognition of corporate-level tax. Under this approach, an individual is first required to include the grossed-up amount of taxable dividends (i.e., the proxy for pre-tax profits) in income. Using the grossed-up amount, the tax system in effect treats the individual as having directly earned the amount that the corporation is presumed to have earned in order to pay the dividend. The DTC then compensates the individual for the amount of corporate-level tax presumed to have been paid on the grossed-up amount. The tax system has two DTC rates and gross-up factors to recognize the two different corporate income tax rates that generally apply to corporations. The enhanced DTC (15.0198% in 2016) and gross-up (38% in 2016) are applied to dividends distributed to an individual from corporate income taxed at the general corporate tax rate (eligible dividends). The ordinary DTC (10.5217% in 2016) and gross-up (17% in 2016) are applied to dividends distributed to an individual from corporate income not taxed at the general corporate tax rate (ineligible dividends).
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Other; credit, non-refundable
Legal reference	*Income Tax Act*, sections 82 and 121
Implementation and recent history	• Introduction of a DTC in 1949, followed by an increase of the tax credit in 1953. • The 1971 Tax Reform introduced the gross-up factor and adjustments to the DTC effective for the 1972 and subsequent taxation years. • Budgets 1977 and 1986 as well as the 1987 Tax Reform announced changes to the gross-up and DTC. • Budget 2006 established, for dividends paid after 2005, a new gross-up factor and an enhanced DTC rate for eligible dividends. • Budget 2008 adjusted the enhanced DTC and gross-up factor to reflect the scheduled federal general corporate income tax rate reductions that were announced in the 2007 Economic Statement. • Budget 2013 adjusted the gross-up factor and DTC rate applicable to non-eligible dividends to ensure the appropriate tax treatment of such dividends. • Budget 2015 adjusted the gross-up factor and DTC rate applicable to non-eligible dividends in conjunction with reductions in the preferential income tax rate for small businesses. • Budget 2016 announced that the gross-up factor and DTC rate applicable to non-eligible dividends would remain at 17% and 10.5% respectively after 2016.
Objective – category	To prevent double taxation
Objective	These measures contribute to the integration of the corporate and personal income tax systems.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model

Projection method	T1 micro-simulation model
Number of beneficiaries	About 4.2 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	4,145	4,415	5,025	4,625	5,695	3,560	4,595	4,870

Earned depletion

Description	The earned depletion deduction supplemented the deduction for actual costs incurred with an extra deduction of up to 33 1/3% of certain exploration and development expenses. This measure was phased out as part of the 1987 Tax Reform and, accordingly, new expenditures cannot be added to the earned depletion base after 1989. As in the case of Canadian Exploration Expenses and Canadian Development Expenses, earned depletion could be pooled and any remaining balance could be carried forward indefinitely for use in later years. As a result, deductions can still be made on the basis of existing unused depletion pools. The deduction for earned depletion is generally limited to 25% of the corporation's annual resource profits, although mining exploration depletion can be deducted against non-resource income.
Tax	Personal and corporate income tax
Beneficiaries	Businesses in the mining and oil and gas industry
Type of measure	Other
Legal reference	*Income Tax Regulations*, section 1201
Implementation and recent history	• Introduced in Budget 1971. • Phased out as part of the 1987 Tax Reform.
Objective – category	To encourage or attract investment
Objective	This measure was designed to encourage corporations to undertake exploration and development of natural resources (*Proposals for Tax Reform*, 1969; *Summary of 1971 Tax Reform Legislation*; Budget, May 6, 1974; Budget, November 18, 1974).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permitted the deduction of an amount that exceeded the expense actually incurred to earn income.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 70431 - Economic affairs - Fuel and energy - Coal and other solid mineral fuels 70432 - Economic affairs - Fuel and energy - Petroleum and natural gas
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on earned depletion balances of unincorporated businesses is not available, but such balances are not expected to be significant. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: The cost of this measure is equal to the amount of earned depletion claimed, multiplied by the general corporate income tax rate.
Projection method	Personal income tax: No projection is available. Corporate income tax: Projections are based on current market conditions.
Number of beneficiaries	A small number of corporations (fewer than 20) claimed this deduction in 2014. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	S	S	S	S	S	S	S	S
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Education Tax Credit

Description	A student could claim a non-refundable tax credit at the lowest personal income tax rate on an amount of $400 per month of study for full-time students and $120 per month of study for part-time students. The credit had to be claimed on the tax return of the student. If the student did not need to use all of the credit, the unused amount could be transferred to a supporting individual or carried forward to a subsequent taxation year. Budget 2016 announced the elimination of this measure as of 2017. Amounts carried forward from prior years may still be claimed.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118.6(2)
Implementation and recent history	• Introduced as a deduction in Budget 1972. Effective for the 1972 and subsequent taxation years. • Replaced by a non-refundable tax credit and made transferable to spouses, parents or grandparents as part of the 1987 Tax Reform. • Budget 1997 introduced a provision allowing unused education amounts to be carried forward for use in a subsequent year. • The October 2000 Economic Statement and Budget Update announced the doubling of the amounts used to calculate the Education Tax Credit to $400 per month of full-time study and $120 per month of part-time study. • Budget 2011 reduced the 13-week minimum duration requirement applying to studies undertaken by Canadians at foreign universities to three consecutive weeks. • Budget 2016 announced the elimination of this measure as of 2017.
Objective – category	To recognize education costs
Objective	This measure provided students with assistance by recognizing non-tuition costs associated with full- and part-time education (Budget 1972).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extended the unit of taxation. The tax benefit from this measure could be obtained in a taxation year other than the year during which it accrued.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.3 million individuals earned this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	655	685	705	725	750	770	400	295

Eligible Dependant Credit

Description	A taxpayer that does not have a spouse or common-law partner (or that is not living with, supporting, or being supported by their spouse or common-law partner) may claim a non-refundable credit in respect of a co-habiting and dependent parent or grandparent, or of a co-habiting child, grandchild, brother or sister who is either under the age of 18 or is wholly dependent due to physical or mental infirmity. The value of the credit is calculated by applying the lowest personal income tax rate to the eligible dependant amount of $11,474 (2016, indexed to inflation). The credit amount is reduced dollar-for-dollar by the net income of the dependant. The credit may only be claimed once in a same household, and only one individual may claim the credit in respect of a same dependant in a given year.
Tax	Personal income tax
Beneficiaries	Individuals with eligible dependants
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(b)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, to replace the previous exemption. Effective for the 1988 and subsequent taxation years. • Until 2007, the Eligible Dependant Credit amount was less than the Basic Personal Amount, and was reduced dollar-for-dollar by the net income of the dependant in excess of the income threshold applicable for the taxation year. • Budget 2007 introduced two changes to this credit: (i) the credit amount was set equal to the Basic Personal Amount; and (ii) the income threshold was eliminated, resulting in the credit amount being reduced dollar-for-dollar by the net income of the dependant. These changes became effective in 2007.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that a taxpayer without a spouse or common-law partner who is supporting a dependent young child, parent or grandparent or other dependent relative due to mental or physical infirmity has a reduced ability to pay tax relative to a taxpayer with the same income and no such dependant (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 948,000 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	785	785	775	795	895	925	940	960

Employee benefit plans

Description	Employers may make contributions to an employee benefit plan on behalf of their employees. The employee is not required to include in income the contributions to the plan or the investment income earned within the plan until amounts are received. Employers may not deduct these contributions to the plan until the contributions are distributed to the employees. As such, relative to the situation where the employee would have paid income tax on the amount of deferred salary, the government incurs a tax expenditure on the amount, in the form of a deferral of tax, to the extent that the employee's personal income tax rate exceeds the corporate income tax rate. Investment income earned in an employee benefit plan is taxed in the hands of the plan or, if it is paid out, in the hands of the employer or employee. The preferential tax treatment under an employee benefit plan is available only in certain circumstances, for instance, where the main purpose of the plan is not the deferral of tax or where an employee is not yet able to exercise their right to any income under the plan. In addition, certain leaves of absence or sabbatical plans under which employees may be entitled to defer salaries, as well as salary deferral plans established for professional athletes playing for a team that participates in a league with regularly scheduled games, may be treated as employee benefit plans. Provided certain conditions are met by the plans or arrangements, these amounts are not subject to tax until received by the employee.
Tax	Personal income tax
Beneficiaries	Employees with an employee benefit plan
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 6(1)(g), section 32.1 and subsection 248(1), definition of "employee benefit plan" *Income Tax Act*, subsection 248(1), definition of "salary deferral arrangement" *Income Tax Regulations*, section 6801
Implementation and recent history	• Introduced in Budget 1979. Effective for the 1980 and subsequent taxation years. • Rules were introduced in 1986 (Budget 1986; Department of Finance Canada news release 86-131, July 28, 1986) to prevent the deferral of tax on salary income other than in certain specific circumstances such as leaves of absence and sabbatical plans.
Objective – category	To achieve a social objective To encourage employment
Objective	This measure improves access to employee benefit plans and accommodates extended leaves of a sabbatical nature within the employment relationship (Budget 1979; Budget 1986).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Employee stock option deduction

Description	When individuals acquire company shares under an employee stock option plan, they are deemed to have received a taxable benefit from employment equal to the difference between the fair market value of the shares at the time they are acquired and the amount paid to acquire them. Provided certain conditions are met, individuals may deduct one-half of the employment benefit earned on employee stock options from income for tax purposes, thereby benefiting from the same effective tax rate that investors receive on capital gains. The deduction is generally available for options on common shares issued to arm's-length employees, where the price at which the option can be exercised is equal to or greater than the fair market value of the underlying share at issuance.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Deduction
Legal reference	*Income Tax Act*, subsections 7(1) and (1.1) and paragraphs 110(1)(d) and (d.1)
Implementation and recent history	• Introduced in Budget 1977 for employee stock options granted by Canadian-controlled private corporations (CCPCs). Effective April 1, 1977. • Extended in Budget 1984 to employee stock options granted by corporations other than CCPCs, effective February 15, 1984. • Budget 2010 eliminated the ability for both the employee and the employer to claim a deduction in relation to the same employment benefit under certain arrangements where employees surrendered their stock options to the employer in exchange for cash payments or other benefits.
Objective – category	To achieve an economic objective - other To support competitiveness
Objective	This measure assists businesses in their efforts to attract and retain highly skilled employees and encourages employee participation in the ownership of the employer's business to promote increased productivity (Budget 1977; Budget 1984).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 48,000 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	740	590	630	745	685	695	725	755

Exemption for insurers of farming and fishing property

Description	Insurers of farming and fishing property may benefit from a tax exemption provided they do not engage in any business other than insurance. The proportion of an insurer's taxable income for a taxation year that is exempt is determined based on the proportion that the insurer's gross premium income (net of reinsurance ceded) earned for the year from the insurance of property used in farming or fishing or residences of farmers or fishers is of the insurer's total gross premium income (net of reinsurance ceded) for the year: • If the proportion is 90% or more, all of the insurer's taxable income is exempt from tax; • If the proportion is less than 90% but not less than 25%, only that proportion of the insurer's taxable income is exempt from tax; • If the proportion is less than 25% but not less than 20%, one half of that proportion of the insurer's taxable income is exempt from tax; • If the proportion is less than 20%, no exemption is available.
Tax	Corporate income tax
Beneficiaries	Insurers of farming and fishing property
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 149(1)(t) and subsections 149(4.1) to (4.3) *Income Tax Regulations*, subsection 4802(2)
Implementation and recent history	• Introduced in 1954, the original provision exempted all of an insurer's taxable income from tax if the proportion of its gross premium income (net of reinsurance ceded) from the insurance of property used in farming or fishing or residences of farmers or fishers was more than 50%. • This measure was amended in 1989, with the effect that if the proportion was between 25% and 90%, only that proportion of the insurer's taxable income became exempt from tax. • Amendments in 1996 introduced the remaining elements that, together, constitute the rules currently in effect.
Objective – category	To achieve an economic objective - other
Objective	This exemption encourages insurers to provide insurance service in all rural districts (1945 Royal Commission on Co-operatives).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base. This measure exempts from tax certain taxpayers.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The tax expenditure is estimated by multiplying the eligible amount of exempt income with the tax rate for each claimant.
Projection method	The cost of this tax expenditure is fairly stable; as such no growth is assumed over the projection period.
Number of beneficiaries	This measure provided tax relief to about 40 corporations in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	5	10	10	10	10	10	10	10

Exemption for international shipping and aviation by non-residents

Description	Income earned in Canada by a non-resident person from international shipping or the operation of an aircraft in international traffic is exempt from Canadian income tax if the country where the non-resident person resides grants substantially similar relief to a Canadian resident. This exemption is consistent with international practice and with the Model Tax Convention developed by the Organisation for Economic Co-operation and Development, and is supported by similar provisions in Canada's bilateral tax treaties.
Tax	Personal and corporate income tax
Beneficiaries	Non-resident businesses
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 81(1)(c)
Implementation and recent history	• Introduced in 1926 for income of a non-resident person from the operation of a ship in international traffic. • Extended in 1945 to income of a non-resident person from the operation of an aircraft in international traffic.
Objective – category	To prevent double taxation
Objective	This measure is provided to prevent international double taxation.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Exemption from branch tax for transportation, communications, and iron ore mining corporations

Description	A statutory 25% tax, known as the "branch tax", is imposed on a non-resident corporation's after-tax income from carrying on business in Canada, to the extent this income is not reinvested in Canada. The statutory tax rate is generally reduced by Canada's bilateral tax treaties to 5%, 10% or 15% depending on the treaty. These treaties also generally restrict the scope of the branch tax to non-resident corporations which are carrying on business in Canada through a permanent establishment. A non-resident corporation the principal business of which is the transportation of persons or goods, communications, or mining iron ore in Canada, as well as registered charities and other corporations that are exempt from income tax, are exempt from the branch tax.
Tax	Corporate income tax
Beneficiaries	Non-resident corporations
Type of measure	Exemption
Legal reference	*Income Tax Act,* Part XIV, subsection 219(2)
Implementation and recent history	• Introduced in Budget 1960, concurrently with the introduction of the branch tax. Effective for the 1961 and subsequent taxation years. • Iron ore mining corporations were added to the list of exemptions in 1962. • The exemption for insurance companies (in effect since 1961) was repealed in 1969. • The exemption for corporations incorporated before July 1, 1867 (in effect since 1961) was repealed in 1972. • The exemption for banks (in effect since 1961) was repealed in 2001.
Objective – category	To provide relief for special circumstances
Objective	This measure recognizes that certain foreign companies sometimes have no real alternative to the branch office form of organization when operating in other jurisdictions (Budget 1960; Budget 1962).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The cost of this tax expenditure is calculated by multiplying the income of the branch exempt from branch tax by the applicable statutory or treaty tax rate.
Projection method	This tax expenditure is projected to grow in line with nominal gross domestic product. The base year for the projections is the average of the previous five years.
Number of beneficiaries	This measure provides tax relief to a small number of non-residents (fewer than 20) each year. No data is available for other non-residents who are exempt under this provision but do not file a Canadian income tax return.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	40	10	10	4	1	15	15	15

Exemption from GST and rebate for legal aid services

Description	GST is relieved in respect of legal aid services in two ways: • legal aid services delivered directly by a province or a provincial agency are exempt; and • legal aid services provided by private practitioners to a legal aid plan administrator are taxable. However, the person responsible for the legal aid plan is entitled to a rebate of 100% of any tax paid on the supply. This eases the compliance burden for private practitioners.
Tax	Goods and Services Tax
Beneficiaries	Governments, individuals using provincial legal aid plans
Type of measure	Exemption; rebate
Legal reference	Part V of Schedule V to the *Excise Tax Act* (exemption) *Excise Tax Act*, section 258 (rebate)
Implementation and recent history	• These measures have been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	These measures ensure that the introduction of the GST resulted in no increase in the tax borne by consumers of these services (*Report on the Technical Paper on the Goods and Services Tax*, November 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions and rebates are deviations from a broadly defined value-added tax base.
Subject	Social
CCOFOG 2014 code	70169 - General public services - General public services not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, legal aid plan expenditures and Supply and Use Tables
Estimation method	The value of the exemption is calculated by multiplying the estimated value of services provided by public legal aid agencies by the GST rate. This corresponds to the forgone GST on all exempt legal aid services—including on the imputed value of unpriced or subsidized services paid indirectly with government funding. From this is subtracted an estimate of the input tax credits that would be allowed if these services were taxable. The value of the rebate is calculated by multiplying an estimate of fees paid by legal aid plans to private sector lawyers by the GST rate.
Projection method	The cost of this measure is projected to grow in line with household final consumption expenditure of services other than services related to dwelling and property.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Goods and Services Tax	30	30	30	35	35	35	35	40

Exemption from GST for certain residential rent

Description	Rentals of a residential complex (such as a house) or a residential unit (such as an apartment) for a period of at least one month are exempt from GST.
Tax	Goods and Services Tax
Beneficiaries	Tenants of long-term residential housing
Type of measure	Exemption
Legal reference	Section 6 of Part I of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure is intended to preserve the affordability of housing (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	1,580	1,695	1,655	1,670	1,775	1,865	1,960	2,065

Note: The cost information includes the tax expenditure associated with the exemption from GST for short-term accommodation, as the data cannot be separated from residential rent. The cost information is predominantly related to residential rent.

Exemption from GST for certain supplies made by charities and non-profit organizations

Description	Most supplies made by charities are exempt from GST. Many supplies made by non-profit organizations are also exempt, including: supplies made for no consideration; supplies of food and lodging made for the relief of poverty or distress; subsidized home-care services; meals on wheels; recreational programs established for children, individuals with a disability and disadvantaged individuals; memberships in organizations providing no significant benefit to individual members; and trade union and mandatory professional dues.
Tax	Goods and Services Tax
Beneficiaries	Consumers of supplies made by charities and non-profit organizations
Type of measure	Exemption
Legal reference	Part V.1 of Schedule V to the *Excise Tax Act* Part VI of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • This measure is periodically amended in accordance with its objectives and to preserve the integrity of the tax system. Most recently, Budget 2016 clarified that GST/HST generally applies to supplies of purely cosmetic procedures (e.g., liposuction, botulinum toxin injections) provided by all suppliers, including registered charities.
Objective – category	To achieve a social objective To reduce administration or compliance costs
Objective	This measure recognizes the important role of charities and non-profit organizations in Canadian society (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	1,090	950	1,010	1,090	1,160	1,230	1,305	1,335

Exemption from GST for child care

Description	Child care services provided for periods of less than 24 hours to children 14 years of age or under are generally exempt from GST.
Tax	Goods and Services Tax
Beneficiaries	Families with minor children
Type of measure	Exemption
Legal reference	Section 1 of Part IV of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure helps preserve the affordability of child care services.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Goods and Services Tax	130	135	145	150	155	160	165	175

Exemption from GST for domestic financial services

Description	Under the GST, there is no tax charged on the supply of financial services. However, financial service providers such as financial institutions are not allowed to claim input tax credits in respect of GST costs incurred on inputs used in providing those services. As a result, consumers of financial services (e.g., depositors and borrowers) are not directly subject to tax, and financial institutions that make exempt supplies of financial services are effectively treated as final consumers.
Tax	Goods and Services Tax
Beneficiaries	Consumers of financial services
Type of measure	Exemption
Legal reference	Part VII of Schedule V to the *Excise Tax Act* *Excise Tax Act*, section 123(1), definition of "financial service"
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • Amended in December 2009 to confirm that certain investment management, facilitatory and credit management services are not eligible for the exemption (Department of Finance Canada news release 2009-115, December 14, 2009).
Objective – category	Other
Objective	This measure is in recognition of the fact that, since the price of a financial service is often implicit and difficult to determine (e.g., the price of deposit-taking services that is reflected in the interest paid to depositors, the price of lending services that is included in the interest paid by borrowers), taxing financial services in a consistent and equitable manner is challenging (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Exemption from GST for ferry, road and bridge tolls

Description	Ferry services and road and bridge tolls are generally exempt from GST. The exemption does not include international ferry services, which are zero-rated, consistent with other international transportation services.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Exemption
Legal reference	Part VIII of Schedule V and section 14 of Part VII of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure ensures that the use of Canada's highway systems and related infrastructure will not be subject to tax (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Social
CCOFOG 2014 code	70451 - Economic affairs - Transport - Road transport
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	10	10	10	10	10	10	10	10

Exemption from GST for health care services

Description	Basic health care services are exempt under the GST, including: • services provided by physicians, dentists and certain other health care practitioners whose profession is regulated by the governments of at least five provinces; • services covered by a provincial health insurance plan; and • institutional health care services provided in a health care facility, including accommodation, meals provided with accommodation, rentals of medical equipment to patients or residents of the facility, and a number of other supplies.
Tax	Goods and Services Tax
Beneficiaries	Individuals with medical conditions
Type of measure	Exemption
Legal reference	Part II of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The list of exempt services is periodically amended. Most recently, Budget 2014 announced the addition of acupuncturists and naturopathic doctors to the list of health care practitioners whose professional services are exempt from the GST. • Budget 2013 clarified that the GST applies to reports, examinations and other services that are not performed for the purpose of the protection, maintenance or restoration of the health of a person or for palliative care.
Objective – category	To achieve a social objective
Objective	This measure recognizes that most health services are provided by the public sector in a non-commercial context.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	7072 - Health - Outpatient services 7073 - Health - Hospital services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model. The value of this tax expenditure corresponds to the forgone GST on all health services—including on the imputed value of unpriced or subsidized services paid for indirectly with government funding—less the input tax credits that would be allowed if these services were taxable.
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	610	655	670	705	735	760	790	820

Note: The cost information includes the tax expenditure associated with the exemption from GST for personal care services, as the data cannot be separated from health care services. The cost information is predominantly related to health care expenditures.

Exemption from GST for hospital parking

Description	The supply of parking at a public hospital is generally exempt from GST when made by a charity, a non-profit organization, a hospital or another public sector body to persons such as patients, visitors and volunteers.
Tax	Goods and Services Tax
Beneficiaries	Consumers of hospital parking intended for patients, visitors and volunteers
Type of measure	Exemption
Legal reference	Section 7 of Part V.1 of Schedule V to the *Excise Tax Act* Section 25.1 of Part VI of Schedule V to the *Excise Tax Act*
Implementation and recent history	• The exemption of hospital parking supplies made by charities has been in effect since March 22, 2013. • The exemption of hospital parking supplies made by other public sector bodies was introduced on January 24, 2014, effective after that date (Department of Finance Canada news release).
Objective – category	To achieve a social objective
Objective	This measure helps reduce the cost of hospital parking for patients and visitors (Department of Finance Canada news release 2014-009, January 24, 2014).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	70739 - Health - Hospital services - Hospital services not elsewhere classified
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Goods and Services Tax	–	–	–	15	15	20	20	20

Exemption from GST for municipal transit

Description	Municipal transit services are exempt from GST. Specifically, no tax applies on fares charged by transit systems operated by a local authority or government, or by a government-funded non-profit organization. A municipal transit service is defined as a public passenger transportation service provided by a transit authority whose services are all or substantially all within a particular municipality and its surrounding areas.
Tax	Goods and Services Tax
Beneficiaries	Users of municipal transit
Type of measure	Exemption
Legal reference	Section 24 of Part VI of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This exemption is consistent with the treatment of standard municipal services (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Social
CCOFOG 2014 code	70456 - Economic affairs - Transport - Public Transit
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Goods and Services Tax	170	175	185	190	200	205	215	220

Exemption from GST for personal care services

Description	Certain personal care services are exempt under the GST. The exemption covers the following services when provided at the establishment of the supplier: • supplies of care, supervision and a place of residence to children, underprivileged individuals or individuals with a disability (e.g., group homes); and • supplies of care and supervision to an individual with limited physical or mental capacity for self-supervision and self-care due to an infirmity or disability (e.g., respite care).
Tax	Goods and Services Tax
Beneficiaries	Children, individuals with disabilities, disadvantaged individuals and caregivers
Type of measure	Exemption
Legal reference	Sections 2 and 3 of Part IV of Schedule V to the *Excise Tax Act*
Implementation and recent history	• The exemption in respect of care and a place of residence has been in effect since the inception of the GST in 1991. • The exemption in respect of respite care was announced in Budget 1998, applicable after February 24, 1998.
Objective – category	To achieve a social objective
Objective	This measure helps preserve the affordability of personal care services.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Families and households Health Social
CCOFOG 2014 code	71049 - Social protection - Family and children 71012 - Social protection - Sickness and disability - Disability 71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Note: Data for personal care services cannot be separated from data for certain exempt health care services (e.g., nursing homes); therefore, the tax expenditure associated with the exemption from GST for personal care services is combined with the tax expenditure associated with the exemption from GST for health care services (see measure “Exemption from GST for health care services”).

Exemption from GST for sales of used residential housing and other personal-use real property

Description	Generally, the GST applies to newly constructed residential housing and residential trailer parks when they are first sold or leased for residential purposes. Subsequent sales of used residential housing or used residential trailer parks are tax-exempt. In addition, most sales of other personal-use real property, such as vacant land, are tax-exempt when sold by individuals. This exemption is consistent with the tax treatment of personal-use property and services not supplied in the course of commercial activities. The sale of farmland to a family member who is acquiring the property for personal use is also tax-exempt.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Exemption
Legal reference	Sections 2-5.3 and 9-12 of Part I of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To reduce administration or compliance costs To achieve an economic objective - other
Objective	This measure is intended to preserve the affordability of housing while ensuring that the tax regime is not overly complex (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Exemption from GST for short-term accommodation

Description	Short-term accommodation is exempt from GST where the charge for the accommodation is not more than $20 per day.
Tax	Goods and Services Tax
Beneficiaries	Individuals occupying low-cost short-term accommodation
Type of measure	Exemption
Legal reference	Paragraph 6(b) of Part I of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure is intended to preserve the affordability of low-cost temporary accommodation offered by the private sector (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Note: Data for short-term accommodation cannot be separated from data for certain exempt residential rent; therefore, the tax expenditure associated with the exemption from GST for short-term accommodation is combined with the tax expenditure associated with the exemption from GST for certain residential rent (see measure "Exemption from GST for certain residential rent").

Exemption from GST for tuition and educational services

Description	Most educational services are exempt from GST, including: • courses provided primarily for elementary or secondary school students; • courses leading to credits towards a diploma or degree awarded by a recognized school authority, university or college; and • certain other types of training for a trade or vocation. Certain ancillary supplies are also exempt, such as most meal plans at a university or college and supplies by school authorities of a service of transporting students to or from school.
Tax	Goods and Services Tax
Beneficiaries	Students
Type of measure	Exemption
Legal reference	Part III of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure recognizes that most education services are provided by the public sector in a non-commercial context.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Education
CCOFOG 2014 code	70929 - Education - Primary and Secondary education 70939 - Education - College education 70949 - Education - University education 70969 - Education - Subsidiary services to education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model. The value of this tax expenditure corresponds to the forgone GST on all education services less the input tax credits that would be allowed if these services were taxable.
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	545	585	635	670	700	720	750	775

Exemption from GST for water, sewage and basic garbage collection services

Description	Water and sewage services are exempt from GST when the supplies are made by a municipality or organization designated to be a municipality for the purpose of making these supplies. Basic garbage collection services are exempt from GST when the supplies are made by or on behalf of a government or municipality to a recipient who has no option but to receive the service.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Exemption
Legal reference	Sections 21 and 22 of Part VI of Schedule V to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	Water, sewage and garbage collection are integral to the role of local governments (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST exemptions are deviations from a broadly defined value-added tax base.
Subject	Social
CCOFOG 2014 code	70639 - Housing and community amenities - Water supply 70519 - Environmental protection - Waste management
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	205	210	230	245	255	265	275	285

Exemption from tax for international banking centres

Description	A prescribed financial institution's branch or office carrying on certain business in Montreal or Vancouver was exempt from tax on the income from that business. In order to qualify, the business generally had to be limited to the making of loans to and the acceptance of deposits from non-residents, and the proceeds of such loans were not to be used to earn income in Canada or to make a loan to any person other than a non-resident. This exemption was repealed, effective March 21, 2013.
Tax	Corporate income tax
Beneficiaries	Prescribed financial institutions
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 33.1
Implementation and recent history	• Introduced in 1987 (Department of Finance Canada news release 87-16, January 28, 1987), effective for taxation years commencing after December 17, 1987. • Repealed in Budget 2013, effective for taxation years commencing March 21, 2013.
Objective – category	To encourage or attract investment To support competitiveness
Objective	This measure was intended to return to Canada some banking activities previously conducted abroad and to attract business that normally would not be conducted in Canada (Department of Finance Canada news release 87-16, January 28, 1987).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempted from tax income or gains that are included in a comprehensive income tax base.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T781 Designation as an International Banking Centre T781-A International Banking Centre Information Return T2 Corporation Income Tax Return
Estimation method	The tax expenditure estimates for international banking centres are calculated as the amount of corporate income tax that would have been paid on specified types of income earned by these taxpayers if they were subject to tax. Any loss from an international business centre would be considered a negative tax expenditure; as such a loss does not reduce taxable income in the same way as other non-capital losses.
Projection method	n/a
Number of beneficiaries	This measure provided tax relief to a small number of corporations. The number of beneficiaries is not published in order to preserve taxpayer confidentiality.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	X	X	X	–	–	–	–	–

Exemption of scholarship, fellowship and bursary income

Description	A student can claim a full exemption for scholarship, fellowship and bursary income received in connection with the student's enrolment in a program that entitles the student to the Education Tax Credit or an elementary or secondary school educational program. A $500 tax exemption is available for scholarship, fellowship and bursary income that does not qualify for the full exemption.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 56(1)(n) and subsection 56(3)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • Budget 2000 increased the tax exemption for scholarship, fellowship and bursary income to $3,000 from $500. • Budget 2006 removed the $3,000 limit to establish a full exemption for post-secondary scholarship, fellowship and bursary income. • Budget 2007 extended the tax exemption to scholarship, fellowship and bursary income received by elementary and secondary school students.
Objective – category	To encourage investment in education
Objective	This measure encourages Canadians to experience exceptional education opportunities by providing additional tax assistance to students (*Summary of 1971 Tax Reform Legislation*, 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4A Statement of Pension, Retirement, Annuity, and Other Income
Estimation method	The value of this measure is calculated by multiplying the total non-taxable scholarship amount by an assumed marginal tax rate.
Projection method	The value of this measure is projected based on historical growth.
Number of beneficiaries	About 920,000 individuals received a non-taxable scholarship amount in 2013.

Cost Information:

Millions of dollars	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	n.a.	n.a.	210	220	240	245	295	315

Exemptions from non-resident withholding tax

Description	Non-resident withholding tax is imposed on the gross amount of certain payments made by Canadians to non-residents. These amounts include interest, dividends, rents, royalties, management fees, pension benefits, annuities, estate or trust income, and payments for film or video acting services. Non-resident withholding tax is imposed at the statutory rate of 25%; however, this rate can be reduced by the effect of the provisions of a bilateral tax treaty. The *Income Tax Act* exempts certain payments from non-resident withholding tax on a unilateral basis. Exemptions may also be available under certain bilateral tax treaties.
Tax	Personal and corporate income tax
Beneficiaries	Non-residents
Type of measure	Exemption; preferential tax rate
Legal reference	*Income Tax Act*, Part XIII, section 212
Implementation and recent history	• Non-resident withholding tax was introduced in 1933, applicable to certain dividend, interest and royalty payments to non-residents at a rate of 5%. The withholding tax was modified on several occasions over the years. In particular, the rate was increased to 15% in 1942 and to 25% in 1972. The base was also extended to other types of payments, including pension benefits, annuities and management fees. • Exemptions or reduced withholding tax rates have been introduced at various times, both in the *Income Tax Act* and in most bilateral tax treaties. A statutory exemption for interest payments made to arm's length non-resident lenders came into effect in 2008, and the Canada-U.S. tax treaty was amended to bilaterally exempt most cross-border interest payments, effective 2008.
Objective – category	To encourage or attract investment To support competitiveness
Objective	Exemptions from non-resident withholding tax are intended to enhance the competitiveness of Canadian businesses by lowering the cost of accessing capital and other business inputs from abroad.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from non-resident withholding tax certain payments that are included in the benchmark base for this tax.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	NR4 Statement of Amounts Paid or Credited to Non-Residents of Canada
Estimation method	The cost of this tax expenditure is estimated by multiplying observed payments by the benchmark tax rate (25% or the general tax rate for the relevant type of income set out in the applicable tax treaty) and deducting from this amount any withholding tax collected on the payments.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
By type of payments								
Dividends	2,145	2,400	2,595	2,810	2,775	2,825	2,945	3,055
Interest	1,390	1,545	1,570	1,665	1,660	1,690	1,760	1,825
Rents and royalties	365	455	505	415	475	480	500	520
Management fees	170	225	280	325	310	315	330	340
Total – personal and corporate income tax	4,075	4,620	4,955	5,215	5,220	5,310	5,540	5,745

Expensing of advertising costs

Description	Advertising expenses are deductible in computing business income in the year they are incurred, even though some of these expenses provide a benefit in the future. Under the benchmark tax system, the expenses would be amortized over the benefit period. Certain restrictions regarding advertising expenses in foreign media apply (see the measure "Non-deductibility of advertising expenses in foreign media").
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 18(1)(a)
Implementation and recent history	• This measure has been in effect since 1917.
Objective – category	To reduce administration or compliance costs
Objective	This measure reduces administration costs for the Canada Revenue Agency and compliance costs for taxpayers.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Expensing of current expenditures on scientific research and experimental development

Description	Eligible current expenditures on scientific research and experimental development (SR&ED) performed in Canada may be fully deducted in the year they are incurred. These expenditures give rise to new knowledge, technology and other intangible assets that are expected to generate benefits over multiple years. Under the benchmark tax system, such expenditures would be capitalized and depreciated over the time period the assets created are expected to generate revenues. A similar measure was formerly available in respect of capital expenditures on SR&ED (see measure "Expensing of purchases of capital equipment used for scientific research and experimental development"). A tax credit is also available in respect of these expenses (see measure "Scientific Research and Experimental Development Investment Tax Credit").
Tax	Personal and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 37
Implementation and recent history	• Introduced in 1944.
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage the performance of scientific research and experimental development in Canada by the private sector and to assist small businesses to perform scientific research and experimental development (Budget 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - research and development
CCOFOG 2014 code	7048 - Economic affairs - R&D Economic affairs
Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	The calculation of the cost of this tax expenditure would require information on the intangible assets created through expenditures on SR&ED. Such information is not available. Information on current SR&ED expenditures by unincorporated businesses is also not available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	About 19,300 corporations incurred eligible expenditures in 2014. No data is available for unincorporated businesses.

Expensing of employee training costs

Description	Current expenditures that are incurred for employee training are fully deductible by businesses. Expenditures on training improve the quality of human capital and provide benefits to the business in both the current year and future years similar to an acquisition of physical capital. Under the benchmark tax system, a portion of these costs would be capitalized and depreciated over the period of time over which they are expected to generate revenues for the business.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 18(1)(a)
Implementation and recent history	• This measure has been in effect since 1917.
Objective – category	To encourage employment
Objective	This measure encourages employers to invest in employee training by increasing the after-tax returns on such investment.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Expensing of incorporation expenses

Description	The first $3,000 of incorporation expenses is fully deductible in the first year after incorporation. Under the benchmark tax system, these costs would be capitalized and depreciated over the period of time during which the expenditures contribute to the earning of income.
Tax	Corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 20(1)(b)
Implementation and recent history	• These expenses were previously deducted under the Eligible Capital Property regime. Budget 2016 announced that the Eligible Capital Property regime would be replaced with a new class of depreciable property to which the capital cost allowance rules would apply. However, Budget 2016 also announced that effective January 1, 2017, the first $3,000 of incorporation expenses would be fully deductible rather than being added to the new capital cost allowance class.
Objective – category	To reduce administration or compliance costs
Objective	This measure reduces administration costs for the Canada Revenue Agency and compliance costs for taxpayers.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Expensing of purchases of capital equipment used for scientific research and experimental development

Description	Capital expenditures for acquisition of premises, facilities or equipment used for scientific research and experimental development (SR&ED) performed in Canada incurred before 2014 could be fully deducted in the year they were incurred. Budget 2012 eliminated the deductibility for capital expenditures in respect of SR&ED incurred after 2013. These expenditures are now depreciable under the capital cost allowance regime.
Tax	Personal and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Timing preference
Legal reference	*Income Tax Act*, paragraph 37(1)(b)
Implementation and recent history	• Introduced in 1961. • The deductibility of capital expenditures was eliminated in Budget 2012 for expenditures incurred after 2013.
Objective – category	To encourage or attract investment
Objective	This measure was intended to encourage the performance of scientific research and experimental development in Canada by the private sector and to assist small businesses to perform scientific research and experimental development (Budget 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permitted the depreciation of a capital asset faster than its useful life.
Subject	Business - research and development
CCOFOG 2014 code	7048 - Economic affairs - R&D Economic affairs
Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on SR&ED capital expenditures by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	No estimate is available – see the Annex to Part 1 for an explanation as to why estimates are not available for this measure.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Family Caregiver Tax Credit

Description	The Family Caregiver Tax Credit provides tax relief to caregivers of dependants with a mental or physical infirmity, including spouses or common-law partners and minor children. For 2016, the value of the credit is calculated by applying the lowest personal income tax rate to the credit amount of $2,121. The credit amount is indexed to inflation and can be claimed under one of the following dependency-related credits: Spouse or Common-Law Partner Credit, Eligible Dependant Credit, Caregiver Credit and Child Tax Credit (this last credit was repealed as of the 2016 taxation year). With the exception of a dependant who is a minor child of the claimant, the amount is reduced dollar-for-dollar by the dependant's net income above a certain threshold.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118(1)
Implementation and recent history	• Introduced in Budget 2011. Effective for the 2012 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the sacrifices that many Canadians make to care for their children, spouses, parents and other family members with infirmities (Budget 2011).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 210,000 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	–	55	65	65	70	70	70	75

Family Tax Cut

Description	The Family Tax Cut was a non-refundable credit that allowed, in effect, a higher-income spouse or common-law partner to transfer up to $50,000 of taxable income to a spouse or common-law partner in a lower tax bracket. The credit provided up to $2,000 in tax relief to couples with children under the age of 18. The value of the credit was calculated on the basis of the difference in the higher-income spouse or common-law partner's federal tax payable before and after the notional transfer of income. Either spouse or common-law partner could claim the credit. This credit was repealed as of the 2016 taxation year.
Tax	Personal income tax
Beneficiaries	Couples with children
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 119.1
Implementation and recent history	• Introduced in 2014 (Prime Minister of Canada news release, October 30, 2014). Effective for the 2014 and subsequent taxation years. • Budget 2016 eliminated income splitting for couples with children under the age of 18 for the 2016 and subsequent taxation years.
Objective – category	To provide income support or tax relief To extend or modify the unit of taxation
Objective	This measure eliminated or significantly reduced the difference in federal tax payable by a one-earner couple relative to a two-earner couple with a similar family income (Prime Minister of Canada news release, October 30, 2014).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extended the unit of taxation.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.7 million couples claimed this credit in 2015.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	–	–	–	1,700	1,715	–	–	–

Film or Video Production Services Tax Credit

Description	Corporations can claim a 16% refundable tax credit in respect of salaries and wages paid to Canadian residents for film or video production services provided in Canada in respect of accredited productions that do not have sufficient Canadian content to qualify for the Canadian Film or Video Production Tax Credit. The Canadian Audio-Visual Certification Office of the Department of Canadian Heritage is responsible for certifying productions that are eligible for the credit.
Tax	Corporate income tax
Beneficiaries	Corporations in the film and video production industry
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 125.5
Implementation and recent history	• Introduced at a rate of 11% in 1997, to coincide with the elimination of film production services tax shelters (Department of Finance Canada news release, July 30, 1997). • The credit rate was increased to 16% in Budget 2003, for expenditures incurred after February 18, 2003.
Objective – category	To support business activity To support competitiveness
Objective	The Film or Video Production Services Tax Credit makes Canada a more attractive place for film production by complementing the existing Canadian Film or Video Production Tax Credit and by allowing a greater range of productions (usually foreign-owned) to qualify for assistance (Department of Finance Canada news release, July 30, 1997).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Arts and culture
CCOFOG 2014 code	70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 230 corporations received this benefit in 2013.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Corporate income tax	90	90	90	140	145	145	150	155

First-Time Donor's Super Credit

Description	The First-Time Donor's Super Credit provides a temporary, non-refundable tax credit of 25% in addition to the Charitable Donation Tax Credit. The First-Time Donor's Super Credit applies on up to $1,000 in cash donations, provided that neither the taxpayer nor their spouse has claimed the Charitable Donation Tax Credit after 2007, and may be claimed in respect of any one taxation year from 2013 to 2017.
Tax	Personal income tax
Beneficiaries	Individual first-time donors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsections 118.1(3.1) and (3.2)
Implementation and recent history	• Introduced in Budget 2013. Effective for gifts made on or after March 21, 2013, that are claimed in any one taxation year from 2013 to 2017.
Objective – category	To achieve a social objective
Objective	This measure encourages charitable giving by new donors (Budget 2013).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 89,000 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	–	–	5	4	4	4	4	–

First-Time Home Buyers' Tax Credit

Description	First-time home buyers who acquire a qualifying home after January 27, 2009 can obtain up to $750 in tax relief by claiming the First-Time Home Buyers' Tax Credit. The value of this non-refundable credit is calculated by multiplying the credit amount of $5,000 by the lowest personal income tax rate (15% in 2016). Any unused portion of the credit may be claimed by an individual's spouse or common-law partner. An individual is considered to be a first-time home buyer if neither the individual nor the individual's spouse or common-law partner owned and lived in another home in the calendar year of the home purchase or in any of the four preceding calendar years. A qualifying home is one that is generally considered to be a housing unit that an individual or an individual's spouse or common-law partner intends to occupy as a principal residence no later than one year after its acquisition. The First-Time Home Buyers' Tax Credit is also available for certain acquisitions of a home by or for the benefit of an individual who is eligible for the Disability Tax Credit, even if the first-time home buyer condition is not met.
Tax	Personal income tax
Beneficiaries	Individual first-time home buyers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.05
Implementation and recent history	• Introduced in Budget 2009. Effective for the 2009 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure assists first-time home buyers with the cost associated with the purchase of a home (Budget 2009).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 195,000 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	110	110	105	115	120	120	120	125

Flexibility in inventory accounting

Description	Cash basis accounting may result in non-capital losses that are not reflective of the actual losses that would have been created under an accrual system of accounting. This happens because income and expenses are not necessarily matched under the cash basis system. As a result of loss carry-forward and carry-back limitations (i.e., 20 years forward and 3 years back), farming businesses under the cash-based system may not be able to use these losses to reduce taxable income in some instances. A mandatory inventory adjustment and optional inventory adjustment are provided, which act to lessen this outcome.
Tax	Personal and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Other
Legal reference	Income Tax Act, section 28
Implementation and recent history	• Implemented in Budget 1973. Effective for the 1972 and subsequent taxation years.
Objective – category	To provide relief for special circumstances
Objective	This measure ensures that farmers operating on a cash basis are able to avoid creating losses that would be subject to the time limitation if carried forward (Budget 1973).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is a departure from the accrual basis of taxation.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available. The value of the tax expenditure is the amount of tax relief associated with the losses that would otherwise have been subject to the time limitations.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Flow-through share deductions

Description	Flow-through shares are an authorized tax shelter arrangement that allows a corporation to transfer certain unused tax deductions to equity investors. An investor buying a flow-through share, in addition to receiving an equity interest in the issuing corporation, is entitled to claim deductions on account of Canadian Exploration Expenses (100% immediate deduction, including for Canadian Renewable and Conservation Expenses) and Canadian Development Expenses (deductible at 30% per year) transferred to the investor by the corporation. Investors are willing to pay more for such shares than for regular equity because of the flow-through tax deductions. Flow-through shares are typically issued by corporations which are not yet profitable and therefore not able to immediately use the deductions themselves. It facilitates the raising of capital by allowing such firms to sell their equity at a premium. A flow-through share is deemed to have a zero cost base for income tax purposes, based on the fact that the shareholder will have claimed a flow-through deduction as high as the full cost of the share. As a result of the zero cost base, the gain realized on the sale of the share will be equal to the share's full value at the time of sale rather than the change in its value since the time of acquisition.
Tax	Personal and corporate income tax
Beneficiaries	Investors in flow-through shares and businesses in the oil and gas, mining and renewable energy sectors
Type of measure	Other
Legal reference	*Income Tax Act*, subsections 66(12.6) and 66(12.62)
Implementation and recent history	• Flow-through share deductions have existed in various forms since the 1950s. • The current flow-through share regime was introduced in Budget 1986 and implemented on March 1, 1986.
Objective – category	To encourage or attract investment
Objective	This measure assists corporations in the oil and gas, mining and renewable energy sectors to raise capital for eligible exploration, development and project start-up expenses by issuing their shares (*Improving the Income Taxation of the Resource Sector in Canada*, 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation.
Subject	Business - natural resources
CCOFOG 2014 code	70432 - Economic affairs - Fuel and energy - Petroleum and natural gas 70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels 70435 - Economic affairs - Fuel and energy - Electricity 70439 - Economic affairs - Fuel and energy - Fuel and energy not elsewhere classified
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	See the Annex to Part 1 of this report for an explanation of the method used to estimate the value of this measure.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	This measure provided tax relief to about 62,000 individuals and 400 corporations in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	240	150	100	100	65	95	100	105
Corporate income tax	65	45	30	30	40	30	30	30
Total	305	195	130	125	105	120	130	140

Foreign Convention and Tour Incentive Program

Description	The Foreign Convention and Tour Incentive Program provides rebates of the GST paid in respect of: • the accommodation portion of a tour package supplied to a non-resident; • certain property and services used in the course of a foreign convention (generally defined as a convention where at least 75% of participants are non-residents and the sponsor is a non-resident) held in Canada; and • the use of a convention site and related convention supplies acquired by non-resident exhibitors in respect of a foreign or Canadian convention held in Canada.
Tax	Goods and Services Tax
Beneficiaries	Non-residents that are individuals, suppliers of tour packages, exhibitors in respect of conventions held in Canada, and sponsors and participants of foreign conventions held in Canada
Type of measure	Rebate
Legal reference	*Excise Tax Act*, sections 252.1, 252.3 and 252.4
Implementation and recent history	• The Foreign Convention and Tour Incentive Program was introduced in Budget 2007 and became effective on April 1, 2007. • This program replaced the former Visitors' Rebate Program, which had been in effect since the inception of the GST in 1991. Under the former program, non-residents visiting Canada were entitled to a rebate for the GST paid on most goods purchased for export and on short-term accommodation (whether or not provided as part of a tour package). Rebates were also provided for eligible conference-related expenses for conferences attended by non-residents.
Objective – category	To support business activity To support competitiveness
Objective	This measure promotes Canada as a destination of choice for group travel (Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Business - other
CCOFOG 2014 code	70473 - Economic affairs - Other industries - Tourism
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	GST106 - Information on Claims Paid or Credited for Foreign Conventions and Tour Packages GST115 - GST/HST Rebate Application for Tour Packages GST386 - Rebate Application for Conventions
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with non-merchandise travel exports.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	15	15	10	15	20	20	20	25

Foreign tax credit for individuals

Description	Individuals who are residents of Canada and who paid income tax to a foreign government may be eligible to claim a foreign tax credit, which provides a tax credit against Canadian income tax payable for income taxes paid to a foreign government up to a limit of the Canadian tax on that income. In addition, the foreign tax credit claimed in respect of tax paid on income from a foreign property cannot exceed 15% of the net income from that property.
Tax	Personal income tax
Beneficiaries	Individuals with foreign income
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 126
Implementation and recent history	• This measure has been in place since 1927.
Objective – category	To prevent double taxation
Objective	This measure ensures that foreign income is not subject to double taxation (June 1987 Tax Reform White Paper).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	International
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.3 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	770	860	970	1,210	1,225	1,235	1,255	1,270

Goods and Services Tax/Harmonized Sales Tax Credit

Description	A refundable income tax credit (now known as the GST/HST Credit) was established at the time of the introduction of the GST to ensure that low-income families would be better off under the new sales tax regime than under the former federal sales tax. The amount of the credit depends on family size and income. Specifically, for the period from July 2015 to June 2016, based on net family income reported for the 2014 taxation year: • an adult receives a basic adult credit of $272 per year; • families with children aged 18 and under receive a basic child credit of $143 per year for each child; • single parents can claim, in lieu of the basic child credit, the full basic adult credit of $272 per year for one dependent child; • single parents are eligible for an additional credit of $143 per year in addition to their basic credit, child credits and full basic adult credit for the first dependent child; and • single adults without children are eligible for an additional credit of up to $143 per year (depending on income) in addition to their basic credit. The value of the credit is reduced for individuals and families with annual incomes over $35,465. Both the credit amounts and the income threshold are adjusted annually for inflation.
Tax	Income tax, in respect of Goods and Services Tax
Beneficiaries	Households
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.5
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To promote the fairness of the tax system To provide income support or tax relief
Objective	This measure alleviates the regressive features of consumption taxation.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households
CCOFOG 2014 code	71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	*Public Accounts of Canada*
Estimation method	The cost of this measure is calculated from source data.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 10.3 million individuals received this benefit each year.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Goods and Services Tax	3,870	3,995	4,090	4,175	4,315	4,450	4,490	4,595

Holdback on progress payments to contractors

Description	Contractors in the construction industry are typically given progress payments as construction proceeds. However, a portion of these progress payments can be held back by the client until the entire project is completed. Under this measure, amounts held back are considered not to be receivable when earned (as would be the case under the benchmark tax structure), but only when the project to which they apply is certified as complete, and these amounts are not deductible by the client and not brought into the income of the contractor until that time. In contrast, progress payments not held back are deductible by the client as incurred, and brought into the income of the contractor as earned.
Tax	Personal and corporate income tax
Beneficiaries	Construction contractors
Type of measure	Other
Legal reference	*Income Tax Act*, paragraph 12(1)(b)
Implementation and recent history	• This tax expenditure is the result of an interpretation of the *Income Tax Act* that has been effective since the early 1970s.
Objective – category	To provide relief for special circumstances
Objective	This measure is intended to alleviate potential cash-flow difficulties for construction contractors.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data on holdbacks payable and receivable by unincorporated businesses is not available. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: T2 micro-simulation model This tax expenditure may be positive or negative, depending on the tax rates applicable to contractors and clients and on whether holdbacks receivable exceed or are smaller than holdbacks payable. Total holdbacks receivable may not equal total holdbacks payable when related amounts receivable and payable are not assigned to the same calendar year (because the taxation years of contractors and clients end in different calendar years) or because no data is available in respect of amounts receivable and payable by unincorporated businesses.
Projection method	Personal income tax: No projection is available. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 6,100 corporations claimed this deduction in 2014. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	45	45	60	80	55	55	55	60
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Home Accessibility Tax Credit

Description	The Home Accessibility Tax Credit provides a non-refundable tax credit of 15% on up to $10,000 of eligible home renovation or alteration expenses per calendar year in respect of a qualifying individual, to a maximum of $10,000 per eligible dwelling. Qualifying individuals are persons with disabilities who are eligible for the Disability Tax Credit and seniors (65 years of age or older). Qualifying individuals, as well as eligible family members who are supporting the qualifying individual, may claim eligible expenses in respect of an eligible dwelling. The eligible dwelling must be the principal residence of the qualifying individual at any time during the taxation year. The dwelling must also be owned by the qualifying individual, their spouse or common-law partner, or an eligible family member in respect of the qualifying individual with whom the qualifying individual ordinarily inhabits that dwelling. Eligible expenses are home renovation or alteration expenses to the eligible dwelling incurred in order to allow the qualifying individual to gain access to the dwelling, allow the qualifying individual to be more mobile or functional within the dwelling, or reduce the risk of harm to the qualifying individual within the dwelling or in gaining access to the dwelling. Improvements must also be of an enduring nature and be integral to the eligible dwelling. Examples of eligible expenditures include costs associated with the purchase and installation of wheelchair ramps, walk-in bathtubs, wheel-in showers and grab bars.
Tax	Personal income tax
Beneficiaries	Seniors and persons with disabilities
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.041
Implementation and recent history	• Introduced in Budget 2015. Effective for eligible expenditures for work performed and paid for or goods acquired on or after January 1, 2016.
Objective – category	To achieve a social objective To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the particular impact that the costs of improving the safety, accessibility and functionality of a dwelling can have for seniors and persons with disabilities, and the additional benefits of independent living (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation.
Subject	Health Housing
CCOFOG 2014 code	70769 - Health - Health not elsewhere classified 71069 - Social protection - Housing
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Programs within the mandate of the Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	n/a
Projection method	Projections reflect the estimates presented in Budget 2015. The cost of this measure is projected to grow with the eligible population and inflation, as forecasted in the T1 micro-simulation model.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	–	–	–	–	–	40	40	45

Inclusion of the Universal Child Care Benefit in the income of an eligible dependant

Description	The Universal Child Care Benefit (UCCB) provided families with $160 per month for each child under the age of 6 and $60 per month for children aged 6 through 17. In two-parent families, the UCCB was included in the income of the lower-income spouse or common-law partner. A single parent had the option of including the aggregate UCCB amount received in his or her income or in the income of the dependant for whom the Eligible Dependant Credit was claimed. In most cases, the dependant was not be subject to tax. If a single parent was unable to claim the Eligible Dependant Credit, he or she had the option of including the aggregate UCCB amount in the income of one of the children for whom the UCCB was paid. The UCCB was replaced by the Canada Child Benefit in July 2016.
Tax	Personal income tax
Beneficiaries	Single-parents with minor children
Type of measure	Other
Legal reference	*Income Tax Act*, subsection 56(6.1)
Implementation and recent history	• The UCCB was introduced in Budget 2006 as a monthly $100 benefit for each child under the age of 6. For a single-parent family, the UCCB was generally included in the single parent's income and taxed at his or her marginal tax rate for the 2006 to 2009 taxation years. • Inclusion of the UCCB in the eligible dependant's income was introduced in Budget 2010, effective for the 2010 and subsequent taxation years. • Effective January 1, 2015, the UCCB was increased to $160 per month for children under the age of 6, and the new benefit of $60 per month for children aged 6 through 17 was introduced (Prime Minister of Canada news release, October 30, 2014). • The Canada Child Benefit was introduced in Budget 2016 and replaced the Canada Child Tax Benefit, including the National Child Benefit supplement, and the Universal Child Care Benefit. Payments of the Canada Child Benefit began in July 2016.
Objective – category	To provide income support or tax relief To ensure a neutral tax treatment across similar situations
Objective	This measure was intended to give single parents comparable tax treatment on the same UCCB amounts as single-earner two-parent families with the same income (Budget 2010).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extended the unit of taxation.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 85,000 individuals designated this amount to a dependant in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	2	2	2	2	5	4	–	–

Income tax exemption for certain public bodies

Description	The *Income Tax Act* contains special rules that exempt from federal income tax the income of municipalities, public bodies performing a function of government in Canada, entities that are substantially owned by a provincial Crown (or owned by municipalities or public bodies performing a function of government in Canada) and the wholly-owned subsidiaries of such entities, where such entities are eligible for the exemption under the *Act*. In the absence of these special rules, these entities could be subject to federal income tax, because constitutional immunity from federal income taxation does not extend to these entities (except where they act as agent of a province).
Tax	Corporate income tax
Beneficiaries	Certain provincial, municipal and aboriginal public bodies and their entities
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 149(1)(c) and (d) to (d.6)
Implementation and recent history	• This measure has been in effect since the inception of the federal income tax in 1917.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure extends exemption from federal taxation to certain public bodies.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Infirm Dependant Credit

Description	The Infirm Dependant Credit provides tax relief to individuals providing support to an infirm adult relative. The credit may be claimed by taxpayers supporting a child or grandchild, a spouse or common-law partner's child or grandchild, parent, grandparent, brother, sister, aunt, uncle, niece or nephew who is 18 years of age or over and dependent due to a mental or physical infirmity. The amount the supporting relative can claim depends on the net income of the dependant. The value of the credit is calculated by applying the lowest personal income tax rate to an amount of $6,788 (in 2016). The value of the Infirm Dependant Credit is reduced dollar-for-dollar when the dependant's net income exceeds $6,807. Both the credit amount and income threshold are indexed to inflation.
Tax	Personal income tax
Beneficiaries	Caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(d)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous deduction from income. • Budget 2011 increased the amount of the Infirm Dependant Credit by $2,000 (indexed to inflation), through the introduction of the Family Caregiver Tax Credit. • Indexation was introduced for this credit for the 1996 and subsequent taxation years.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that a taxpayer supporting an adult dependant who is physically or mentally infirm has a reduced ability to pay tax relative to a taxpayer with the same income and no such dependant (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households Health
CCOFOG 2014 code	71049 - Social protection - Family and children 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 20,000 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	5	5	5	5	5	5	10	10

Investment corporation deduction

Description	An investment corporation is a Canadian public corporation whose activities are limited to owning portfolio investments, whose revenues must be substantially from Canadian sources, and that is required to distribute substantially all of its income (other than net taxable capital gains) in the form of dividends to shareholders in the taxation year in which the income is earned. An investment corporation is permitted to deduct from its tax otherwise payable an amount equal to 20% of its taxable income minus taxed capital gains. This special deduction achieves a degree of integration between the personal and corporate income tax systems.
Tax	Corporate income tax
Beneficiaries	Investment corporations
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, subsection 130(1)
Implementation and recent history	• Introduced in 1946. • The deduction rate was initially set at 15% and has changed several times since then. Most recently, the deduction rate was set at 20% (up from 16⅔%) for years commencing after June 30, 1988.
Objective – category	To prevent double taxation To encourage or attract investment
Objective	This measure encourages investment in Canada rather than abroad by achieving a degree of integration between the personal and corporate tax systems so that investment in Canadian properties is taxed at a lower rate than investment abroad (Budget 1960).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	The cost of this measure corresponds to the amount reported on line 620 of form 200 of the T2 Corporation Income Tax Return.
Projection method	The cost of this measure would be expected to be fairly stable; as such no growth is assumed over the projection period.
Number of beneficiaries	No corporations claimed this deduction in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	S	S	S	S	S	S	S	S

Investment Tax Credit for Child Care Spaces

Description	Certain expenditures incurred by eligible businesses in order to create new child care spaces in a new or existing licensed child care facility are eligible for a non-refundable investment tax credit of 25%, to a maximum credit of $10,000 per child care space created. Eligible expenditures include the cost or incremental cost of the building in which the child care facility is located, as well as the cost of furniture, appliances, computer equipment, audio-visual equipment, playground structures and playground equipment. Initial start-up costs such as landscaping costs for the children's playground, architect's fees, building permit costs and costs to acquire children's educational materials are also eligible. Unused credits can be carried back 3 years or forward 20 years to reduce taxes payable in those years.
Tax	Personal and corporate income tax
Beneficiaries	Businesses that create child care spaces
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 2007, effective for eligible expenditures incurred on or after March 19, 2007.
Objective – category	To achieve a social objective
Objective	This measure encourages businesses to create licensed child care spaces for the children of their employees and, potentially, for children in the surrounding community (Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Families and households Business - other
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual amounts earned and claimed by businesses.
Projection method	Personal income tax: The cost of this measure is projected based on historical growth. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	A small number of individuals (fewer than 100) and corporations (fewer than 20) claim this credit each year.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	S	S	S	S	S	S	S	S
Corporate income tax	S	S	S	S	S	S	S	S
Total	S	S	S	S	S	S	S	S

Labour-Sponsored Venture Capital Corporations Credit

Description	Labour-Sponsored Venture Capital Corporations (LSVCCs) are investment funds, sponsored by unions or other labour organizations, that make venture capital investments in small and medium-sized businesses. A tax credit is provided to individuals for the acquisition of shares of LSVCCs, up to an annual eligible share purchase limit ($5,000 since 1998).
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127.4 *Income Tax Regulations*, section 6701
Implementation and recent history	• Implemented in Budget 1985. Effective for shares purchased by individuals after May 23, 1985. The rate of the tax credit was set at 20%, up to an annual eligible share purchase limit of $3,500 (maximum annual credit of $750). • Budget 1992 increased the annual eligible share purchase limit to $5,000 (for a maximum federal credit of $1,000). • Budget 1996 reduced the tax credit rate to 15% from 20%, and the annual eligible share purchase limit to $3,500 from $5,000 (for a maximum federal credit of $525). • For the 1998 and subsequent taxation years, the annual eligible share purchase limit was increased to $5,000 from $3,500 (for a maximum federal credit of $750) (Department of Finance Canada news release 1998-086, August 31, 1998). • Budget 2013 announced the reduction of the tax credit rate from 15% to 10% for the 2015 taxation year and to 5% for the 2016 taxation year, and the elimination of the tax credit for the 2017 and subsequent taxation years. • Budget 2016 restored the tax credit to 15% for provincially registered LSVCCs for the 2016 and subsequent taxation years.
Objective – category	To achieve an economic objective - other
Objective	This measure was introduced to foster entrepreneurship by encouraging investment by individuals in labour-sponsored venture capital organizations, set up to maintain or create jobs and stimulate the economy (Budget 1985).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	Projections for this measure are based on expected LSVCC share purchases. The projections reflect policy changes and observed historical growth.
Number of beneficiaries	About 290,000 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	140	150	145	125	90	150	155	160

Lifetime Capital Gains Exemption

Description	The Lifetime Capital Gains Exemption (LCGE) provides a tax exemption in computing taxable income in respect of capital gains realized by individuals on the disposition of qualified farm or fishing property and qualified small business shares. As only half of capital gains are included in income for income tax purposes, a $1 capital gains exemption under the LCGE translates into an effective reduction in taxable income of 50 cents. An individual may shelter capital gains realized on the disposition of qualified small business shares up to a lifetime limit of $824,176, which is indexed to inflation. In general terms, qualified small business shares are shares of a Canadian-controlled private corporation that have been owned by the taxpayer or the taxpayer's spouse or common-law partner throughout the 24 months prior to the sale, and more than 50% of the fair market value of the assets of the corporation must be attributable to assets used principally in an active business in Canada throughout the 24-month period prior to the sale. In the case of capital gains realized on the disposition of qualified farm or fishing property made after April 20, 2015, the lifetime capital gains limit is the greater of $1 million and the indexed lifetime limit for qualified small business shares. Qualified farm or fishing property is property that is used in the course of carrying on the business of farming or fishing and includes real property (e.g., land and buildings), fishing vessels, a share of the capital stock of a family farm corporation or a family fishing corporation of an individual or the individual's spouse, an interest in a family farm partnership or a family fishing partnership of an individual or an individual's spouse, and eligible capital property (e.g., milk or fishing quotas).
Tax	Personal income tax
Beneficiaries	Individual owners of incorporated small businesses or incorporated or unincorporated farming and fishing businesses
Type of measure	Exemption
Legal reference	*Income Tax Act,* section 110.6
Implementation and recent history	• Introduced in Budget 1985. The $500,000 LCGE on qualified farm property was effective starting in 1985. The $500,000 LCGE on other capital gains, including small business corporation shares, was phased in between 1985 and 1990. • The 1987 Tax Reform capped the LCGE for capital gains other than gains on qualified farm property and small business corporation shares at $100,000 in 1988. • Budget 1992 excluded real property (except real property used in an active business) from the $100,000 LCGE on other capital gains. • Budget 1994 eliminated the $100,000 LCGE on other capital gains. • Budget 2006 extended the $500,000 LCGE to include qualified fishing property, effective May 2, 2006. • Budget 2007 increased the LCGE limit to $750,000, effective March 19, 2007. • Budget 2013 increased the LCGE limit to $800,000 for 2014, and indexed the LCGE limit to inflation effective for 2015 and subsequent years. • Budget 2015 increased the LCGE limit for qualified farm or fishing property to $1 million, effective April 21, 2015. For taxation years after 2015, the LCGE for qualified farm or fishing property will be maintained at $1 million until the indexed LCGE applicable to capital gains realized on the disposition of qualified small business shares exceeds $1 million. At that time, the same LCGE limit, indexed to inflation, will apply to the three types of property.
Objective – category	To encourage or attract investment To encourage savings To achieve an economic objective - other
Objective	This measure was introduced to bolster risk taking and investment in small businesses, to provide an incentive to invest in the development of productive farm and fishing businesses, and to help small business owners and farm and fishing business owners better ensure their financial security for retirement (Budget 1985; The Lifetime Capital Gains Exemption: An Evaluation, Department of Finance Canada, 1995; Budget 2006; Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.

Subject	Business - farming and fishing Business - small businesses
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting 70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 59,000 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
By type of property								
Small business shares	590	615	580	700	775	775	825	855
Farm and fishing property	395	470	520	565	620	585	625	655
Total – personal income tax	985	1,085	1,100	1,260	1,395	1,360	1,450	1,510

Logging Tax Credit

Description	The Logging Tax Credit reduces federal income taxes payable by businesses by the lesser of two-thirds of any tax on income from logging operations paid to a province and 6⅔% of net income from logging operations in that province. Two provinces currently impose logging taxes that are prescribed by regulation for the purpose of this credit—British Columbia and Quebec.
Tax	Personal and corporate income tax
Beneficiaries	Businesses in the forest industry
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Introduced in Budget 1962. Effective for taxation years commencing after 1961. • The Budget 1962 announcement followed discussions with provinces concerning the impact of provincial logging taxes on forest sector businesses. Budget 1962 expressed the hope that provinces imposing a logging tax would provide a provincial income tax credit equal to one-third of the logging tax. Both British Columbia and Quebec currently provide a partial credit against provincial income tax in respect of their logging tax.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure, along with parallel credits provided by provinces that impose logging taxes, is intended to provide relief to the forest industry for provincial logging taxes (Budget 1962).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	70422 - Economic affairs - Agriculture, forestry, fishing, and hunting - Forestry
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 micro-simulation model Corporate income tax: T2 data on actual credits used in a year
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 400 individuals and 680 corporations claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	1	1	1	1	1	1	1	1
Corporate income tax	10	10	15	20	20	20	20	25
Total	10	10	20	25	20	25	25	25

Medical Expense Tax Credit

Description	The Medical Expense Tax Credit provides tax relief for qualifying above-average medical or disability-related expenses incurred by individuals on behalf of themselves, a spouse or a common-law partner, or a dependent relative. The value of the credit is calculated by applying the lowest personal income tax rate to the amount of qualifying medical expenses in excess of the lesser of 3% of net income and $2,237 (in 2016, indexed to inflation). The credit can be claimed in respect of expenses paid in any period of 12 consecutive months that ends in the taxation year in which the claim is made. Medical expense claims made on behalf of a spouse or common-law partner or minor children may be pooled with the medical expenses of the taxpayer, subject to the minimum expense threshold. There is no upper limit on the amount that can be claimed, except for certain specific expenses. For medical expenses paid on behalf of dependent relatives other than minor children, caregivers are able to claim qualifying medical expenses that exceed the lesser of 3% of the dependant's net income and $2,237 (in 2016, indexed to inflation). For purposes of the credit, a dependant is defined as a child, grandchild, parent, grandparent, brother, sister, uncle, aunt, niece or nephew who is dependent on the taxpayer for support.
Tax	Personal income tax
Beneficiaries	Individuals, caregivers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.2 *Income Tax Regulations*, section 5700
Implementation and recent history	• Introduced as the Medical Expense Deduction in Budget 1942, and replaced by a non-refundable credit as part of the 1987 Tax Reform, applicable to the 1988 and subsequent taxation years. • The maximum eligible amount that can be claimed on behalf of dependent relatives other than minor children was eliminated in Budget 2011 for the 2011 and subsequent taxation years in order to allow caregivers to receive full tax recognition for eligible medical expenses. • The list of expenses eligible for this credit is regularly reviewed and expanded in light of new technologies and other disability-specific or medically-related developments.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes the effect of above-average medical and disability-related expenses on the ability of an individual to pay income tax (Budget 1942; Budget 1997; Budget 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Health
CCOFOG 2014 code	7071 - Health - Medical products, appliances, and equipment 7072 - Health - Outpatient services 7073 - Health - Hospital services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 4.7 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	1,135	1,160	1,200	1,300	1,385	1,480	1,595	1,715

Mineral Exploration Tax Credit for flow-through share investors

Description	Flow-through shares facilitate the financing of exploration by allowing companies to transfer unused tax deductions to investors. In addition to claiming regular flow-through deductions, individuals (other than trusts) who invest in flow-through shares of a corporation can claim a 15% non-refundable tax credit in respect of specified mineral exploration expenses incurred by the corporation and transferred to the individual under a flow-through share agreement. Expenses eligible for the credit are specified surface grassroots exploration expenses (i.e., seeking new resources away from an existing mine site) in respect of a mineral resource (other than a coal or oil sands deposit) in Canada. A “look-back” rule allows corporations to raise funds by issuing flow-through shares in one calendar year and spending the funds in the following calendar year, while allowing the investor to claim the flow-through deduction and the Mineral Exploration Tax Credit in the year the share investment is made. See the description of the measure “Flow-through share deductions” for additional information about flow-through shares.
Tax	Personal income tax
Beneficiaries	Individual investors (other than trusts) in flow-through shares
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(9), paragraph (a.2) of definition of “investment tax credit” and definition of “flow-through mining expenditure”
Implementation and recent history	• Introduced as part of the October 2000 Economic Statement and Budget Update. Effective in respect of expenditures incurred after October 17, 2000 and before 2004. • This measure was extended on a number of occasions since then, most recently for one year, to March 31, 2017 (Budget 2016).
Objective – category	To encourage or attract investment
Objective	This measure helps junior exploration companies raise capital by providing an incentive to investors in flow-through shares issued to finance mineral exploration (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Business - natural resources
CCOFOG 2014 code	70441 - Economic affairs - Mining, manufacturing, and construction - Mining of mineral resources other than mineral fuels
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	The cost of this measure in a year is calculated by multiplying the estimated Canadian Exploration Expenses eligible for the credit by the credit rate (i.e., 15%). The cost in the initial year is partially offset in the following year as the investor’s cumulative Canadian Exploration Expenses account is then reduced by the credit claimed the year before.
Projection method	Projections are based on current market conditions.
Number of beneficiaries	Over 250 companies issued flow-through shares and more than 12,000 individuals claimed the credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	100	45	20	30	30	30	-4	-2

Moving expense deduction

Description	If a move is an "eligible relocation", the related "eligible moving expenses" are deductible in computing employment or self-employment income earned at the new location. Eligible moving expenses include travel costs, the costs of transporting or storing household effects, meals and temporary accommodation and the cost of selling a former residence. Eligible moving expenses may also be deducted from a student's taxable income from scholarships, bursaries and research grants if the expenses are incurred to begin full-time attendance at a post-secondary educational institution. Among other things, to be an "eligible relocation" requires that a taxpayer move at least 40 kilometres closer to the new place of employment or study. Most moving expense reimbursements provided by employers are not included in income; however, to the extent that certain employer-provided reimbursements are included in income, the moving expense deduction is allowed to the same extent as permitted for self-paid expenses.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals, students
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 62 and the definition "eligible relocation" in subsection 248(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes the expenses involved in moving to a new job and thus facilitates labour mobility by allowing taxpayers greater flexibility in pursuing new employment and business opportunities anywhere in Canada (Budget 1971; Budget 1998).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is incurred to earn employment income. Expenses incurred to earn business income are generally deductible under the benchmark tax system; however, moving expenses may also have an element of personal consumption, hence the classification of this measure as a tax expenditure.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 106,000 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	100	100	95	100	105	110	110	115

Non-capital loss carry-overs

Description	Non-capital losses, including farm and fishing non-capital losses, may be carried back or forward and deducted against all sources of income. For losses incurred in or after 2006, the carry-back period is 3 years and the carry-forward period 20 years.
Tax	Personal and corporate income tax
Beneficiaries	Businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 111(1)
Implementation and recent history	• The ability to carry forward non-capital losses was introduced in 1942 and the ability to carry back non-capital losses was introduced in 1944. • Budget 2006 extended the carry-forward period to 20 years from 10 years for non-capital losses arising in and after 2006.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure supports businesses and investors by reducing the risk associated with investment, and provides tax relief for cyclical businesses (Budget 1983; Budget 2004; Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 micro-simulation model. The estimate for a given year represents the tax relief associated with the carry-forward to that year of losses incurred in prior years. Data on losses carried back to a previous year is not available. The estimates also do not include losses carried over by part-time farmers. Corporate income tax: The estimate for a given year represents the tax relief associated with both the carry-forward to that year of losses incurred in prior years and the carry-back to prior years of losses incurred in that year. The estimate is equal to the amount of losses carried over multiplied by the tax rate applicable in the year in which the losses are applied.
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: The cost for the last historical year is grown by the projected year-over-year growth in the level of losses carried over used to offset taxable income (based on the latest economic and fiscal projections).
Number of beneficiaries	About 41,000 individuals and 413,000 corporations made use of this measure in 2014 (not counting individuals that carried back losses only).

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Farm and fishing non-capital losses								
Personal income tax								
Carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Applied to current year	15	15	15	15	20	15	15	15
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	10	10	15	20	15	15	15	15
Applied to current year	70	50	45	50	45	45	50	50
Total – corporate income tax	80	60	60	70	60	65	65	65
Total – farm and fishing non-capital losses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other non-capital losses								
Personal income tax								
Carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Applied to current year	65	70	60	65	80	80	80	80
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	2,175	1,840	3,245	2,045	2,370	2,410	2,455	2,540
Applied to current year	4,235	4,265	3,875	4,915	4,460	4,535	4,820	5,020
Total – corporate income tax	6,405	6,105	7,125	6,960	6,830	6,945	7,270	7,555
Total – other non-capital losses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total – non-capital losses								
Personal income tax								
Carried back	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Applied to current year	80	85	75	80	100	95	95	95
Total – personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax								
Carried back	2,185	1,850	3,260	2,065	2,390	2,430	2,470	2,555
Applied to current year	4,300	4,310	3,925	4,965	4,505	4,580	4,870	5,070
Total – corporate income tax	6,485	6,165	7,185	7,030	6,895	7,010	7,340	7,625
Total – non-capital losses	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Non-deductibility of advertising expenses in foreign media

Description	Expenses for advertising in non-Canadian newspapers and periodicals or on non-Canadian broadcast media cannot generally be deducted for income tax purposes if the advertising is directed primarily to a market in Canada. This treatment results in a negative tax expenditure, since the deductibility of expenses incurred to earn business income is considered to be part of the benchmark tax system.
Tax	Personal and corporate income tax
Beneficiaries	Businesses that advertise in foreign media
Type of measure	Other
Legal reference	*Income Tax Act*, sections 19 to 19.1
Implementation and recent history	• Introduced in Budget 1965. Effective for expenses in respect of advertising in non-Canadian newspapers and periodicals made after December 31, 1965. • This measure was broadened to cover advertising on non-Canadian broadcast media, effective after September 21, 1976. • Following the 1999 Canada-U.S. Agreement on Magazines, expenses incurred to advertise in periodicals published after May 2000 are fully deductible if the periodicals contain at least 80% original editorial content. If the periodicals contain less than 80% original editorial content, then 50% of advertising expenses are deductible.
Objective – category	To achieve an economic objective - other
Objective	This measure is intended to ensure that control of periodicals and newspapers remains in the hands of Canadians and supports the continued existence of a viable and original Canadian magazine industry (*House of Commons Debates*, vol. 3, 1965; Department of Finance Canada news release, June 19, 1995).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure disallows the deduction of an expense that is incurred to earn business income.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: No data is available on expenses incurred by unincorporated businesses to advertise in non-Canadian media. Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: No estimate is available. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: No projection is available. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 350 corporations reported non-deductible advertising expenses in 2014. No data is available for unincorporated businesses.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	-1	S	S	S	S	S	S	S
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Non-taxation of allowances for diplomats and other government employees posted abroad

Description	Diplomats and other government employees posted abroad can claim an exemption for the allowances received to cover the additional costs associated with living outside Canada.
Tax	Personal income tax
Beneficiaries	Diplomats and other government employees posted abroad
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 6(1)(b)(iii)
Implementation and recent history	• Introduced in 1943.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes the additional costs incurred by diplomats and other government personnel employed outside Canada.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Global Affairs Canada and National Defence data
Estimation method	The value of this tax expenditure is estimated by multiplying total exempt allowances by the estimated marginal tax rates of recipients.
Projection method	The projection for 2016 is based on partial year data and historical growth. Projections for 2017 and 2018 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	More than 5,000 individuals received non-taxable allowances in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	45	25	25	25	35	40	n.a.	n.a.

Non-taxation of allowances for members of legislative assemblies and certain municipal officers

Description	Elected members of provincial and territorial legislative assemblies and of incorporated municipalities, elected officers of municipal utilities boards, commissions, corporations, or similar bodies, and members of public or separate school boards may receive allowances for expenses incident to the discharge of their duties. Such allowances are not included in income so long as they do not exceed half of the salary or other remuneration received in that capacity in the year.
Tax	Personal income tax
Beneficiaries	Members of provincial and territorial legislative assemblies and of incorporated municipalities; elected officers of municipal utilities boards, commissions, corporations, or similar bodies; and members of public or separate school boards
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 81(2) and (3)
Implementation and recent history	• The exemptions for members of provincial and territorial legislative assemblies and for other municipal officers were introduced in 1947 and 1949 respectively.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure recognizes the additional costs incurred by members of legislative assemblies and certain municipal officers in the course of their duties.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return and T4 Statement of Remuneration Paid
Estimation method	Allowances reported on T4 slips are matched against T1 returns and incremental tax is calculated on the basis of the individual’s taxable income with and without the allowance.
Projection method	The cost of this measure is projected to grow in line with allowances.
Number of beneficiaries	About 28,000 individuals received non-taxable allowances in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	15	15	15	20	20	20	20	25

Non-taxation of benefits from private health and dental plans

Description	Employer-paid benefits for private health and dental plans are deductible business expenses but are not a taxable employee benefit. In the case of self-employed individuals, they can claim a deduction in computing income from a business for amounts paid under a private health services plan for the benefit of the individual, the individual's spouse or common-law partner and members of the individual's household, subject to certain restrictions.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals
Type of measure	Exemption (for employer-paid benefits); deduction (for self-employed individuals)
Legal reference	*Income Tax Act*, subparagraph 6(1)(a)(i), section 18 and section 20.01
Implementation and recent history	• The exemption of employee health plans was introduced in 1948. • The deduction for self-employed individuals was introduced in Budget 1998, applicable to amounts paid or payable in a fiscal period beginning after 1997.
Objective – category	To achieve a social objective
Objective	This measure improves access to supplementary health and dental benefits (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base. This measure provides tax recognition for an expense that is not incurred to earn income.
Subject	Health
CCOFOG 2014 code	7072 - Health - Outpatient services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Canadian Life and Health Insurance Association Inc., *Health Insurance Benefits in Canada* and *Premium & Retail Tax on Life & Health Insurance* Conference Board of Canada, *Benefits Benchmarking*
Estimation method	The value of this tax expenditure is calculated as the tax revenue forgone from the non-taxation of employer-provided health related insurance premiums and benefits. These amounts are estimated using statistics provided by the Canadian Health and Life Insurance Association, in conjunction with survey information from the Conference Board of Canada. The estimated number of policy holders, along with the average value of benefits, is imputed into the T1 model using survey information from Statistics Canada to reflect estimated coverage by family type and income level. If these employer-paid amounts were taxable benefits, they would be eligible expenses under the Medical Expense Tax Credit; this interaction is taken into account in the estimation of the tax expenditure.
Projection method	T1 micro-simulation model
Number of beneficiaries	More than 12 million individuals are estimated to have received employer-paid health or dental benefits in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	2,315	2,420	2,520	2,585	2,650	2,605	2,740	2,865

Non-taxation of benefits in respect of home relocation loans

Description	The benefit associated with a home relocation loan provided to an employee by an employer must be included in income for tax purposes, but an offsetting deduction from net income is provided. The amount of the deduction is the lesser of the amount of the taxable benefit and the deemed interest benefit on the first $25,000 of a five-year interest-free loan. This approach effectively exempts such benefits from taxation, while ensuring that they are taken into account in determining income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(j)
Implementation and recent history	• Introduced in Budget 1985. Effective for home relocation loans received after May 23, 1985.
Objective – category	To encourage employment To recognize expenses incurred to earn employment income
Objective	This measure is intended to facilitate mobility by allowing employers to compensate relocated employees facing higher living costs at the new location (Budget 1985).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base. This measure provides tax recognition for an expense that is incurred to earn employment income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1,350 individuals claimed this deduction in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	S	S	S	S	S	S	S	S

Non-taxation of capital dividends

Description	A private corporation may distribute the balance of its capital dividend account to its shareholders in the form of a capital dividend. Where the corporation elects to pay this dividend from its capital dividend account, the dividend is received tax-free by the corporation's shareholders who are resident in Canada. At any time, the capital dividend account balance generally includes the total of the excess of the non-taxable portion of capital gains over the non-deductible portion of capital losses, the non-taxable portion of gains resulting from the disposition of eligible capital property, the net proceeds of certain life insurance policies received by the corporation, and the aggregate of capital dividends received by the corporation, less the aggregate of capital dividends paid by the corporation.
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 83(2) and 89(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To encourage or attract investment To encourage savings To support competitiveness
Objective	This measure maintains the non-taxable treatment of certain amounts received by individuals through private corporations, similar to the treatment of those amounts received directly by the individuals.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of capital gains on donations of cultural property

Description	Certain objects certified by the Canadian Cultural Property Export Review Board as being of cultural importance to Canada are exempt from capital gains tax when disposed of by sale or donation within 24 month of certification to a cultural institution, such as a museum or art gallery, designated under the *Cultural Property Export and Import Act*. Recipient cultural institutions are required to hold the cultural property for at least 10 years. Such donations are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 118.1(1) and 110.1(1) and paragraph 39(1)(a)(i.1)
Implementation and recent history	• Introduced in 1977. • Budget 1998 extended the holding period for certified cultural property from 5 to 10 years, effective February 23, 1998.
Objective – category	To achieve a social objective
Objective	This measure preserves Canada’s artistic, historic and scientific heritage by encouraging the donation of cultural property determined to be of outstanding significance to Canada’s national heritage to designated Canadian institutions, such as museums and art galleries (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations Arts and culture
CCOFOG 2014 code	70829 - Recreation, culture, and religion - Cultural services
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs. Programs within the mandate of Canadian Heritage also support arts and culture. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data from the Canadian Cultural Property Export Review Board and T1 Income Tax and Benefit Return. Corporate income tax: No data is available.
Estimation method	Personal income tax: The value of this measure is estimated by multiplying the exempt capital gains by the capital gains inclusion rate and an assumed marginal tax rate. Corporate income tax: No estimate is available.
Projection method	Personal income tax: Future donations of Canadian cultural property are projected based on a historical average. Corporate income tax: No projection is available.
Number of beneficiaries	The Canadian Cultural Property Export Review Board issued approximately 450 certificates to individuals in 2014-15. No data is available for corporations.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	10	5	5	10	10	5	10	10
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Donations of cultural property benefit from both the non-taxation of capital gains and the Charitable Donation Tax Credit in the case of an individual donor or the deductibility of charitable donations in the case of a corporate donor. The total tax assistance for donations of cultural property is as follows:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Charitable Donation Tax Credit	25	25	25	30	25	20	25	30
Deductibility of charitable donations	5	35	3	10	20	15	15	15
Non-taxation of capital gains – personal income tax	10	5	5	10	10	5	10	10
Non-taxation of capital gains – corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Non-taxation of capital gains on donations of ecologically sensitive land

Description	A zero inclusion rate applies to capital gains arising from a donation of ecologically sensitive land (including a conservation easement, covenant or, in the province of Quebec, a real servitude on such land) to a public conservation charity or certain other qualified donees if the fair market value of the land is certified by the Minister of the Environment. These donations are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsections 110.1(1), 118.1(1) and 38(a.2), and section 207.31
Implementation and recent history	• Budget 1995 eliminated the net income limit for donations of ecologically sensitive land eligible for the tax credit. • Budget 2000 reduced by half the normal inclusion rate applicable to capital gains arising in respect of gifts of ecologically sensitive land and related easements, covenants and servitudes. • Budget 2006 further reduced the inclusion rate to 0%. • Budget 2014 extended the carry-forward period for donations of ecologically sensitive land from 5 to 10 years.
Objective – category	To achieve a social objective
Objective	This measure encourages Canadians to protect ecologically sensitive land, including areas containing habitats for species at risk, by donating such property to conservation charities and certain other qualified donees (Budget 2000; Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations Environment
CCOFOG 2014 code	70549 - Environmental protection - Protection of biodiversity and landscape
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs. Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, Parks Canada and Natural Resources Canada also support environment-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Personal income tax: Data from Environment and Climate Change Canada's Ecological Gifts Program Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: The value of this measure is estimated by multiplying the exempt capital gains by the capital gains inclusion rate and an assumed marginal tax rate. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: Future donations of ecologically sensitive land are projected based on historical growth. Corporate income tax: Projections are based on the average of the last three historical years. The tax expenditure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	This measure provides tax relief to a small number of corporations (fewer than 20) each year. The number of individuals who obtained tax relief is unknown; however, fewer than 100 individuals made donations of ecologically sensitive land in that year.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	2	2	2	2	1	2	3	2
Corporate income tax	1	1	1	3	S	1	2	1
Total	3	3	2	5	2	4	4	4

Donations of ecologically sensitive land benefit from both the non-taxation of capital gains and the Charitable Donation Tax Credit in the case of an individual donor or the deductibility of charitable donations in the case of a corporate donor. The total tax assistance for donations of ecologically sensitive land is as follows:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Charitable Donation Tax Credit	5	5	5	5	5	5	5	5
Deductibility of charitable donations	5	2	5	3	1	3	3	4
Non-taxation of capital gains – personal income tax	2	2	2	2	1	2	3	2
Non-taxation of capital gains – corporate income tax	1	1	1	3	S	1	2	1
Total	15	10	15	15	5	15	15	15

Non-taxation of capital gains on donations of publicly listed securities

Description	A zero inclusion rate applies to capital gains arising from a donation of publicly listed securities made to a qualified donee, which effectively exempts such gains from income tax. Donations of publicly listed securities are also eligible for the Charitable Donation Tax Credit (for individuals) or deduction (for corporations).
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate donors
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 38(a.1) and (a.4), sections 38.3 and 38.4
Implementation and recent history	• Budget 1997 introduced a temporary reduction of half the normal inclusion rate applicable to capital gains arising from a donation of publicly listed securities to a registered charity that is not a private foundation. This measure was made permanent in Budget 2001. • Budget 2006 reduced the inclusion rate to 0%. • Budget 2007 extended the zero inclusion rate to capital gains arising on donations of publicly listed securities to private foundations. • Budget 2008 extended the zero inclusion rate to donations of unlisted exchangeable securities if exchanged for publicly listed securities and donated within 30 days of the exchange.
Objective – category	To achieve a social objective
Objective	This measure was introduced to facilitate the transfer of certain publicly listed securities to charities to help them respond to the needs of Canadians (Budget 1997).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: The value of this measure is estimated by multiplying the exempt capital gains on publicly listed shares by the capital gains inclusion rate and the top marginal tax rate. Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: Projections for publicly listed securities are made based on historical donation levels and projected growth in capital gains. Corporate income tax: The tax expenditure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	This measure provided tax relief to about 700 corporations in 2014. The number of individuals who obtained tax relief is unknown; however, about 5,400 individuals made donations of publicly listed shares in that year.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	45	40	45	70	60	70	75	80
Corporate income tax	65	55	70	100	60	80	85	90
Total	110	95	115	170	115	150	160	165

Donations of publicly listed securities benefit from both the non-taxation of capital gains and the Charitable Donation Tax Credit in the case of an individual donor or the deductibility of charitable donations in the case of a corporate donor. The total tax assistance for donations of publicly listed securities is as follows:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Charitable Donation Tax Credit	140	125	145	240	195	235	250	260
Deductibility of charitable donations	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Non-taxation of capital gains – personal income tax	45	40	45	70	60	70	75	80
Non-taxation of capital gains – corporate income tax	65	55	70	100	60	80	85	90
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Non-taxation of capital gains on principal residences

Description	This measure provides an exemption from tax in respect of all or a portion of a capital gain from the sale of a principal residence of an individual or personal trust. In general, certain property of an individual or personal trust may be designated as a principal residence for a taxation year where the property was ordinarily inhabited in the year by the taxpayer or a particular beneficiary of the trust or by the spouse or common-law partner, former spouse or common-law partner, or child of the taxpayer or the particular beneficiary of the trust. Properties that may be designated as a principal residence of an individual or personal trust are a housing unit, a leasehold interest in a housing unit, and in certain circumstances, shares of the capital stock of a cooperative housing corporation owned by the individual or personal trust. The exempt portion of the capital gain from the sale of a principal residence is generally determined in proportion to the fraction where one plus the number of years after 1971 that the property was owned by and designated as the principal residence of the individual or personal trust while resident in Canada is divided by the number of years after 1971 that the property was owned by the individual or personal trust.
Tax	Personal income tax
Beneficiaries	Individual homeowners
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 40(2)(b), definition of "principal residence", and section 54 *Income Tax Regulations*, section 2301
Implementation and recent history	• Introduced as part of the 1972 Tax Reform. • Amended in Budget 1981 so that, for years after 1981, a family may only treat one property as its principal residence for a taxation year.
Objective – category	To achieve a social objective To achieve an economic objective - other
Objective	This measure recognizes that principal homes are generally purchased to provide basic shelter and not as an investment, and increases flexibility in the housing market by facilitating the movement of families from one principal residence to another in response to their changing circumstances (*Summary of 1971 Tax Reform Legislation*, 1971; Budget 1981).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data from the Multiple Listing Service and Statistics Canada
Estimation method	The value of this tax expenditure is estimated by multiplying total net exempt capital gains by the marginal tax rate on capital gains. Total net exempt capital gains are estimated based on data and assumptions about the volume and average selling price of residential resales, the proportion of residential resales to which the measure applies, the purchase cost and length of tenure of residential resales, capital improvements made (e.g., additions and renovations), and expenses deductible in determining net capital gains (e.g., real estate commissions, legal fees).
Projection method	Projections are based on forecasts of residential resales and average selling prices provided by the Canada Mortgage and Housing Corporation.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	4,700	3,900	4,160	5,110	6,195	7,490	6,770	6,615

Non-taxation of certain importations

Description	Goods imported into Canada are generally taxable. However, a number of goods do not attract GST upon importation, including: • goods, other than certain books and periodicals, valued at not more than $20 and sent from other countries by mail or courier to residents of Canada; • goods imported by foreign diplomats or by settlers to Canada; • Canadian goods re-entering Canada and on which GST has already been paid; • goods imported on a temporary basis, such as tourists' baggage and foreign-based conveyances (ships, airplanes, trains, trucks) used in the international transportation of people or goods.
Tax	Goods and Services Tax
Beneficiaries	Households, businesses, foreign diplomats, settlers
Type of measure	Other
Legal reference	Schedule VII to the *Excise Tax Act* *Non-Taxable Imported Goods (GST/HST) Regulations*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The list of non-taxable importations has been periodically amended. Most recently: • Budget 2012 announced a measure to provide GST relief on foreign-based rental vehicles temporarily imported by Canadian residents, applicable after June 1, 2012; and • regulations codifying the treatment of Canadian goods re-entering Canada were released on April 8, 2014, generally applicable retroactively to the inception of the GST (Department of Finance Canada news release 2014-051).
Objective – category	To reduce administration or compliance costs To prevent double taxation To achieve an economic objective - other
Objective	This measure is intended to simplify administration, prevent double taxation, promote tourism and ensure compliance with international convention precedents.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	The non-taxation of goods that will be consumed in Canada is a deviation from a broadly defined value-added tax base.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of certain non-monetary employment benefits

Description	Fringe benefits provided to employees by their employers are not taxed when it is not administratively feasible to determine the value of the benefit. Examples include subsidized recreational facilities offered to all employees and scramble parking.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Exemption
Legal reference	Administrative concession
Implementation and recent history	• Administrative positions have evolved over time.
Objective – category	To reduce administration or compliance costs
Objective	This measure recognizes the significant administrative and compliance costs that would be incurred in taxing certain non-monetary employment benefits.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of certain veterans' benefits

Description	A number of benefits paid to veterans and Canadian Armed Forces members are tax free. These include the War Veterans Allowance, Disability Pensions, the Canadian Forces Income Support Benefit, the Family Caregiver Relief Benefit, and certain other amounts payable under the *Pension Act* (as well as pension payments from allied countries that grant similar relief), the *Civilian War-related Benefits Act,* the *Gallantry Awards Order* and section 9 of the *Aeronautics Act.*
Tax	Personal income tax
Beneficiaries	Veterans, members of the Canadian Armed Forces and their families
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 81(1)(d), (d.1) and (e)
Implementation and recent history	• Introduced in Budget 1942. Effective for pensions being administered on July 31, 1942. • Extended to the Canadian Forces Income Support Benefit in 2005, effective April 1, 2006. • Extended to the Family Caregiver Relief Benefit in 2015, effective for the 2015 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes that these benefits provide a basic level of support to veterans of Canada's military engagements and their families (Budget 1942; New Veterans Charter, 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support
CCOFOG 2014 code	70219 - Defense - Military defense
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data from Veterans Affairs Canada
Estimation method	The value of this tax expenditure is estimated by multiplying actual expenditures on exempt veterans' benefits by estimates of the marginal tax rates applicable to recipients.
Projection method	Projections for this tax expenditure are based on forecasted expenditures on exempt veterans' benefits.
Number of beneficiaries	More than 120,000 individuals did not include these amounts in income in 2015-16.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	270	265	255	240	230	215	210	200

Non-taxation of Guaranteed Income Supplement and Allowance benefits

Description	The Guaranteed Income Supplement is an income-tested benefit payable to low-income seniors as part of the Old Age Security program. There is also an income-tested Allowance that is provided to an eligible spouse, common-law partner, widow or widower aged 60 to 64. The Guaranteed Income Supplement and Allowance benefits are effectively non-taxable. Although these benefits must be included in income, an offsetting deduction from net income is provided. This approach ensures that such payments are taken into account in determining other income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Low-income seniors
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(f)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1971 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes that these income-tested payments provide a basic level of support to elderly Canadians with little income other than the Old Age Security pension (Budget 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2 million individuals reported having received Guaranteed Income Supplement or Allowance benefits in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	130	140	140	145	155	175	190	210

Non-taxation of income earned by military and police deployed to international high- and moderate-risk operational missions

Description	Income earned by members of the Canadian Armed Forces and police officers deployed on international high- and moderate-risk operational missions must be included in income for tax purposes, but an offsetting deduction from net income is provided. This approach effectively exempts such income from taxation, while ensuring that it is taken into account in determining income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Members of the Canadian Armed Forces and police officers deployed on international high- and moderate-risk operational missions
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 110(1)(f)(v) Income Tax Regulations, section 7500
Implementation and recent history	• Introduced in Budget 2004. Effective for the 2004 and subsequent taxation years. • Announcement that the deduction would be extended to moderate-risk missions (National Defence news release NR-04.028, April 14, 2004).
Objective – category	To achieve a social objective
Objective	This measure is intended to provide special recognition for Canadian Armed Forces personnel and police serving their country on international high- and moderate-risk operational missions (Budget 2004; National Defence news release NR-04.028, April 14, 2004).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Employment
CCOFOG 2014 code	70219 - Defense - Military defense 70319 - Public order and safety - Police services
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Data from National Defence,the Royal Canadian Mounted Police, and the Canada Revenue Agency.
Estimation method	The value of this measure is estimated by multiplying total exempt earnings by an estimate of the marginal tax rate of the individuals that benefit from this measure. The estimate for 2015 is calculated based on partial year administrative data from the Canada Revenue Agency.
Projection method	Outer-year projections are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	Fewer than 1,500 individuals received tax-exempt income in respect of international high- or moderate-risk operational missions in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)
Personal income tax	35	15	15	5	10	10	n.a.	n.a.

Non-taxation of income from the Office of the Governor General of Canada

Description	An income tax exemption was available for the Governor General's salary. Budget 2012 repealed the exemption, effective 2013.
Tax	Personal income tax
Beneficiaries	Governor General of Canada
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 81(1)(n) (repealed)
Implementation and recent history	• Introduced in 1917. Effective for the 1917 and subsequent taxation years. • Budget 2012 repealed the exemption, effective 2013.
Objective – category	Other
Objective	This measure ensured that the income received from the Office of the Governor General, who is a direct representative of the Crown, was not subject to tax.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempted from tax income or gains that are included in a comprehensive income tax base.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	*Public Accounts of Canada*
Estimation method	The value of this measure is estimated based on the Governor General's salary as reported in the Public Accounts.
Projection method	n/a
Number of beneficiaries	The Governor General of Canada was the sole beneficiary of this measure.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	S	S	–	–	–	–	–	–

Non-taxation of investment income on certain amounts received as damages in respect of personal injury or death

Description	Amounts received in respect of damages for personal injury or death, as well as awards paid pursuant to the authority of criminal injury compensation laws, are not taxable. In addition, investment income earned on personal injury awards is excluded from income until the end of the year in which the person reaches the age of 21. While the benchmark definition of income excludes amounts received as damages for personal injury or death (since they compensate taxpayers for a personal loss), it includes investment income earned on these amounts as part of this benchmark tax base. Thus, the non-taxation of investment income earned on these awards for those under age 22 is considered to be a tax expenditure.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraphs 81(1)(g.1) and (g.2)
Implementation and recent history	• Introduced in Budget 1972. Effective for the 1972 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure provides assistance to young persons receiving personal injury awards.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support
CCOFOG 2014 code	71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of life insurance companies' foreign income

Description	The income earned by a life insurer resident in Canada from an insurance business carried on in a country other than Canada is not subject to federal income tax in Canada.
Tax	Corporate income tax
Beneficiaries	Life insurance corporations
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsection 138(2) *Income Tax Regulations*, sections 2400 to 2412
Implementation and recent history	• Introduced in 1954. • Amended in 2001, effective for taxation years ending after 1999, to clarify that only the gross investment revenue derived by the insurer from "designated insurance property" is included in the exempt income.
Objective – category	To provide relief for special circumstances To prevent double taxation
Objective	In recognition that other jurisdictions do not necessarily tax life insurance companies on the same basis as Canadian tax rules, this measure helps ensure that Canadian multinational life insurance companies are not adversely affected in foreign insurance markets by exempting their foreign income from tax in Canada (Budget 1977).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of lottery and gambling winnings

Description	Lottery and gambling winnings are generally not subject to income tax unless, in the case of gambling winnings, the amounts are earned by the taxpayer through carrying on a business.
Tax	Personal income tax
Beneficiaries	Individuals with lottery or gambling winnings
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 3, paragraph 40(2)(f) and subsection 52(4)
Implementation and recent history	• Canadian courts have generally held that lottery and gambling winnings are not considered to be a “source” of income for tax purposes, unless in the case of gambling winnings they were earned through the carrying on of a business. They have therefore generally not been taxed under the Canadian income tax system. • Paragraph 40(2)(f) and subsection 52(4) were introduced in 1972 as part of the 1971 Tax Reform and confirm the non-taxation of lottery and gambling winnings.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure reflects the agreement by the federal government to not tax this revenue in favour of the provinces.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of non-profit organizations

Description	A non-profit organization that is a club, society or association that is not a charity and that is organized and operated exclusively for social welfare, civic improvement, pleasure or for any other purpose except profit, qualifies for an exemption from income tax if it meets certain conditions. To be eligible, it is generally required that no part of the income of the organization be payable to, or otherwise available for the personal benefit of, any proprietor, member or shareholder of the organization. The exemption applies to both incorporated and unincorporated organizations. A tax expenditure results to the extent that the organization has income that would otherwise be taxable, such as investment income or profits from commercial activities.
Tax	Personal and corporate income tax
Beneficiaries	Non-profit organizations
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 149(1)(l)
Implementation and recent history	• Non-profit organizations have been exempt from federal income tax since the inception of the federal income tax in 1917.
Objective – category	To achieve a social objective
Objective	This measure provides tax relief for non-profit organizations in recognition of the important role they play in Canadian society.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	T1044 Non-Profit Organization (NPO) Information Return T2 Corporation Income Tax Return
Estimation method	Net income of non-profit organizations is estimated based on a presumed market rate of return on the organization's net assets. It is assumed that that income, in the absence of the tax exemption, would be subject to the same average effective tax rates as those of typical taxable corporations. This represents a lower bound estimate.
Projection method	The cost of this measure is projected based on the estimated growth of nominal gross domestic product and the average yield on 10-year benchmark bonds.
Number of beneficiaries	About 22,000 non-profit organizations with positive net assets filed a T1044 return in 2013.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Total – personal and corporate income tax	125	75	95	95	65	55	75	100

Non-taxation of personal property of status Indians and Indian bands situated on reserve

Description	Section 87 of the *Indian Act* exempts the personal property of status Indians and Indian bands from direct taxation if that property is situated on a reserve. Courts have held that the term "personal property" includes income. Determining whether income is situated on a reserve requires an examination of the factors that connect it to a reserve. Such connecting factors include the location (on or off a reserve) of the residence of the status Indian, the location at which the employment duties were performed and the location of other income-earning activities. In respect of the GST, the exemption applies if a status Indian makes a purchase of a good or service on a reserve, or if goods are purchased off-reserve by a status Indian and are delivered to a reserve by the vendor or vendor's agent.
Tax	Personal income tax Goods and Services Tax
Beneficiaries	Status Indians and Indian bands on reserve
Type of measure	Exemption
Legal reference	*Indian Act*, section 87 *Income Tax Act*, paragraph 81(1)(a)
Implementation and recent history	• The first tax exemption available to status Indians was enacted in 1850, later being replaced by the *Indian Act* in 1876. • The current wording of section 87 of the *Indian Act* was added in 1951 and has not changed materially since then. • Court decisions continue to have an important role in defining the scope of the exemption under section 87.
Objective – category	Other
Objective	This measure reflects provisions under section 87 of the *Indian Act*.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of provincial assistance for venture investments in small businesses

Description	As a general rule, a taxpayer receiving government assistance (such as a provincial tax credit) for the purchase of an asset would need to either: (i) reduce the adjusted cost base of the asset such that when the asset is disposed of at a profit, taxes are payable on the portion of the gain that originates from the government assistance; or (ii) include the amount of the provincial assistance in income. This measure, however, ensures that a taxpayer who receives assistance from a provincial government to purchase the shares of a prescribed venture capital corporation is not subject to either of these income inclusion provisions.
Tax	Personal and corporate income tax
Beneficiaries	Individual and corporate investors
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 12(1)(x) *Income Tax Regulations*, sections 6700, 6702 and 7300
Implementation and recent history	• Introduced in 1986. Effective for shares acquired on or after May 23, 1985.
Objective – category	To encourage or attract investment
Objective	This measure supports investments in prescribed venture capital corporations that provide small businesses with capital and professional management support.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of RCMP pensions and other compensation in respect of injury, disability or death

Description	Pension payments or compensation received in respect of an injury, disability or death associated with the service of a member in the Royal Canadian Mounted Police (RCMP) are exempt from tax.
Tax	Personal income tax
Beneficiaries	RCMP members and their families
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 81(1)(i)
Implementation and recent history	• Introduced in 1958. Effective for the 1958 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes that these benefits represent, to a large extent, compensation to members of Canada's national police force and their families for a loss suffered by members in the course of their duties.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Employment
CCOFOG 2014 code	71011 - Social protection - Sickness and disability - Sickness 71012 - Social protection - Sickness and disability - Disability 71039 - Social protection - Survivors
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	*Public Accounts of Canada*
Estimation method	The value of this measure is estimated based on amounts paid to compensate members of the RCMP for injuries received in the performance of duty, as reported in the Public Accounts.
Projection method	The projection is based on the historical trend in the value of payments.
Number of beneficiaries	More than 12,000 individuals did not include these amounts in income in 2015-16.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	15	20	20	25	25	30	30	30

Non-taxation of registered charities

Description	Registered charities, both incorporated and unincorporated, are exempt from income tax. Registered charities include charitable organizations, public foundations and private foundations. A tax expenditure results to the extent that the charity has income that would otherwise be taxable, such as investment income or profits from certain commercial activities.
Tax	Personal and corporate income tax
Beneficiaries	Registered charities
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 149(1)(f)
Implementation and recent history	• Charities have been exempt from federal income tax since the inception of the federal income tax in 1917.
Objective – category	To achieve a social objective
Objective	This measure provides tax relief for registered charities in recognition of the important role they play in Canadian society (*The Tax Treatment of Charities*, Discussion Paper, June 23, 1975).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax certain taxpayers.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of social assistance benefits

Description	Social assistance payments generally must be included in income for tax purposes, but an offsetting deduction from net income is provided. This approach effectively exempts such benefits from taxation, while ensuring that they are taken into account in determining income-tested credits and benefits. Some other forms of benefits (e.g., payments to foster parents, benefits in kind) are not included in income, and are therefore exempt from taxation. If an individual lived with a spouse or common-law partner when the payments were received, the person with the higher net income must report all of the payments.
Tax	Personal income tax
Beneficiaries	Low-income individuals
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 110(1)(f)
Implementation and recent history	• To be consistent with the treatment of payments made under the Guaranteed Income Supplement, Budget 1981 made social assistance payments includable in income and deductible in computing taxable income, effective for the 1982 and subsequent taxation years.
Objective – category	To provide income support or tax relief
Objective	This measure recognizes the nature of social assistance as a payment of last resort (Budget 1981).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support
CCOFOG 2014 code	71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The estimates do not include the non-taxation of social assistance benefits that are not included in income.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.6 million individuals reported having received social assistance payments in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	155	175	180	185	195	205	215	225

Non-taxation of strike pay

Description	Most payments of the type commonly referred to as strike pay that are received from a member's union are not taxable.
Tax	Personal income tax
Beneficiaries	Union members
Type of measure	Exemption
Legal reference	Strike pay is not a source of income under the *Income Tax Act.*
Implementation and recent history	• The Supreme Court confirmed a longstanding administrative position that strike pay is non-taxable in a 1990 court case (*Wally Fries v. The Queen*, [1990] 2 CTC 439, 90 DTC 6662).
Objective – category	To implement a judicial decision
Objective	Strike pay is non-taxable by virtue of the Supreme Court of Canada's determination that it is not income from a source.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Non-taxation of up to $10,000 of death benefits

Description	Up to $10,000 of the total death benefit paid by a deceased person's employer or former employer in respect of the deceased person's employment service is exempt from tax in the hands of recipient individuals. The excess must be included in the recipients' income.
Tax	Personal income tax
Beneficiaries	Individuals receiving death benefits
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 56(1)(a)(iii) and subsection 248(1), definition of "death benefit"
Implementation and recent history	• The exemption of up to $10,000 of a death benefit was introduced in Budget 1959, applicable to amounts received on or after the death of an employee that occurred after April 9, 1959.
Objective – category	To achieve a social objective To provide income support or tax relief
Objective	This measure alleviates the hardship faced by dependants upon the death of a supporting individual (Budget 1959).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Families and households Income support
CCOFOG 2014 code	71039 - Social protection - Survivors
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4A Statement of Pension, Retirement, Annuity, and Other Income
Estimation method	An estimate of forgone tax revenue is calculated by multiplying the exempt portion of death benefits paid in a year by the average marginal tax rate of individuals receiving such amounts.
Projection method	The projection assumes no growth in exempt death benefit amounts.
Number of beneficiaries	About 7,000 death benefits were paid in 2013. The number of individuals who benefitted from non-taxation of a portion of the death benefit in that year is unknown.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014 (P)**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	5	5	5	5	5	5	5	5

Non-taxation of veterans' Disability Awards and Critical Injury Benefits

Description	The Disability Award provides injured Canadian Armed Forces members or veterans with an award for an injury or illness resulting from military service. The Critical Injury Benefit is a lump-sum award that addresses the immediate impacts of the most severe and traumatic service-related injuries or diseases sustained by Canadian Armed Forces members. These awards are exempt from income tax, as they are analogous to amounts received in respect of damages for personal injury. The benchmark definition of income excludes amounts received as damages since they compensate taxpayers for a personal loss.
Tax	Personal income tax
Beneficiaries	Veterans, members of the Canadian Armed Forces and their families
Type of measure	Exemption
Legal reference	*Income Tax Act*, paragraph 118(1)(d.1)
Implementation and recent history	• The Disability Award was made tax-free when it was introduced in 2005 as part of the New Veterans Charter. • The Critical Injury Benefit was made tax-free when it was introduced in 2015 (Veterans Affairs Canada news release, March 30, 2015).
Objective – category	Other
Objective	This measure recognizes that these benefits provide a basic level of support to veterans of Canada's military engagements and their families (New Veterans Charter, 2005).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability 70219 - Defense - Military defense
Other relevant government programs	n/a
Source of data	Data from Veterans Affairs Canada
Estimation method	The value of this tax expenditure is estimated by multiplying actual expenditures on veterans' Disability Awards and Critical Injury Benefits by estimates of the marginal tax rates applicable to recipients.
Projection method	Projections for this tax expenditure are based on forecasted expenditures on veterans' Disability Awards and Critical Injury Benefits.
Number of beneficiaries	About 57,000 individuals received these tax-exempt amounts in 2015-16.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	95	105	115	115	155	180	195	210

Non-taxation of workers' compensation benefits

Description	Compensation received under the employees' or workers' compensation law of Canada or a province in respect of an injury, disability or death must generally be included in income, but an offsetting deduction for the purposes of the calculation of taxable income is provided. This approach effectively exempts such benefits from taxation, while ensuring that they are taken into account in determining income-tested credits and benefits.
Tax	Personal income tax
Beneficiaries	Employees
Type of measure	Exemption
Legal reference	*Income Tax Act*, subparagraph 110(1)(f)(ii)
Implementation and recent history	• The first Workers' Compensation Boards were established in 1915, and workers' compensation benefits have been non-taxable since the inception of the income tax in 1917. • Prior to 1982, workers' compensation payments were excluded from income. From 1982 onward, workers' compensation benefits have been included in total income and deductible in computing taxable income.
Objective – category	To provide income support or tax relief
Objective	This measure provides assistance to workers suffering on-the-job injuries.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Income support Employment
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability 71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 590,000 individuals reported having received workers' compensation benefits in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	610	630	620	645	650	640	660	675

Northern Residents Deductions

Description	Individuals residing in prescribed areas in Canada for a specified period may claim the Northern Residents Deductions. Two different deductions can be claimed: a residency deduction of up to $22 a day, and a deduction for two employer-provided vacation trips per year and unlimited employer-provided medical travel. Residents of the Northern Zone are eligible for the full deductions, while residents of the Intermediate Zone are eligible for half of the deductions.
Tax	Personal income tax
Beneficiaries	Individuals residing in prescribed areas in the North
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 110.7 *Income Tax Regulations*, sections 7303.1 and 7304
Implementation and recent history	• Introduced in Budget 1986. Effective for the 1987 and subsequent taxation years. • The current design of the Northern Residents Deductions was introduced in 1990 (Department of Finance Canada news release, December 7, 1990). • Budget 2008 increased the maximum daily residency deduction by 10%, from $15.00 to $16.50. • Budget 2016 increased the maximum daily residency deduction by 33%, from $16.50 to $22.00.
Objective – category	To encourage employment
Objective	This measure assists in drawing skilled labour to northern and isolated communities (Budget 1986; Budget 2008).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure provides tax recognition for an expense that is not incurred to earn income.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 260,000 individuals claimed these deductions in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	170	180	175	180	180	230	230	235

Overseas Employment Tax Credit

Description	An employee who was a resident of Canada and was employed outside Canada for more than six consecutive months by a person resident in Canada (or a foreign affiliate of such a person) in connection with the exploration for, or exploitation of, certain natural resources, with construction, installation, engineering or agricultural activities or with activities performed under a contract with the United Nations was able to claim a non-refundable tax credit equal to the federal income tax otherwise payable on 20% (for 2015) of his or her foreign employment income (80% before 2013), up to a maximum foreign employment income of $100,000. Budget 2012 announced the phase-out of this measure by 2016 (see details below).
Tax	Personal income tax
Beneficiaries	Employees working abroad
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 122.3 *Income Tax Regulations*, sections 3400 and 6000
Implementation and recent history	• Introduced in Budget 1979 as a 50% deduction of foreign employment income, up to a maximum deduction of $50,000. Effective for the 1980 and subsequent taxation years. • Budget 1983 replaced the deduction with a non-refundable credit equal to the federal income tax otherwise payable on 80% of foreign employment income, effective as of 1984. • Budget 2012 announced the phase-out of this credit over the 2013-2015 period. The share of qualifying foreign employment income on which the credit is calculated was reduced from 80% to 60% for 2013, to 40% for 2014 and to 20% for 2015. The credit was fully eliminated in 2016.
Objective – category	To support competitiveness
Objective	This measure promoted the competitiveness of Canadian firms in certain sectors in bidding for overseas contracts by offering tax treatment comparable to that provided by other countries (Budget 1979; Budget 1983; Budget 2012).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Employment International
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 4,700 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	75	70	55	40	20	–	–	–

Partial deduction of and partial input tax credits for meals and entertainment

Description	The deductibility of meals and entertainment expenses in computing business income for income tax purposes is limited to 50% of the expenses incurred. This limit is increased to 80% in the case of meal expenses incurred by long-haul truck drivers. Similarly, 50% of the GST paid by businesses on meals and entertainment, increased to 80% in the case of meals consumed by long-haul truck drivers, can be claimed as input tax credits by GST registrants.
Tax	Personal and corporate income tax Goods and Services Tax
Beneficiaries	Businesses
Type of measure	Deduction; input tax credit
Legal reference	*Income Tax Act*, section 67.1 Excise Tax Act, section 236
Implementation and recent history	• The 1987 Tax Reform limited the deductibility of meals and entertainment expenses to 80% of the expenses incurred. • Budget 1994 reduced the deductibility limit from 80% to 50%. • Budget 2007 increased the deductibility limit to 80% for expenses incurred by long-haul truck drivers. • The rule limiting input tax credits for these expenses has been in place since the inception of the GST. The allowable amount is periodically amended, concurrently with the income tax rules.
Objective – category	n/a
Objective	n/a
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Meals and entertainment expenses that are incurred by businesses for the purpose of earning business income may be viewed as also having an element of personal consumption. A tax expenditure would arise to the extent that a deduction is granted for the personal consumption portion of meals and entertainment expenses, or that an input tax credit is granted for the GST paid in respect of that portion. However, the personal consumption portion of meals and entertainment expenses cannot be determined, therefore it is not known the extent to which the partial deduction and input tax credits for meals and entertainment expenses depart from the benchmark tax system.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	The estimates are based on actual expenses incurred by individuals and businesses. The estimates are an upper bound, as they assume that all meal and entertainment expenses are incurred for personal consumption.
Projection method	The personal income tax component of this measure is projected using the T1 micro-simulation model; the corporate income tax component is projected to grow in line with corporate profits. The GST component is projected based on the income tax projections.
Number of beneficiaries	This measure provided tax relief to about 790,000 individuals and 775,000 corporations in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	180	185	190	190	195	195	200	200
Corporate income tax	280	275	265	290	295	300	295	300
Goods and Services Tax	150	155	160	165	165	175	180	185
Total	615	615	615	645	660	670	675	685

Partial inclusion of capital gains

Description	Only half of net realized capital gains are included in income.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Exemption
Legal reference	Income Tax Act, section 38
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years. • The 1987 Tax Reform increased the capital gains inclusion for the 1988 and subsequent taxation years. In general terms, the inclusion rate increased to two-thirds from one-half for 1988 and 1989, and to three-quarters from two-thirds for the 1990 and subsequent taxation years. • The capital gains inclusion rate was reduced to two-thirds from three-quarters effective February 28, 2000 (Budget 2000), and reduced again to one-half from two-thirds, effective October 18, 2000 (2000 Economic Statement and Budget Update).
Objective – category	To encourage or attract investment To encourage savings To support competitiveness
Objective	This measure provides incentives to Canadians to save and invest, and ensures that Canada's treatment of capital gains is broadly comparable to that of other countries (*Proposals for Tax Reform*, 1969; *The White Paper: Tax Reform 1987*; Budget 2000; 2000 Economic Statement and Budget Update).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	Personal income tax: T1 micro-simulation model Corporate income tax: T2 micro-simulation model
Projection method	Personal income tax: T1 micro-simulation model Corporate income tax: Projections are based on the Department of Finance Canada's forecast for the growth of taxable capital gains.
Number of beneficiaries	About 2.6 million individuals and 190,000 corporations reported capital gains in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	3,775	3,310	4,115	5,580	5,755	5,590	6,005	6,265
Corporate income tax	3,930	3,925	4,510	5,370	5,890	6,085	6,255	6,490
Total	7,705	7,235	8,625	10,955	11,645	11,675	12,260	12,755

Partial inclusion of U.S. Social Security benefits

Description	Individuals who are resident in Canada and receiving U.S. Social Security benefits since before 1996 (and their surviving spouses and common-law partners who are eligible to receive survivor benefits) can deduct 50% of those benefits in computing income. Other recipients of U.S. Social Security benefits can deduct 15% of the benefits received.
Tax	Personal income tax
Beneficiaries	Seniors
Type of measure	Exemption
Legal reference	*Income Tax Act*, section 110(1)(h) Canada-United States Tax Convention, article XVIII, paragraph 5(a)
Implementation and recent history	• From 1984 to 1996, under the Canada-United States Tax Convention, Canada had the sole right to tax U.S. Social Security benefits of Canadian residents. However, the Convention also required that half of these benefits be tax-exempt in Canada. This exemption was introduced to take into account how the benefits would have been taxed in the U.S. if paid to U.S. residents. Before 1996, the U.S. exempted up to 50% of U.S. Social Security benefits. • The 1995 Protocol to the Canada-United States Tax Convention granted the United States the exclusive right to tax the benefits of Canadian residents, effective for 1996 and 1997. • Under the 1997 Protocol, Canada regained exclusive taxing jurisdiction over U.S. Social Security benefits of Canadian residents, generally effective retroactively to January 1, 1996. Concurrently, 15% of those benefits became tax-exempt because the U.S. was exempting up to 15% of U.S. Social Security benefits since 1996. • Budget 2010 reinstated the 50% exemption for all Canadians and their spouses and common-law partners who have been in receipt of benefits since before January 1, 1996, effective for benefits received on or after January 1, 2010.
Objective – category	To provide income support or tax relief
Objective	This measure increases from 15% to 50% the percentage of U.S. Social Security payments that Canadian residents who have received such benefits since before January 1, 1996 can exclude from their taxable income in order to exempt the same proportion of U.S. Social Security benefits that the U.S. exempted before 1996.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No reliable data is available for this measure. As such, estimates and projections are no longer presented.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Patronage dividend deduction

Description	Cooperatives, as well as ordinary corporations, can deduct payments made to customers and suppliers in proportion to their volume of business. These payments, called "patronage dividends," are unlike regular dividends, which are paid to investors in proportion to equity shareholdings and are not deductible for income tax purposes. Patronage dividends may not be deducted if paid to non-arm's length persons, except when the payer is a co-operative or a credit union. Patronage dividends, other than those in respect of consumer goods or services, are included in the recipient's income in the year received.
Tax	Corporate income tax
Beneficiaries	Corporations
Type of measure	Deduction
Legal reference	*Income Tax Act*, section 135
Implementation and recent history	• Introduced in 1928. • Amended in Budget 2004 to prevent persons, other than co-operatives and credit unions, from deducting patronage dividends to non-arm's length persons.
Objective – category	To recognize expenses incurred to earn business or property income To prevent double taxation
Objective	This measure reflects the view that patronage dividends are a form of customer rebate or a type of supplier incentive, and as such should be deductible as other business expenses.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model. The value of this measure is an upper bound estimate as it does not take into account any income inclusion made by the recipient of the patronage dividend.
Projection method	The value of this measure is projected to grow in line with corporate profits.
Number of beneficiaries	About 900 corporations claimed this deduction in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Corporate income tax	340	240	220	225	180	190	185	190

Patronage dividends paid as shares by agricultural cooperatives

Description	While patronage dividends not in respect of consumer goods and services are generally taxable when received, members of an agricultural cooperative are permitted to defer paying tax on a patronage dividend paid by the cooperative in the form of an eligible share until the disposition (or deemed disposition) of the share. In addition, when an eligible agricultural cooperative pays a patronage dividend to a member in the form of an eligible share, the withholding obligation in respect of the patronage dividend is deferred until the share is redeemed. In general terms, in order to issue eligible shares, agricultural cooperatives must be established in Canada and have as their principal business activity farming or the provision of goods or services required for farming in Canada. In order to be an eligible share, the share must be issued after 2005 and before 2021, and generally must not be redeemable or retractable within five years of its issue.
Tax	Personal and corporate income tax
Beneficiaries	Members of agricultural cooperatives
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 135.1
Implementation and recent history	• Introduced in Budget 2005. Effective in respect of eligible shares issued after 2005 and before 2016. • Budget 2015 extended this measure to apply in respect of eligible shares issued before 2021.
Objective – category	To encourage or attract investment
Objective	The objective of this measure is to aid the capitalization of agricultural cooperatives (Budget 2005).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	This tax expenditure is calculated by multiplying the reported amount of patronage dividends paid as shares by agricultural cooperatives by the average marginal personal income tax rate for farmers.
Projection method	The cost of this tax expenditure is fairly stable; as such no growth is assumed over the projection period.
Number of beneficiaries	This measure provided tax relief to about 30 corporations in 2014. No data is available for unincorporated agricultural cooperatives.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	2	2	1	1	2	2	2	2
Corporate income tax	5	4	3	3	4	4	4	4
Total	5	5	5	4	5	5	5	5

Pension Income Credit

Description	The Pension Income Credit is a non-refundable credit that provides tax relief to taxpayers receiving eligible pension income. The value of the credit is calculated by applying the lowest personal income tax rate to the first $2,000 of eligible pension income. Any unused portion of the credit may be transferred to a spouse or common-law partner. Eligible pension income is generally limited to certain types of income from registered plans, such as a lifetime pension from a Registered Pension Plan and, for individuals who are age 65 or over, income from a Pooled Registered Pension Plan, a Registered Retirement Savings Plan annuity, a Registered Retirement Income Fund or a Life Income Fund. Variable benefits payments from a defined contribution Registered Pension Plan are also eligible for individuals who are age 65 or over.
Tax	Personal income tax
Beneficiaries	Seniors and pensioners receiving eligible pension income
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsections 118(3) and (7)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous pension deduction. • The maximum amount of income eligible for the Pension Income Credit was doubled from $1,000 to $2,000 in Budget 2006.
Objective – category	To provide income support or tax relief To achieve a social objective
Objective	This measure was introduced to provide additional protection against inflation for the retirement income of elderly Canadians (Budget November 1974).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 4.9 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	1,035	1,065	1,100	1,140	1,165	1,195	1,235	1,275

Pension income splitting

Description	Canadian residents receiving income that qualifies for the Pension Income Credit can allocate up to one-half of that income to their resident spouse or common-law partner for income tax purposes. Income that is eligible for the Pension Income Credit and pension income splitting is generally limited to certain types of income from registered plans, such as a lifetime pension from a Registered Pension Plan and, for individuals who are age 65 or over, income from a Pooled Registered Pension Plan, a Registered Retirement Savings Plan annuity, a Registered Retirement Income Fund or a Life Income Fund. Variable benefits payments from a defined contribution Registered Pension Plan are also eligible only for individuals who are age 65 or over. Income from a Retirement Compensation Arrangement (which is not eligible for the Pension Income Credit) also qualifies for pension income splitting for individuals who are age 65 or over, subject to specified conditions.
Tax	Personal income tax
Beneficiaries	Seniors and pensioners receiving eligible pension income
Type of measure	Other
Legal reference	*Income Tax Act*, section 60.03
Implementation and recent history	• Introduced as part of the 2006 Tax Fairness Plan. Effective for the 2007 and subsequent taxation years. • Income from a Retirement Compensation Arrangement became eligible for pension income splitting, subject to specified conditions, as of the 2013 taxation year.
Objective – category	To provide income support or tax relief To extend or modify the unit of taxation
Objective	This measure recognizes the special challenges of planning and managing retirement income, and provides targeted assistance to pensioners (Tax Fairness Plan, 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation.
Subject	Retirement
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.2 million couples split pension income in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	975	1,040	1,075	1,150	1,195	1,245	1,340	1,435

Political Contribution Tax Credit

Description	Individuals who make monetary contributions to a registered party, a registered association or a candidate as defined in the *Canada Elections Act* can claim the Political Contribution Tax Credit in respect of their contributions. This non-refundable credit is calculated as 75% of the first $400 contributed, 50% of the next $350 contributed, and 33⅓% of the next $525 contributed. The maximum credit available is $650.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 127(3)
Implementation and recent history	• Introduced as part of the *Election Expenses Act* of 1974. • In 2003, the amount to which the 75% credit applies was extended to $400, effective January 1, 2004. • Corporations were prohibited from making political contributions in 2007, following the adoption of the *Federal Accountability Act*.
Objective – category	To achieve a social objective
Objective	This measure encourages broad citizen participation in the electoral process.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70111 - General public services - Executive and legislative organs, financial and fiscal affairs, external affairs - Executive and legislative organs
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return Data from Elections Canada
Estimation method	T1 micro-simulation model
Projection method	Projections for this measure are derived using Elections Canada data and a T1 micro-simulation model. These projections take into account observed trends in political donations around federal election years.
Number of beneficiaries	About 189,000 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	25	25	25	30	55	35	35	35

Pooled Registered Pension Plans

Description	A Pooled Registered Pension Plan (PRPP) is a type of pension plan that is similar to a defined contribution registered pension plan. A deferral of tax is provided on savings in a PRPP in order to encourage and assist Canadians to save for retirement. Contributions to a PRPP are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals and benefit payments are included in income for tax purposes. Contributions to PRPPs must be made within a PRPP member's available Registered Retirement Savings Plan contribution limit.
Tax	Personal income tax
Beneficiaries	Individuals with available RRSP contribution room
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 147.5
Implementation and recent history	• Draft amendments to the income tax rules were released for public comment in 2011 (Department of Finance Canada news release 2011-134, December 14, 2011). Final amendments were tabled in Parliament in 2012 (Department of Finance Canada news release 2012-126, October 18, 2012). The income tax rules for PRPPs came into force on December 14, 2012 (Department of Finance Canada news release 2012-165, December 14, 2012).
Objective – category	To encourage savings
Objective	Consistent with tax assistance provided on savings in Registered Pension Plans and Registered Retirement Savings Plans, this measure encourages and assists Canadians to arrange for their financial security in later years.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	n/a
Estimation method	n/a
Projection method	n/a
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	–	–	–	–	n.a.	n.a.	n.a.	n.a.

Note: The tax expenditure associated with this measure is combined with the tax expenditure associated with Registered Retirement Savings Plans (see measure "Registered Retirement Savings Plans").

Preferential tax rate for small businesses

Description	The first $500,000 of annual income earned by a Canadian-controlled private corporation (CCPC) from an active business carried on in Canada is taxed at a preferential corporate income tax rate of 10.5%. The $500,000 annual small business limit must be shared by a CCPC with other CCPCs with which it is associated. In order to target the preferential tax rate to small businesses, the annual small business limit is gradually reduced when the taxable capital of the CCPCs that are part of the same associated group is between $10 million and $15 million, and is zero if the taxable capital of the associated group is $15 million or greater.
Tax	Corporate income tax
Beneficiaries	Small Canadian-controlled private corporations
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, section 125
Implementation and recent history	• A lower federal corporate tax rate was introduced in Budget 1949 to assist smaller corporations. In general terms, a low 10% rate applied to business income up to $10,000 while additional income was taxed at a 33% rate. All corporations were eligible for this lower rate, regardless of size; however, only one corporation in a controlled corporate group could claim that lower rate. • Eligibility rules to this lower rate were modified as part of the 1972 Tax Reform to limit access to CCPCs and provide for the sharing of the small business limit among associated corporations. • Budget 1994 introduced rules to phase out the preferential tax rate for CCPCs with taxable capital of at least $10 million. • The annual business limit was increased in stages from $200,000 in 2002 to $300,000 in 2005. It was increased to $400,000 effective 2007. • The 2007 Economic Statement reduced the preferential tax rate from 12% to 11% effective 2008 (compared to the general corporate income tax rate of 19.5% in 2008). The federal corporate surtax (equivalent to 1.12 percentage points of tax) was also eliminated for all corporations as of 2008. • Budget 2009 increased the annual income limit to $500,000 (from $400,000), effective 2009. • Budget 2015 announced a series of reductions to the preferential tax rate, including a reduction from 11% to 10.5% in 2016. • Budget 2016 announced that further reductions to the small business tax rate would be deferred.
Objective – category	To encourage or attract investment To support business activity
Objective	This measure allows small businesses to retain more of their earnings to reinvest and create jobs (Budget 2015).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.
Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	T2 micro-simulation model
Projection method	The cost of this measure is projected to grow in line with corporate profits. A rate of 10.5% is used for projection years.
Number of beneficiaries	This measure provides tax relief to about 715,000 corporations in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	3,850	3,155	2,965	3,115	3,250	3,515	3,625	3,660

Public Transit Tax Credit

Description	A non-refundable tax credit is available at the lowest personal income tax rate for the cost of monthly public transit passes or passes of longer duration. The credit may be claimed by the individual or the individual's spouse or common-law partner in respect of eligible transit costs of the individual, the individual's spouse or common-law partner, and the individual's children who are under 19 years of age.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.02
Implementation and recent history	• Introduced in Budget 2006. Effective July 1, 2006 and subsequent taxation years. • Budget 2007 extended the credit to innovative fare products like electronic fare cards and weekly passes when used on an ongoing basis.
Objective – category	To achieve a social objective
Objective	This measure is intended to encourage public transit use, as increasing public transit use will ease traffic congestion in urban areas and improve the environment (Budget 2006).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure is transferable between spouses or common-law partners.
Subject	Environment Social
CCOFOG 2014 code	70456 - Economic affairs - Transport - Public Transit 70539 - Environmental protection - Pollution abatement
Other relevant government programs	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, Parks Canada and Natural Resources Canada also support environment-related objectives. Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.8 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	160	170	180	180	190	190	200	205

Quebec Abatement

Description	The federal government provides an abatement of personal income tax to taxpayers residing in Quebec equal to 16.5% of Basic Federal Tax payable. The abatement represents compensation to the Province of Quebec for opting out of certain federal transfer programs established in the 1960s.
Tax	Personal income tax
Beneficiaries	n/a
Type of measure	Other
Legal reference	*Federal-Provincial Fiscal Arrangements Act*, Part VI *Federal Provincial Fiscal Revision Act*, 1964
Implementation and recent history	• During the 1960s, the federal government offered provinces opting-out arrangements for certain federal-provincial programs, such as hospital care and social welfare. Under the arrangements—which only Quebec opted to use—the federal government abated personal income tax by 13.5 percentage points while Quebec increased its personal income taxes by an equivalent amount. In order to ensure that Quebec would not receive federal transfer payments for health and social programs and (unlike other provinces) also the tax abatement, this abatement was originally deducted from transfer payments to Quebec. The abatement was rolled into the Canada Health and Social Transfer in 1995, and then into the Canada Health Transfer and Canada Social Transfer in 2004. In 2012, the *Federal-Provincial Fiscal Arrangements Act* was revised to clarify that the recovery is no longer linked to the Canada Health and Social Transfer or its successor programs (the Canada Health Transfer and Canada Social Transfer). • In 1964, the federal government introduced the Youth Allowances Program. Quebec had a similar program at the time and, wishing to continue it, obtained an abatement of three personal income tax points. The Youth Allowances Program was dismantled in 1974; however, in order to minimize disruption to Quebec's tax structure, an arrangement was made to maintain the three-point abatement. The value of the corresponding reduction is currently recovered through bi-annual payments made by the Province of Quebec to the Receiver General for Canada.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure reflects the election by the Province of Quebec to receive part of the federal program contribution in the form of a tax abatement.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	Canada Revenue Agency, Tax Sharing Statements
Estimation method	The value of the Quebec Abatement is calculated by multiplying Basic Federal Tax for Quebec residents by 0.165.
Projection method	Projections for this measure are based on forecasted growth of Basic Federal Tax.
Number of beneficiaries	n/a

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	3,885	4,040	4,130	4,270	4,615	4,615	4,890	5,110

Rebate for book purchases made by certain organizations

Description	A 100% rebate is provided in respect of GST paid on books acquired by: • schools, universities, public colleges and municipalities; • charities and qualifying non-profit organizations that operate public lending libraries; and • designated charities and qualifying non-profit organizations whose primary purpose is the promotion of literacy. The rebate is not available when the books are acquired for resale.
Tax	Goods and Services Tax
Beneficiaries	Schools, colleges, universities, municipalities, certain charities and certain non-profit organizations
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 259.1
Implementation and recent history	• Introduced on October 23, 1996 (Department of Finance Canada news release 1996-076). Effective in respect of GST paid after that date. • Budget 2012 extended the rebate to include books acquired to be given away by designated literacy organizations.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by public libraries, educational institutions and other community organizations in helping people learn how to read and improve their reading skills (Department of Finance Canada news release 1996-076, October 23, 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Education
CCOFOG 2014 code	70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with provincial government expenditures on education.
Number of beneficiaries	About 2,000 entities claim this rebate each year.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	20	20	20	15	15	20	20	20

Rebate for hospitals, facility operators and external suppliers

Description	Hospitals provide primarily tax-exempt services, and as such are unable to claim input tax credits for GST paid on most of their purchases. However, public hospitals are eligible for a rebate of 83% of the GST paid on purchases related to their supply of exempt services. Since 2005, government-funded charities and non-profit organizations that provide health care services similar to those traditionally performed in hospitals or supply ancillary support services to hospitals and eligible health care facilities ("facility operators and external suppliers") are also eligible for an 83% rebate of the GST paid on purchases related to their exempt health care supplies.
Tax	Goods and Services Tax
Beneficiaries	Public hospitals, facility operators and external suppliers
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• The rebate for public hospitals has been in effect since the inception of the GST in 1991. • Budget 2005 extended the 83% rebate to facility operators and external suppliers to accommodate the restructuring by provinces and territories of the delivery of health care services that has resulted in some services formerly provided by hospitals being performed by other non-profit organizations.
Objective – category	To achieve a social objective
Objective	The rebate for public hospitals was implemented at the time of inception of the GST to ensure that the sales tax burden did not increase as a result of moving to the GST from the previous federal sales tax (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	7073 - Health - Hospital services
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with provincial government expenditures on health.
Number of beneficiaries	About 600 entities claim this rebate each year.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	620	590	635	650	690	710	720	720

Rebate for municipalities

Description	Municipalities are eligible for a 100% rebate for the GST paid on their purchases of inputs used in the provision of their exempt supplies. Entities that are not municipalities (e.g., library boards) may nonetheless be determined by the Minister of National Revenue to be municipalities for the purposes of this rebate. Similarly, service providers may be designated to be municipalities with respect to certain municipal-like services they provide (e.g., sewage treatment services). Entities determined or designated to be municipalities are eligible for the 100% rebate in respect of GST paid on inputs used in the course of their exempt municipal activities.
Tax	Goods and Services Tax
Beneficiaries	Municipalities
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsections 259(3) and (4)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991, initially with a rebate rate of 57.14%. • The rebate rate was increased to 100%, generally effective since February 2004 (Department of Finance Canada news release 2004-007, February 3, 2004).
Objective – category	To implement intergovernmental tax arrangements
Objective	The partial rebate initially provided was intended to ensure that the sales tax burden of municipalities did not increase as a result of moving to the GST from the previous federal sales tax (*Goods and Services Tax: Technical Paper*, August 1989).The rebate was increased to 100% to provide municipalities with an increased source of reliable, predictable and long-term funding to address infrastructure priorities (Department of Finance Canada news release 2004-007, February 3, 2004).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	70183 - General public services - Transfers of a general character between different levels of government - General purpose transfers to local governments
Other relevant government programs	n/a
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with local government expenditures.
Number of beneficiaries	About 9,500 entities claim this rebate each year.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	2,010	1,995	2,055	2,160	2,220	2,200	2,235	2,285

Rebate for new housing

Description	Builders or purchasers of newly constructed and substantially renovated residential housing are eligible for a rebate of the GST paid if the housing is for use as a primary place of residence. For houses valued at or below $350,000, the rebate is 36% of the total GST paid to a maximum of $6,300. The rebate is gradually phased out for houses valued between $350,000 and $450,000, and there is no rebate for houses valued at $450,000 or more. The same rebate is available for the GST paid by individuals to construct or substantially renovate housing that is for use by the owner or a relative as a primary place of residence. The rate of rebate was established so that the GST burden on new housing would be equal to the federal sales tax component of the total price of a new home before the introduction of the GST (which was approximately 4.5% on average).
Tax	Goods and Services Tax
Beneficiaries	Individuals who have purchased or constructed new homes
Type of measure	Rebate
Legal reference	*Excise Tax Act*, sections 254 and 256
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The maximum dollar value of the rebate was lowered in Budget 2006 and in the 2007 Economic Statement concurrently with the reductions in the GST rate from 7% to 6% on July 1, 2006 and to 5% on January 1, 2008.
Objective – category	To achieve a social objective
Objective	This measure is designed to ensure that the GST does not pose a barrier to the affordability of new homes (*Goods and Services Tax Consolidated Explanatory Notes*, April 1997).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada. Data on expenditures on residential construction from the System of National Accounts were adjusted by Statistics Canada for conceptual differences in the timing and tax treatment of land.
Estimation method	The cost of this measure is calculated from source data.
Projection method	The cost of this measure is projected to grow in line with housing completions.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	575	580	595	575	575	550	525	505

Rebate for new residential rental property

Description	Builders or purchasers of newly constructed or substantially renovated residential rental housing are eligible for a rebate of the GST payable if it can reasonably be expected that the first use of the individual residential units within the property will be as a primary place of residence for at least one year. The rebate also applies to builders or purchasers of new additions to multiple-unit residential rental housing and to the leasing of land (i.e., housing lots) to a person that affixes a new or substantially renovated house or sites in new residential trailer parks for long-term residential use. For single-unit residential housing (including duplexes) or units in multiple-unit residential housing valued at or below $350,000, the rebate is 36% of the total GST paid to a maximum of $6,300. The rebate is phased out for such residential housing or units valued between $350,000 and $450,000. In the case of leasing housing lots or sites in residential trailer parks, the rebate is 36% of the total GST paid to a maximum $1,575. The rebate is phased out for each housing lot or site valued between $87,500 and $112,500.
Tax	Goods and Services Tax
Beneficiaries	Builders and purchasers of new residential rental property and landlords that lease housing lots or sites in new residential trailer parks for long-term residential use
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 256.1
Implementation and recent history	• Introduced in Budget 2000. Effective February 28, 2000. • The maximum dollar value of the rebate was lowered in Budget 2006 and in the 2007 Economic Statement concurrently with the reductions in the GST rate from 7% to 6% on July 1, 2006 and to 5% on January 1, 2008.
Objective – category	To achieve a social objective
Objective	This measure ensures that builders and purchasers of new residential rental property face the same effective GST rate faced by purchasers of new owner-occupied homes (Budget 2000).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Housing
CCOFOG 2014 code	70619 - Housing and community amenities - Housing development
Other relevant government programs	Programs within the mandate of the Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST524 - GST/HST New Residential Rental Property Rebate Application
Estimation method	The cost of this measure is calculated from source data.
Projection method	The cost of this measure is projected to grow in line with housing completions for multiple units.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	65	85	110	120	120	110	100	100

Rebate for poppies and wreaths

Description	The Royal Canadian Legion is eligible for a 100% rebate of GST paid on Remembrance Day poppies and wreaths it acquires.
Tax	Goods and Services Tax
Beneficiaries	Royal Canadian Legion
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 259.2
Implementation and recent history	• Introduced on October 28, 2010 (Department of Finance Canada news release 2010-101). Effective in respect of tax payable or paid after 2009.
Objective – category	To achieve a social objective
Objective	This measure recognizes the special status of poppies and wreaths as symbols of the contribution, courage and sacrifices of those who served in the Canadian Forces (Department of Finance Canada news release 2010-101, October 28, 2010).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	70869 - Recreation, culture, and religion - Recreation, culture, and religion not elsewhere classified
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Form GST189 - General Application for Rebate of GST/HST
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	n/a
Number of beneficiaries	The Royal Canadian Legion is the sole direct beneficiary of this measure.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	X	X	X	X	X	X	X	X

Rebate for qualifying non-profit organizations

Description	Non-profit organizations that receive at least 40% of their funding from governments, municipalities or Indian Bands are eligible for a rebate of 50% of the GST paid on purchases related to their supplies of exempt services.
Tax	Goods and Services Tax
Beneficiaries	Non-profit organizations
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role of non-profit organizations in Canadian society (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 8,500 entities claim this rebate each year.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Goods and Services Tax	70	65	65	70	65	65	70	75

Rebate for registered charities

Description	Charities registered under the *Income Tax Act* and registered Canadian amateur athletic associations are eligible for a rebate of 50% of the GST paid on purchases related to their supplies of exempt services. Non-profit organizations operating a facility or part thereof to provide nursing home care are also eligible for the rebate.
Tax	Goods and Services Tax
Beneficiaries	Registered charities, registered Canadian amateur athletic associations, non-profit organizations operating a facility or part thereof to provide nursing home care
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role of charities in Canadian society (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Donations, gifts, charities and non-profit organizations
CCOFOG 2014 code	705 - Environmental protection; 706 - Housing and community amenities; 707 - Health; 708 - Recreation, culture, and religion; 709 - Education; 710 - Social protection; Other various codes
Other relevant government programs	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 50,000 entities claim this rebate each year.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	285	290	290	305	300	305	320	330

Rebate for schools, colleges and universities

Description	Schools, colleges and universities provide primarily tax-exempt services, and as such are unable to claim input tax credits for GST paid on most of their purchases. However, elementary and secondary schools operating on a not-for-profit basis are eligible for a rebate of 68% of the GST paid on purchases related to their supplies of exempt services. Publicly funded colleges and recognized degree-granting universities operating on a not-for-profit basis are eligible for a rebate of 67% of the GST paid on purchases related to their supplies of exempt services.
Tax	Goods and Services Tax
Beneficiaries	Schools, colleges and universities
Type of measure	Rebate
Legal reference	*Excise Tax Act*, subsection 259(3)
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure was implemented at the time of inception of the GST to ensure that the sales tax burden on these sectors did not increase as a result of moving to the GST from the previous federal sales tax (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Education
CCOFOG 2014 code	70929 - Education - Primary and Secondary education 70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with provincial government expenditures on education.
Number of beneficiaries	About 4,500 entities claim this rebate each year.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Rebate for schools	375	380	385	400	400	410	415	415
Rebate for colleges	100	85	80	80	85	90	90	90
Rebate for universities	260	235	230	230	235	245	245	245
Total – Goods and Services Tax	740	700	700	710	720	745	750	750

Rebate for specially equipped motor vehicles

Description	A GST rebate is available in respect of motor vehicles specially equipped with certain features for use by individuals with disabilities. The amount of the rebate is the GST paid on the portion of the purchase price attributable to the special features. The rebate is available in respect of both new and used vehicles, and in respect of vehicles purchased either in Canada or abroad (with the GST being paid on importation). The rebate is also available when a vehicle is imported after being modified with special features.
Tax	Goods and Services Tax
Beneficiaries	Individuals with disabilities, organizations serving these individuals and caregivers
Type of measure	Rebate
Legal reference	*Excise Tax Act*, sections 258.1 and 258.2
Implementation and recent history	• Introduced on April 3, 1998 (Department of Finance Canada news release 1998-036). Effective in respect of new vehicles paid for after April 3, 1998. • An amendment to extend the relief to used vehicles was announced on November 27, 2006 (Department of Finance Canada news release 2006-073), effective retrospectively to vehicles paid for after April 3, 1998.
Objective – category	To achieve a social objective
Objective	This measure ensures that all individuals and organizations get tax relief on the additional cost of purchasing vehicles, such as a car or minivan, that meet their special needs (Department of Finance Canada news release 1998-036, April 3, 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	70713 - Health - Medical products, appliances, and equipment - Therapeutic appliances and equipment
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST518 - GST/HST Specially Equipped Motor Vehicle Rebate Application
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with consumption expenditures on vehicles and parts.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	S	S	S	S	S	S	S	S

Rebate to employees and partners

Description	Employees and partners may incur expenses in the course of carrying out their duties that are not directly reimbursed by their employers and partnerships. Instead, compensation may be provided through salaries, commissions, profits and other means that would not be subject to GST. Consequently, employers and partnerships cannot recover the GST paid by the employees and partners through the input tax credit mechanism. A rebate is available to an employee of a GST registrant (other than a listed financial institution) for the GST paid on those expenses that are deductible in computing the employee's income from employment for income tax purposes. For example, an employee is allowed to claim a rebate in respect of the GST on a portion of entertainment expenses or on the capital cost allowance for an automobile, aircraft or musical instrument that is used in his or her employment and on which GST is payable. This rebate is also available to an individual who is a member of a GST-registered partnership in respect of expenses incurred outside the partnership that are deducted in computing the member's income from the partnership for income tax purposes.
Tax	Goods and Services Tax
Beneficiaries	Employees and partners
Type of measure	Rebate
Legal reference	*Excise Tax Act*, section 253
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To provide relief for special circumstances
Objective	This measure is designed to reduce the possible tax-cascading effect that would occur in certain cases when employers and partnerships cannot recover GST paid by employees and partners in the course of their duties.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST rebates effectively reduce the value added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Employment Business - other
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Form GST370 - Employee and Partner GST/HST Rebate Application
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Goods and Services Tax	70	65	65	60	65	65	65	70

Reclassification of expenses under flow-through shares

Description	Small corporations in the oil and gas sector are entitled to reclassify as Canadian Exploration Expenses (CEE) the first $1 million per year of eligible Canadian Development Expenses (CDE) renounced to shareholders under a flow-through share agreement. CEE is fully deductible in the year incurred, while CDE is deductible at the rate of 30% per year. For background information, see the related item “Flow-through share deductions”.
Tax	Personal and corporate income tax
Beneficiaries	Investors in flow-through shares and small oil and gas corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 66(12.601)
Implementation and recent history	• Introduced in the 1992 Economic and Fiscal Statement. Effective after December 2, 1992. • Budget 1996 reduced the amount of CDE that can be reclassified to $1 million per year from $2 million and restricted the reclassification to firms with less than $15 million of taxable capital employed in Canada.
Objective – category	To encourage or attract investment
Objective	This measure was introduced to facilitate financing and promote investment in the junior oil and gas sector (Economic and Fiscal Statement, 1992; Budget 1996).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure may permit the depreciation of a capital asset faster than its useful life.
Subject	Business - natural resources
CCOFOG 2014 code	70432 - Economic affairs - Fuel and energy - Petroleum and natural gas
Other relevant government programs	Programs within the mandate of Natural Resources Canada also support the natural resource sector. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return
Estimation method	The value of this tax expenditure is estimated by comparing the tax benefits received by the shareholders to the tax benefits that would have been received if the CDE had been flowed out as CDE rather than CEE. It is assumed that the issuing corporations would have been able to fully flow out the expenses as CDE, even though CDE is generally less attractive to investors than CEE. To the extent that they could not, the tax expenditure would be higher than this estimate.
Projection method	Projections based on current market conditions.
Number of beneficiaries	Information on the number of beneficiaries is not available. About 45 corporations reclassified expenses under this provision in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	-5	-10	-5	-5	-10	-5	-5	-4
Corporate income tax	-2	-2	-1	-1	-1	-1	-1	S
Total	-5	-10	-5	-10	-10	-5	-5	-5

Refundable capital gains tax for investment and mutual fund corporations

Description	Capital gains realized by an investment corporation or a mutual fund corporation are taxed at the corporation level, and the tax is accumulated in an account known as the "refundable capital gains tax on hand" account. The tax accumulated in that account is refunded to the corporation upon distribution of its capital gains to its shareholders or when a mutual fund corporation redeems shares. These distributions are taxed as capital gains in the hands of the shareholder and not as dividends. This departs from general practice in that income earned by a public corporation (including taxable capital gains) does not generally retain its character for tax purposes when subsequently distributed to shareholders.
Tax	Corporate income tax
Beneficiaries	Investment and mutual fund corporations
Type of measure	Other
Legal reference	*Income Tax Act*, subsections 131(2) and (6)
Implementation and recent history	• Introduced as part of the 1971 Tax Reform to enable investment corporations and mutual fund corporations that realize capital gains to flow them out to shareholders in a subsequent distribution.
Objective – category	To prevent double taxation
Objective	This measure permits capital gains earned by investors through investment corporations and mutual fund corporations to be taxed on a similar basis as capital gains earned directly by investors.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Savings and investment
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	The value of this measure is the sum of the amounts of federal capital gains refunds claimed by investment and mutual fund corporations.
Projection method	Projections for this measure are derived under the assumption that capital gains refunds will increase at the same rate as the average of corporate taxable income and/or taxable capital gains.
Number of beneficiaries	About 75 investment and mutual fund corporations claimed a capital gain refund in 2013.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	205	110	225	555	1,000	615	640	665

Refundable Medical Expense Supplement

Description	The Refundable Medical Expense Supplement is a refundable credit that provides low-income working Canadians with assistance for medical and disability-related expenses. For 2016, the supplement is available to individuals whose earnings from employment or self-employment meet or exceed a minimum threshold of $3,465. To be eligible for the supplement, individuals must be 18 years of age or older and have claimed eligible medical expenses under the Medical Expense Tax Credit or the disability supports deduction. The supplement is equal to 25% of the allowable portion of expenses that can be claimed under the Medical Expense Tax Credit and the disability supports deduction, up to a maximum credit of $1,187 for 2016. The supplement is reduced by 5% of net family income above an income threshold of $26,277. The maximum supplement amount, the minimum earnings threshold and the family net income threshold are indexed to inflation.
Tax	Personal income tax
Beneficiaries	Low-income employees and self-employed individuals
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.51
Implementation and recent history	• Introduced in Budget 1997. Effective for the 1997 and subsequent taxation years. • The maximum supplement amount was increased to $750 in Budget 2005 (from $562 in 2004) and to $1,000 in Budget 2006.
Objective – category	To encourage employment
Objective	This measure improves work incentives for Canadians with disabilities by helping to offset the loss of coverage for medical and disability-related expenses when individuals move from social assistance to the paid labour force (Budget 2006).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Health
CCOFOG 2014 code	7071 - Health - Medical products, appliances, and equipment 7072 - Health - Outpatient services 7073 - Health - Hospital services 71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 528,000 individuals received this benefit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	135	140	140	140	145	150	155	160

Refundable taxes on investment income of private corporations

Description	An individual could defer personal income tax on investment income if the individual earned the investment income through a private corporation that is subject to a corporate income tax rate that is significantly lower than the highest personal income tax rate. Consequently, the *Income Tax Act* provides rules that counter such a deferral: • Under Part I of the Income Tax Act, investment income (other than taxable dividends) received by a Canadian-controlled private corporation is subject to a partly refundable 38⅔% income tax rate (an unreduced 28% general tax rate plus an additional tax of 10⅔%). The refundable portion corresponds to 30⅔% of the investment income. • Under Part IV of the Act, taxable dividends received by a private corporation are generally subject to a 38⅓% income tax rate. The refundable portion of the Part I tax and the full amount of the Part IV tax are added to the corporation's Refundable Dividend Tax on Hand (RDTOH) account. Amounts in this account are refundable to the corporation upon the payment of taxable dividends, at the effective rate of 38⅓% of taxable dividends paid.
Tax	Corporate income tax
Beneficiaries	Private corporations
Type of measure	Other
Legal reference	*Income Tax Act*, sections 123, 123.3, 123.4, 124, 129 and 186
Implementation and recent history	• Introduced as part of the 1971 Tax Reform. The Part I tax was 50% and the refundable portion of that tax was 25%. The Part IV tax was introduced at a rate of 33⅓% and was fully refundable. The refundable tax paid on investment income was refundable at a basic rate of one dollar for every three dollars of taxable dividends paid. • Amended as part of the 1987 Tax Reform, effective after 1987, to reflect changes in federal tax rates. The Part I tax was reduced to 28% from 36%, and its refundable portion to 20%. The Part IV tax was reduced to 25%. The rate of refund was decreased to one dollar for every four dollars of taxable dividends paid. • Budgets 1994 and 1995 increased the rate of the Part IV tax to 33⅓% to further reduce personal income tax deferral possibilities. The rate of refund was increased to one dollar for every three dollars of taxable dividends paid. These changes were generally effective for taxation years beginning after June 1995. • Budget 1995 introduced an additional refundable 6⅔% Part I tax on investment income earned by Canadian-controlled private corporations. • These refundable taxes (and the related refund rate) were increased to their current levels effective January 1, 2016, in order to reflect the new 33% top personal income tax rate applicable as of that date.
Objective – category	To ensure a neutral tax treatment across similar situations
Objective	This measure is intended to reduce the possibility for individuals to defer personal income tax on investment income by earning such income through a private corporation instead of earning such income directly (Budget 1995).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return
Estimation method	The tax expenditure is comprised of the additional Part I tax (the difference between the applicable Part I tax rate and the federal general corporate income tax rate of 15%), the Part IV tax and the sum of the aforementioned refunds. In these accounts, tax revenues are recorded as negative amounts.

Projection method	The cost of this measure is projected to grow in line with investment income and taxable income.
Number of beneficiaries	About 238,000 and 192,000 corporations were respectively subject to the additional Part I tax and Part IV tax in 2014, while 227,000 corporations claimed the dividend refund in that year.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Additional Part I tax	-2,350	-2,750	-3,300	-3,775	-4,290	-4,910	-5,290	-5,530
Part IV tax	-3,035	-3,465	-3,915	-4,245	-4,755	-5,470	-5,865	-6,130
Dividend refund	5,600	6,270	7,195	7,280	8,650	9,775	10,460	10,930
Total – corporate income tax	215	55	-20	-740	-395	-605	-695	-730

Refunds for aboriginal self-governments

Description	Under agreements which are given force of law by Parliament, aboriginal self-governments are provided with a 100% refund of the GST for goods and services acquired for use in governmental activities.
Tax	Goods and Services Tax
Beneficiaries	Aboriginal self-governments, their corporations and entities performing functions of government
Type of measure	Refund
Legal reference	The agreements are given force of law by the implementation legislation related to Self-Government Agreements and Comprehensive Land Claims and Self-Government Agreements.
Implementation and recent history	• The refund first became available in the late 1990s in Self-Government Agreements signed with certain Yukon First Nations. • To date, 19 combined Comprehensive Land Claims and Self-Government Agreements have been concluded (in the Yukon, British Columbia, the Northwest Territories and Newfoundland and Labrador) and several other aboriginal groups, mainly in British Columbia, Saskatchewan, Quebec and the Northwest Territories, are at the final agreement stage.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure relieves from GST the expenditures incurred by aboriginal self-governments in exercising governmental activities.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	GST refunds effectively reduce the value-added subject to tax, and are therefore deviations from a broadly defined value-added tax base.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	7018 - General public services - Transfers of a general character between different levels of government
Other relevant government programs	n/a
Source of data	Form GST66 - Application for GST/HST Public Service Bodies' Rebate and GST Self-Government Refund
Estimation method	The cost of this measure corresponds to the amounts of rebates approved, as reported in administrative data.
Projection method	The cost of this measure is projected to grow in line with government expenditures and expected ratification of new Self-Government Agreements and Comprehensive Land Claims and Self-Government Agreements.
Number of beneficiaries	About 30 entities claim these refunds each year.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	5	5	5	5	5	5	5	5

Registered Disability Savings Plans

Description	A Registered Disability Savings Plan (RDSP) is a tax-assisted long-term savings plan that may generally be established for the benefit of an individual under 60 years of age who is eligible for the Disability Tax Credit. Contributions to an RDSP are not deductible from income, and therefore are also not included in income for tax purposes when paid out of an RDSP. Canada Disability Savings Grants (CDSGs) and Canada Disability Savings Bonds (CDSBs) are not taxed when they are paid into an RDSP and investment income earned in the plan is not taxed as it accrues. CDSGs, CDSBs and investment income earned in the plan are included in the beneficiary's income for tax purposes when paid out of an RDSP. Contributions to an RDSP are limited to a lifetime maximum of $200,000, and are permitted up until the end of the year in which a beneficiary attains 59 years of age. Up to $70,000 in matching CDSGs and up to $20,000 in CDSBs may be provided to a beneficiary over their lifetime, up until the end of the year in which the beneficiary attains 49 years of age. While the CDSGs and CDSBs are not tax expenditures, they increase the cost of the tax expenditure to the extent that they encourage increased use of RDSPs.
Tax	Personal income tax
Beneficiaries	Individuals with disabilities
Type of measure	Timing preference
Legal reference	*Income Tax Act*, sections 146.4 and 205 *Canada Disability Savings Act* and *Canada Disability Savings Regulations*
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2008 and subsequent taxation years.
Objective – category	To encourage savings
Objective	This measure helps individuals with severe disabilities and their families save for their long-term financial security (Budget 2014).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Health Savings and investment
CCOFOG 2014 code	71012 - Social protection - Sickness and disability - Disability
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Employment and Social Development Canada
Estimation method	The value of this tax expenditure is calculated as the tax revenue forgone from the non-taxation of investment income earned on RDSP assets as well as from the non-taxation of CDSBs and CDSGs when deposited in an RDSP, minus the taxes paid on RDSP withdrawals. These amounts are determined using assumed marginal tax rates for plan contributors and beneficiaries. The tax-sheltered investment income is estimated based on the assumption that the rate of return on net RDSP assets is equal to the rate of return on Government of Canada bonds.
Projection method	Projections for this measure are based on projected RDSP net assets and withdrawals produced by Employment and Social Development Canada. Future bond yields are projected by taking a five-year average of historical yields.
Number of beneficiaries	About 145,000 RDSPs were registered from December 2008 to October 2016.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)
Personal income tax	10	25	30	35	40	55	55	65

Registered Education Savings Plans

Description	A Registered Education Savings Plan (RESP) is a tax-assisted savings vehicle designed to help families accumulate savings for the post-secondary education of their children. Contributions to an RESP are not deductible for income tax purposes and as such are not taxed upon withdrawal, while the investment income accruing in the plan is not subject to tax until withdrawal. An individual can contribute to an RESP on behalf of a designated beneficiary. For each beneficiary of an RESP, there is a lifetime contribution limit of $50,000, but no annual limit on contributions. Contributions to an RESP may attract additional government assistance through the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB), both of which are generally included in the income of the plan's beneficiary on withdrawal. While the CESG and CLB are not tax expenditures, they increase the tax expenditure associated with RESPs to the extent that they encourage the use of RESPs, are not taxable until withdrawn and generate investment income on which tax can be deferred.
Tax	Personal income tax
Beneficiaries	Individuals who subscribe under an RESP
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 146.1 *Canada Education Savings Act* and *Canada Education Savings Regulations*
Implementation and recent history	• Introduced in 1973 (Department of Finance Canada news release 1973-97). Effective for the 1972 and subsequent taxation years. • Budget 1998 introduced the CESG, equal generally to 20% of annual contributions made after 1997 to an RESP for beneficiaries up to and including age 17. • Budget 2004 introduced the CLB and enhanced the CESG. • Budget 2007 eliminated the $4,000 limit on annual contributions and increased the maximum CESG annual amount to $500 from $400 (to $1,000 from $800 if there is unused grant room). The lifetime RESP contribution limit was raised to $50,000 from $42,000. • Budget 2008 raised the number of years that contributions can be made to an RESP (to 31 years from 21 years) and the number of years before an RESP must be terminated (to 35 years from 25 years).
Objective – category	To encourage savings
Objective	This measure broadens access to higher education by encouraging Canadians to save towards the post-secondary education of children (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Education Savings and investment
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Employment and Social Development Canada
Estimation method	The value of this tax expenditure is calculated as the tax revenue forgone from the non-taxation of investment income earned on RESP assets, minus the taxes paid on RESP withdrawals. These amounts are determined using assumed marginal tax rates for plan contributors and beneficiaries. The tax-sheltered investment income is estimated assuming that the rate of return on net RESP assets is equal to the rate of return on Government of Canada bonds.

Projection method	The projection for the first year is based on projected RESP net assets and withdrawals produced by Employment and Social Development Canada, while projections for outer years are made based on historical growth. Future Government of Canada bond yields are projected by using a five-year average of historical yields adjusted by the average private sector forecast of the 10-year government bond rate.
Number of beneficiaries	No data on the total number of individuals with an RESP is available. About 5.4 million individuals with an RESP have received a Canada Education Savings Grant between 1998 and 2015.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	170	160	170	155	150	125	110	110

Registered Pension Plans

Description	A deferral of tax is provided on contributions to Registered Pension Plans (RPPs) in order to encourage and assist Canadians to save for retirement. Contributions to these plans are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals are included in income for tax purposes. For defined contribution RPP members, contributions are limited to 18% of employment earnings up to a specified dollar amount ($26,010 for 2016). For defined benefit RPP members, pension benefits are limited to 2% of employment earnings per year of service up to a specified dollar amount ($2,890 for 2016).
Tax	Personal income tax
Beneficiaries	Employees with a registered pension plan
Type of measure	Timing preference
Legal reference	*Income Tax Act*, sections 147.1 to 147.4
Implementation and recent history	• Employer RPP contributions became deductible with the introduction of income tax in 1917. Employee RPP contributions became deductible in 1919. • A major reform of the RPP and Registered Retirement Savings Plan limits was introduced in 1990 in order to provide more comparable tax-assisted savings opportunities for Canadians regardless of whether they saved in a defined benefit RPP, a defined contribution RPP or a Registered Retirement Savings Plan. • The maximum dollar contribution and benefit limits for RPPs were increased in 2003 and 2005. • The RPP dollar limits were indexed to average wage growth for 2010 and subsequent years.
Objective – category	To encourage savings
Objective	By allowing taxpayers to defer tax on savings, this measure encourages and assists Canadians to arrange for their financial security in later years (*Pension Reform: Improvements in Tax Assistance for Retirement Saving*, Department of Finance Canada, 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Registered pension plans, Trusteed pension funds and Pension satellite account (CANSIM tables 280-0026, 280-0004 and 378-0117)
Estimation method	The value of this tax expenditure is calculated on a cash-flow basis as the sum of forgone tax revenue from the deductibility of RPP contributions and non-taxation of investment income earned on RPP assets, minus the tax revenue from RPP benefit payments.
Projection method	Projections are derived using T1 micro-simulation model and data from Statistics Canada on historical RPP assets.
Number of beneficiaries	About 7.1 million households had individuals that had accrued benefits under RPPs in 2012.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Deduction for contributions	12,455	13,520	14,190	15,195	14,990	15,440	16,005	16,470
Non-taxation of investment income	11,165	13,785	15,875	19,480	19,340	20,020	21,600	23,135
Taxation of withdrawals	-8,290	-8,390	-9,225	-9,750	-10,290	-10,610	-11,385	-12,200
Total – personal income tax	15,335	18,910	20,840	24,925	24,040	24,850	26,220	27,405

Registered Retirement Savings Plans

Description	A deferral of tax is provided on contributions to Registered Retirement Savings Plans (RRSPs) in order to encourage and assist Canadians to save for retirement. Contributions to these plans are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals are included in income for tax purposes. Contribution limits are determined as 18% of prior year earned income up to a specified dollar limit ($25,370 for 2016), less an estimate of contributions made to a Registered Pension Plan and/or a Deferred Profit-Sharing Plan, plus unused contribution room carried forward from previous years. Earned income for this purpose includes income from employment and self-employment as well as other specified types of earnings. Tax-free withdrawals from RRSPs are permitted under the Home Buyers' Plan and the Lifelong Learning Plan to promote home ownership and skills enhancement respectively, subject to specified eligibility conditions, withdrawal limits and repayment provisions.
Tax	Personal income tax
Beneficiaries	Individuals with earned income
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 146
Implementation and recent history	• Introduced in 1957. • A major reform of the RRSP and Registered Pension Plan limits was introduced in 1990 in order to provide more comparable tax-assisted savings opportunities for Canadians regardless of whether they saved in a defined benefit Registered Pension Plan, a defined contribution Registered Pension Plan or an RRSP. • The maximum dollar contribution limit for RRSPs was increased in 2003 and 2005. • The RRSP dollar limit was indexed to average wage growth for 2011 and subsequent years.
Objective – category	To encourage savings
Objective	By allowing taxpayers to defer tax on savings, this measure encourages and assists Canadians to arrange for their financial security in later years (*Pension Reform: Improvements in Tax Assistance for Retirement Saving*, Department of Finance Canada, 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Pension satellite account (CANSIM table 378-0117)
Estimation method	The value of this tax expenditure is calculated on a cash-flow basis as the sum of forgone tax revenue from the deductibility of RRSP contributions and non-taxation of investment income earned on RRSP assets, minus the tax revenue from Registered Retirement Income Fund/annuity income and RRSP withdrawals.
Projection method	Projections are derived using the T1 micro-simulation model and Statistics Canada data on historical RRSP assets.
Number of beneficiaries	About 7.2 million households had individuals that had RRSPs and about 1.2 million households had individuals that had Registered Retirement Income Funds in 2012.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Deduction for contributions	7,470	7,690	8,045	8,220	8,540	8,620	8,730	8,805
Non-taxation of investment income	7,685	10,050	11,315	13,920	13,470	13,495	14,370	15,300
Taxation of withdrawals	-5,420	-5,380	-5,660	-6,180	-6,405	-6,400	-6,825	-7,170
Total – personal income tax	9,735	12,360	13,700	15,960	15,605	15,715	16,275	16,935

Note: The cost information includes the tax expenditures associated with Pooled Registered Pension Plans and the Saskatchewan Pension Plan.

Rollovers of investments in small businesses

Description	Individuals are permitted to defer the tax on a capital gain arising from the disposition of shares in a qualified small business investment, to the extent the proceeds are reinvested in shares of another qualified small business. An eligible small business investment consists of shares issued from treasury in an active Canadian-controlled private corporation with assets not exceeding $50 million, excluding professional corporations, specified financial institutions, rental or leasing corporations, and real estate corporations. The reinvestment must be made at any time in the year of disposition or within 120 days after the end of that year.
Tax	Personal income tax
Beneficiaries	Individual investors
Type of measure	Timing preference
Legal reference	*Income Tax Act*, section 44.1
Implementation and recent history	• Introduced in Budget 2000. Effective for dispositions after February 27, 2000. • The October 2000 Economic Statement and Budget Update increased the size of an eligible investment from $500,000 to $2 million and the size of business eligible for the rollover from $10 million to $50 million. • Budget 2003 eliminated the individual investor limits on the amount of the original investment and reinvestment eligible for the deferral and allowed a reinvestment to be eligible for the rollover when made at any time in the year of disposition or within 120 days after the end of the year.
Objective – category	To encourage or attract investment
Objective	This measure was implemented to improve access to capital for small business corporations (Economic Statement and Budget Update, October 2000; Budget 2003).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 800 individuals reported capital gains eligible for this measure in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	4	X	5	5	X	5	10	10

Saskatchewan Pension Plan

Description	A deferral of tax is provided on contributions to the Saskatchewan Pension Plan (SPP) in order to encourage and assist Canadians to save for retirement. Contributions to the SPP are deductible from income, the investment income is not taxed as it accrues in the plan, and withdrawals and benefit payments are included in income for tax purposes. SPP contributions must be made within an SPP member's available Registered Retirement Savings Plan (RRSP) contribution limit (the SPP limits annual contributions to a maximum of $2,500).
Tax	Personal income tax
Beneficiaries	Individuals with available RRSP contribution room
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 146(21) to (21.3) *Income Tax Regulations*, section 7800
Implementation and recent history	• The SPP was introduced in 1986. Deductible contributions were initially limited to $600 annually, if made within an SPP member's available RRSP contribution limit. • In 2011, the federal tax rules were amended to accommodate certain changes proposed by the Saskatchewan government to improve the plan, in particular an increase in the annual contribution limit to $2,500 (Department of Finance Canada news release 2010-118, December 7, 2010).
Objective – category	To encourage savings
Objective	This measure was introduced to ensure consistency in the tax treatment of Canadians saving for their retirement, whether they save through a private or a provincially sponsored registered plan (Budget 1987).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Retirement Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	n/a
Estimation method	n/a
Projection method	n/a
Number of beneficiaries	About 12,600 individuals contributed to the Saskatchewan Pension Plan in 2015.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Note: The tax expenditure associated with this measure is combined with the tax expenditure associated with Registered Retirement Savings Plans (see measure "Registered Retirement Savings Plans").

Scientific Research and Experimental Development Investment Tax Credit

Description	A credit is available in respect of eligible expenditures on scientific research and experimental development (SR&ED) performed by businesses in Canada. SR&ED involves the systematic investigation or search carried out in a field of science or technology by means of experiment or analysis, and eligible SR&ED activities cover basic research and applied research as well as experimental development. Expenditures eligible for the credit include most current expenditures in respect of SR&ED performed by or on behalf of a taxpayer and that are related to a business of the taxpayer, including salary and wages, materials, overhead and contracts. The credit is provided at a general rate of 15%. An enhanced rate of 35% is provided to small Canadian-controlled private corporations (CCPCs) on their first $3 million per year of eligible expenditures. Small CCPCs that have prior-year taxable income of $500,000 or less and prior-year taxable capital of $10 million or less can obtain a refund in respect of credits earned in a year but not used, at a rate of 100% on the first $3 million of current expenses and 40% on current expenses above that limit. The $3 million expenditure limit is gradually reduced if prior-year taxable income is between $500,000 and $800,000 or if prior-year taxable capital is between $10 million and $50 million. CCPCs within these ranges qualify for the refund up to the value of the reduced expenditure limit. Unused credits that are not refunded can be carried forward 20 years and back 3 years to reduce taxes payable in those years. Unincorporated businesses are not eligible for the enhanced 35% credit rate, but are generally eligible for the 40% refund. An immediate income tax deduction is also provided in respect of eligible SR&ED expenditures (see the measure "Expensing of current expenditures on scientific research and experimental development").
Tax	Personal and corporate income tax
Beneficiaries	Businesses conducting eligible scientific research and experimental development
Type of measure	Credit, refundable and non-refundable
Legal reference	*Income Tax Act*, section 127
Implementation and recent history	• Federal tax incentives for SR&ED were first introduced in 1948. The basic structure of the current credit system was put in place between 1983 and 1985. • Several changes were introduced in Budget 2012, including: the reduction of the general credit rate to 15% from 20% and the removal of capital expenditures from the base of expenditures eligible for the credit (both changes effective January 1, 2014); the reduction in the prescribed proxy amount in respect of overhead expenses from 65% of the salaries and wages of employees directly engaged in the conduct of SR&ED to 60% in 2013 and 55% in subsequent years; and the removal of the profit element for arm's length third-party contracts (effective January 1, 2013).
Objective – category	To encourage or attract investment
Objective	This measure is intended to encourage the performance of scientific research and experimental development in Canada by the private sector and to assist small businesses to perform scientific research and experimental development (Budget 1996). The rationale for this tax support is that the benefits of SR&ED extend beyond the performers themselves to other firms and sectors of the economy. The existence of these spillovers of externalities means that, in the absence of government support, firms would perform less SR&ED than desirable for the economy.
Category	Non-structural tax measure and refundable tax credit
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues. The portion of this measure that is refundable is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Business - research and development
CCOFOG 2014 code	7048 - Economic affairs - R&D Economic affairs
Other relevant government programs	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. Additional information on the relevant Government programs is provided in the table at the end of Part 3.

Source of data	Personal income tax: T1 Income Tax and Benefit Return Corporate income tax: T2 Corporation Income Tax Return
Estimation method	The cost of this measure is based on data on actual credits claimed. Estimates for the personal income tax for 2010 to 2013 include investment tax credits claimed in respect of certain other certified property under a provision that is now repealed. These credits cannot be separated from SR&ED investment tax credits, but are likely negligible.
Projection method	Personal income tax: The cost of this measure is projected based on historical growth. Corporate income tax: The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 3,800 individuals and 21,900 corporations claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	4	4	3	1	1	1	1	1
Corporate income tax								
Non-refundable portion								
Earned and claimed in current year	830	785	700	525	415	420	440	455
Claimed in current year but earned in prior years	750	990	1,010	780	910	930	970	1,005
Earned in current year but carried back to prior years	65	65	225	40	35	40	40	40
Total – non-refundable portion	1,645	1,845	1,935	1,345	1,360	1,385	1,445	1,500
Refundable portion	1,495	1,455	1,335	1,290	1,265	1,305	1,350	1,405
Total – corporate income tax	3,140	3,300	3,270	2,635	2,625	2,690	2,800	2,905
Total	3,145	3,300	3,275	2,635	2,625	2,690	2,800	2,905

Search and Rescue Volunteers Tax Credit

Description	Individuals who performed at least 200 hours of eligible ground, air and marine search and rescue volunteer services during a year can claim the non-refundable Search and Rescue Volunteers Tax Credit. The value of the credit is calculated by applying the lowest personal income tax rate to a credit amount of $3,000. An individual who performs both eligible volunteer search and rescue services and eligible volunteer firefighting services for a total of at least 200 hours in the year can claim either the Search and Rescue Volunteers Tax Credit or the Volunteer Firefighters Tax Credit. An individual who claims the Search and Rescue Volunteers Tax Credit is ineligible for the exemption from income that would otherwise apply to up to $1,000 of income (honoraria) received in the year for being a search and rescue volunteer (see the measure "Tax-free amount for emergency services volunteers").
Tax	Personal income tax
Beneficiaries	Search and rescue volunteers
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.07
Implementation and recent history	• Introduced in Budget 2014. Effective for the 2014 and subsequent taxation years.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by search and rescue volunteers in contributing to the security and safety of Canadians (Budget 2014).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70369 - Public order and safety - Public order and safety not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 4,500 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	–	–	–	2	2	2	2	2

Small suppliers' threshold

Description	Small suppliers (other than taxi businesses) are not required to register for GST purposes. Small suppliers who choose not to register do not have to charge and remit GST on taxable supplies (other than sales of real property and, in the case of municipalities, of capital property) and they are not entitled to input tax credits. A "small supplier" is a person whose total taxable supplies in the preceding year do not exceed $30,000 ($50,000 in the case of public service bodies). A charity or public institution (i.e., a registered charity that is a university, a public college, a school authority, a hospital authority or a designated municipality) can also qualify as a small supplier if its gross annual revenue in either of its previous two fiscal years does not exceed $250,000.
Tax	Goods and Services Tax
Beneficiaries	Small businesses, charities and public institutions
Type of measure	Other
Legal reference	*Excise Tax Act*, paragraph 240(1)(a) and section 166
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • Municipalities that are small suppliers are required to charge and remit GST on sales of their capital property, effective after March 9, 2004 (Department of Finance Canada news release 2004-018, March 9, 2004). This change was made concurrently with the increase to 100% of the rebate for municipalities.
Objective – category	To reduce administration or compliance costs
Objective	This measure ensures that very small businesses do not face an additional compliance burden as a result of the introduction of the GST (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is a deviation from a broadly defined value-added tax base.
Subject	Business - small businesses
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return T2 Corporation Income Tax Return GST34 Goods and Services Tax/Harmonized Sales Tax Return
Estimation method	The cost of this measure is estimated by applying the GST rate to the difference between the gross and net revenues of non-registered businesses with gross revenue under $30,000. Gross and net revenue data is obtained from personal and corporate income tax information, and businesses that are registered for the GST are identified using data from the GST34 Return.
Projection method	The cost of this measure is projected to grow in line with nominal gross domestic product.
Number of beneficiaries	About 1.3 million small suppliers make use of this measure each year.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Goods and Services Tax	200	205	210	225	225	230	245	255

Special tax computation for certain retroactive lump-sum payments

Description	Taxpayers receiving qualifying retroactive lump-sum payments may use a special mechanism to compute the tax on those payments. The tax under the special mechanism is the federal tax that would have been payable if the principal portion of the retroactive lump-sum payment had been taxed in the year to which it relates, plus interest to reflect the time value of money in respect of the delay in paying the tax. The interest component of the receipt of a lump-sum payment is fully included in income in the year in which it is received. To be eligible for the special tax calculation, the right to receive the income must have existed in a prior year. In addition, the principal portion of the lump-sum payment must be at least $3,000, and must have been received in a year after 1994.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Other
Legal reference	*Income Tax Act*, sections 110.2 and 120.31
Implementation and recent history	• Introduced in Budget 1999. Effective for the 1995 and subsequent taxation years.
Objective – category	To assess tax liability over a multi-year period
Objective	This measure aims to ensure that the Government does not benefit from the delay in certain types of lump-sum payments at the taxpayer's expense as a result of the progressivity of the income tax system (Budget 1999).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Other
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The value of this measure corresponds to the difference between the tax that would be owed on the principal portion of eligible retroactive lump-sum payments if they were taxed in the year received, and the tax computed under the special mechanism.
Projection method	T1 micro-simulation model
Number of beneficiaries	This measure provided tax relief to about 750 individuals in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	S	S	4	1	S	S	S	S

Special tax rate for credit unions

Description	Credit unions are eligible for the preferential small business tax rate of 10.5% that generally applies to a Canadian-controlled private corporation on the first $500,000 of qualifying income (the cost associated with this preferential tax rate is included under the tax expenditure "Preferential tax rate for small businesses"). An additional deduction, available only to credit unions, provides access to the preferential income tax rate for income that is not eligible for the small business deduction. This tax expenditure represents the cost of this additional preference. Budget 2013 announced the phase-out over five years of this additional preference for credit unions. For 2013, the preferential tax rate applied to 80% of the qualifying income of a credit union that exceeds $500,000. This percentage is reduced to 60% in 2014, 40% in 2015, 20% in 2016, and 0% in 2017 and subsequent years.
Tax	Corporate income tax
Beneficiaries	Credit unions
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, subsection 137(3)
Implementation and recent history	• Introduced in 1972 to provide credit unions with access to the preferential tax rate for small businesses. • Over time, changes made to the design of the preferential tax rate for small businesses resulted in a more generous tax preference being available to credit unions. • Budget 2013 announced the phase-out over five years of this additional preference for credit unions (see the description for details).
Objective – category	To encourage or attract investment
Objective	This measure permits a credit union to accumulate capital on a tax-preferred basis up to a maximum of 5% of deposits and capital (Department of Finance Canada news release 71-157, December 6, 1971).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	This tax expenditure is estimated by multiplying the additional deduction claimed by credit unions with a factor that represents the difference between the federal general corporate tax rate of 15% and the preferential small business tax rate.
Projection method	Projections for this measure are derived under the assumption that the amount of deduction claimed will increase at the same rate as the average of taxable income and will be subject to applicable phase-out factors.
Number of beneficiaries	About 350 credit unions applied this special tax rate in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	55	35	25	20	15	10	1	–

Spouse or Common-Law Partner Credit

Description	A taxpayer supporting a spouse or common-law partner may be eligible for the non-refundable Spouse or Common-Law Partner Credit, the value of which is calculated by applying the lowest personal income tax rate to the credit amount of $11,474 (in 2016). The credit amount is indexed to inflation. The credit amount is reduced dollar-for-dollar by the net income of the dependent spouse or common-law partner.
Tax	Personal income tax
Beneficiaries	Couples
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, paragraph 118(1)(a)
Implementation and recent history	• Introduced as part of the 1987 Tax Reform, effective for the 1988 and subsequent taxation years, to replace the previous married exemption. • Until 2007, the Spouse or Common-Law Partner Credit amount was less than the Basic Personal Amount, and was reduced dollar-for-dollar by the net income of the dependent spouse or common-law partner in excess of the income threshold applicable for the taxation year. • Budget 2007 introduced two changes to the Spouse or Common-Law Partner Credit: (i) the credit amount was set equal to the Basic Personal Amount; and (ii) the income threshold was eliminated, resulting in the credit amount being reduced dollar-for-dollar by the net income of the dependent spouse or common-law partner. These changes became effective in 2007.
Objective – category	To recognize non-discretionary expenses (ability to pay)
Objective	This measure recognizes that a taxpayer whose spouse or common-law partner has little or no income has a reduced ability to pay tax relative to a single taxpayer with the same income (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.1 million individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	1,575	1,635	1,580	1,580	1,500	1,540	1,580	1,620

Student Loan Interest Credit

Description	Individuals can claim a non-refundable credit in respect of interest paid in the year or in the preceding five years on a student loan received for post-secondary education under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Apprentice Loans Act* or similar provincial or territorial government programs. The value of the credit is calculated by applying the lowest personal income tax rate to the amount of interest paid.
Tax	Personal income tax
Beneficiaries	Students
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.62
Implementation and recent history	• Introduced in Budget 1998. Effective for the 1998 and subsequent taxation years. • Extended to Canada Apprentice Loans in Budget 2014.
Objective – category	To recognize education costs
Objective	This measure helps individuals manage their student debt loads by providing tax relief for interest payments on student loans and improving the Canada Student Loan Program to help borrowers facing financial difficulties (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrues.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 550,000 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	40	45	45	40	40	40	40	35

Surtax on the profits of tobacco manufacturers

Description	Tobacco manufacturers are subject to a surtax on their profits. The surtax is equivalent to an additional income tax of 10.5% on Canadian tobacco manufacturing profits. This measure is a negative tax expenditure as the surtax results in more revenues than would otherwise be raised under the benchmark tax system.
Tax	Corporate income tax
Beneficiaries	Tobacco manufacturers
Type of measure	Surtax
Legal reference	*Income Tax Act*, Part II, section 182
Implementation and recent history	• Introduced in February 1994 as part of the National Action Plan to Combat Smuggling for a three-year period at a level equivalent to an additional income tax of 8.4% on Canadian tobacco manufacturing profits. • Announcement in November 1996 that the surtax would be extended for another three years from February 1997 to February 2000. • Announcement in November 1999 that the surtax would be made permanent, effective February 2000. • The surtax was increased to a level equivalent to an income tax of 10.5% on Canadian tobacco manufacturing profits, effective April 2001.
Objective – category	To achieve a social objective
Objective	This measure was introduced as part of the National Action Plan to Combat Smuggling to reduce the windfall profits for the tobacco industry that resulted from the reduction in tobacco excise taxes that were implemented as part of this plan. The rate of surtax was increased in 2001 as part of the Government's comprehensive strategy to improve the health of Canadians by discouraging tobacco consumption (Department of Finance Canada news release 2001-039, April 5, 2001).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.
Subject	Health
CCOFOG 2014 code	70761 - Health - Health not elsewhere classified - Health prevention programs (collective)
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The value of this measure is based on data on actual amounts of surtax paid.
Projection method	n/a
Number of beneficiaries	The number of corporations affected by this measure is not published in order to preserve taxpayer confidentiality.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	X	X	X	X	X	X	X	X

Tax status of certain federal Crown corporations

Description	Under section 125 of the *Constitution Act*, 1867, Canada and the Provinces are immune from taxation. This immunity generally extends to federal Crown corporations that act as agents of the Crown. However, federal Crown corporations prescribed under the *Income Tax Regulations* that carry on substantial business activities, as well as their subsidiaries, are subject to federal corporate income tax. This gives rise to a negative tax expenditure. For agent Crown corporations, the applicable federal tax rate is increased by 10% (i.e., they do not benefit from the federal abatement) given that no provincial taxes apply. Prescribed non-agent Crown corporations are taxed at the regular applicable rate by both the federal and provincial governments.
Tax	Corporate income tax
Beneficiaries	Certain federal Crown corporations
Type of measure	Other
Legal reference	*Income Tax Act*, sections 27 and 124 and paragraphs 149(1)(d) to (d.4) *Income Tax Regulations*, section 7100
Implementation and recent history	• The taxation of prescribed federal Crown corporations was introduced in 1952. • The list of prescribed federal Crown corporations is reviewed and updated as required.
Objective – category	To ensure a neutral tax treatment across similar situations To support competitiveness
Objective	This measure is intended to ensure a level playing field between these corporations and similar businesses in the private sector.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	The measure imposes federal tax on prescribed federal Crown corporations that would otherwise be immune or exempt from income tax.
Subject	Business - other
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T2 Corporation Income Tax Return
Estimation method	The value of this (negative) tax expenditure corresponds to the taxes paid by prescribed federal Crown corporations.
Projection method	n/a
Number of beneficiaries	The *Income Tax Regulations* currently prescribe 10 federal Crown corporations.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Corporate income tax	X	X	X	X	X	X	X	X

Tax treatment of active business income of foreign affiliates of Canadian corporations and deductibility of expenses incurred to invest in foreign affiliates

Description	The active business income of a foreign affiliate of a Canadian corporation is effectively exempt from tax in Canada, both when it is earned and when paid out as a dividend to the Canadian corporation, if the foreign affiliate is located in a country which has a tax treaty or tax information exchange agreement (TIEA) with Canada and has earned the income from a business carried on in such a country (referred to as "exempt surplus" treatment). In other situations the active business income of a foreign affiliate is generally taxable in Canada when paid out as a dividend to the Canadian corporation ("taxable surplus" treatment). Half of a dividend paid out of certain capital gains of a foreign affiliate is taxable in Canada, and half is exempt ("hybrid surplus" treatment). If the active business income is earned by a controlled foreign affiliate in a country with which Canada has no tax treaty and has not concluded a TIEA within five years of being asked by Canada to do so, then it is taxed to the Canadian corporation as it accrues (i.e., on a current basis as "foreign accrual property income"). Where active business income is taxable, relief is provided for foreign tax paid on that income. Interest and other expenses incurred by a Canadian corporation in respect of an investment in a foreign affiliate can generally be deducted in Canada, regardless of whether income from that investment is taxable in Canada, subject only to the general limitations on the deductibility of interest that are not specific to investments in foreign affiliates.
Tax	Corporate income tax
Beneficiaries	Corporations with foreign affiliates
Type of measure	Exemption; deduction
Legal reference	*Income Tax Act*, sections 91 and 113 and subsections 20(1), 93.1(1), 94.2(2) and 95(1) *Income Tax Regulations*, sections 5900-5902, 5905 and 5907
Implementation and recent history	• Most aspects of the current system were introduced as part of the 1972 Tax Reform and became effective as of 1976. • Budget 2007 added the provisions related to TIEAs, effective 2008. • The hybrid surplus provisions were added in 2014, effective retrospectively to August 2011.
Objective – category	To support competitiveness To prevent double taxation
Objective	The tax treatment of foreign active business income prevents international double taxation, supports the competitiveness of Canadian companies abroad, and assists Canada's policy on tax information exchange by giving an incentive to non-treaty countries to enter into TIEAs with Canada (*Proposals for Tax Reform*, 1969; Budget 2007).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	There are at least three possible benchmarks for taxing the active business income of foreign affiliates of Canadian corporations (see part I of this report, footnote 5). Under the benchmark where that income would be exempt, its taxation in Canada in certain circumstances would be a negative tax expenditure, while the deductibility of interest would be a positive tax expenditure. Under the benchmark where that income would be taxable when dividends are paid to the Canadian corporation, the exemption in some cases would be a positive tax expenditure, taxation of the income on an accrual basis in certain cases would be a negative tax expenditure, and the immediate deductibility of interest would be a positive tax expenditure. Under the benchmark where that income would be taxable in Canada as it accrues, the exemption of that income in some cases and the deferral of tax until the income is paid out as dividends in other cases would both be considered a positive tax expenditure.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	n/a
Estimation method	n/a
Projection method	n/a
Number of beneficiaries	About 9,450 Canadian corporations reported having foreign affiliates in 2013, of which 950 corporations received dividends from foreign affiliates in 2013.

Tax treatment of alimony and maintenance payments

Description	Spousal support payments (also called "alimony and maintenance payments") paid on a periodic basis under a written agreement or court order are deductible by the payer and included in the taxable income of the recipient.
Tax	Personal income tax
Beneficiaries	Former couples
Type of measure	Other
Legal reference	*Income Tax Act*, paragraph 56(1)(b) and subsection 60(b)
Implementation and recent history	• Budget 1944 made alimony and comparable payments deductible from income. • Budget 1958 extended the tax treatment of payments in support of a dependant to cases where no divorce or written separation agreement was made, so long as the payments are made under a court order.
Objective – category	To extend or modify the unit of taxation
Objective	This measure provides consistent tax treatment of alimony payments under a written agreement or court order.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure extends the unit of taxation.
Subject	Families and households
CCOFOG 2014 code	71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model. The value of this tax expenditure corresponds to the value of the deduction to the payer, less the tax collected from the recipient.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 87,000 individuals reported having received alimony or maintenance payments in 2014, while about 64,000 individuals claimed a deduction.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	60	60	65	65	65	75	80	80

Tax treatment of Canada Pension Plan and Quebec Pension Plan contributions and benefits

Description	A tax credit is provided for Canada Pension Plan/Quebec Pension Plan contributions by both employees and self-employed individuals. Contributions made by employers are not included in employees' incomes. The recognition of contributions for income tax purposes is consistent with the taxation of the benefits received. The value of the credit for employee contributions is calculated by applying the lowest personal income tax rate to the value of contributions. For self-employed individuals, the tax credit only applies to the employee portion of the contribution.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals
Type of measure	Exemption; credit, non-refundable
Legal reference	*Income Tax Act*, section 118.7 and paragraph 56(1)(a)
Implementation and recent history	• Budget 1965 introduced a deduction for Canada Pension Plan contributions, effective for the 1965 and subsequent taxation years. This deduction was replaced by a non-refundable tax credit as part of the 1987 Tax Reform. • Bill C-26, introduced in October 2016, contains amendments to provide a tax deduction for employee contributions to the enhanced portion of the Canada Pension Plan (the enhanced portion of the Canada Pension Plan will begin to be phased in starting in 2019).
Objective – category	Other
Objective	These measures ensure a consistent tax treatment of Canada Pension Plan/Quebec Pension Plan contributions and benefits.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	These measures are considered part of the benchmark tax system, and therefore are not tax expenditures.
Subject	Employment Retirement
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 71029 - Social protection - Old age
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandate of Employment and Social Development Canada also support retirement income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 15.8 million individuals claimed the credit for Canada Pension Plan or Quebec Pension Plan contributions on employment income in 2014, while about 1.6 million claimed the credit for these contributions on self-employment or other income.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Credit for employee-paid contributions	3,065	3,305	3,415	3,570	3,710	3,825	3,950	4,095
Non-taxation of employer-paid contributions	5,185	5,575	5,780	6,055	6,465	6,490	6,720	6,975
Total – personal income tax	8,250	8,880	9,195	9,625	10,180	10,315	10,670	11,065

Tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits

Description	A tax credit is provided for Employment Insurance and Quebec Parental Insurance Plan premiums paid by employees, while premiums paid by employers are not included in employees' incomes. The recognition for income tax purposes of employee and employer premiums is consistent with the taxation of the benefits received. The value of the credit for employee premiums is calculated by applying the lowest personal income tax rate to the premiums.
Tax	Personal income tax
Beneficiaries	Employees and self-employed individuals
Type of measure	Exemption; credit, non-refundable
Legal reference	*Income Tax Act*, section 118.7, subparagraphs 56(1)(a)(iv) and (vii) and paragraph 56(1)(r)
Implementation and recent history	• Budget 1971 introduced a deduction for employee premiums. This deduction was replaced by a non-refundable tax credit as part of the 1987 Tax Reform. • The credit was amended in 2010 to allow for a credit in respect of Quebec Parental Insurance Plan premiums, effective for 2006 and subsequent years, and to allow for a credit in respect of premiums paid by self-employed individuals.
Objective – category	Other
Objective	These measures ensure a consistent tax treatment of Employment Insurance and Quebec Parental Insurance Plan premiums and benefits.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	These measures are considered part of the benchmark tax system, and therefore are not tax expenditures.
Subject	Employment Social
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 71049 - Social protection - Family and children
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	In 2014, about 15.1 million individuals claimed the credit for Employment Insurance contributions on employment income, while about 6,000 individuals claimed this credit on self-employment or other eligible earnings. About 3.7 million individuals claimed the credit for Quebec Parental Insurance Plan contributions on employment income earned in the province of Quebec, while about 110,000 individuals claimed the credit on income earned outside Quebec. About 440,000 individuals claimed the Quebec Parental Insurance Plan credit on self-employment or other eligible income.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Credit for employee-paid premiums	1,065	1,155	1,235	1,290	1,330	1,365	1,225	1,280
Non-taxation of employer-paid premiums	2,200	2,385	2,565	2,680	2,845	2,845	2,530	2,655
Total – personal income tax	3,265	3,540	3,805	3,970	4,180	4,210	3,750	3,935

Tax treatment of farm savings accounts (AgriInvest and Agri-Québec)

Description	AgriInvest is a producer savings account that provides flexible coverage to farmers for small income declines (first 15% of income) and supports investments to mitigate risks and improve market income. Generally, producers may make a deposit into an AgriInvest account each year, and receive a matching contribution from the federal and provincial governments. Interest income earned in AgriInvest accounts and government contributions to them are not taxable until the year of withdrawal. Since 2011, the province of Quebec has supplemented AgriInvest with the Agri-Québec program, an agricultural income stabilization account program that is very similar to the AgriInvest program. The Agri-Québec program is accorded the same income tax treatment as is provided to the AgriInvest program.
Tax	Personal and corporate income tax
Beneficiaries	Farming businesses
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsections 12(10.2) and 248(1)
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2007 and subsequent taxation years. A similar tax treatment was previously granted to accounts established under the Net Income Stabilization Account program. This program was introduced in 1991 and terminated in 2009. • Budget 2011 extended the AgriInvest tax treatment to the Agri-Québec program, effective for the 2011 and subsequent taxation years.
Objective – category	To achieve an economic objective - other To encourage savings
Objective	This measure is provided in support of the AgriInvest program, which is designed to encourage farmers, through government-matched contributions, to set aside earnings in order to provide coverage against income declines.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Agriculture and Agri-Food Canada
Estimation method	Personal income tax (unincorporated farms): The value of this tax expenditure is estimated on a cash-flow basis and corresponds to the taxes forgone in the year on the government contributions to and interest income earned in the farm savings accounts, minus the taxes paid on amounts withdrawn from the accounts in the year. This amount is multiplied by the share of farms that are unincorporated. Calculations are based on a marginal tax rate for unincorporated farm income as estimated by the Department of Finance Canada. Corporate income tax (incorporated farms): The estimated amount described above is multiplied by the share of farms that are incorporated and then by the average tax rate faced by farms, based on T2 tax return data. No estimate is available for Agri-Québec.
Projection method	Projections for 2016 through 2018 are not provided as the value of this measure cannot be reliably forecast for these years.
Number of beneficiaries	As of December 2015, about 110,000 AgriInvest accounts with positive account balances were registered.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015	2016 (P)	2017 (P)	2018 (P)
AgriInvest program								
Personal income tax	25	10	15	4	2	n.a.	n.a.	n.a.
Corporate income tax	3	2	2	1	S	n.a.	n.a.	n.a.
Total	30	15	20	4	3	n.a.	n.a.	n.a.
Agri-Québec program								
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total								
Personal income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate income tax	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Tax treatment of investment income from life insurance policies

Description	A life insurance policyholder is not subject to annual taxation on the investment income earned in a life insurance policy as long as the policy qualifies as an exempt life insurance policy. Instead, life insurance companies pay a 15% tax (known as the Investment Income Tax) on the income they earn on investments that they hold to meet their liabilities under the life insurance policy. This treatment results in a tax deferral and tax rate reduction to the extent that the Investment Income Tax is less than the income tax that the policyholders would pay if they were taxed on the investment income as this income accrues. In practice, almost all life insurance policies with a savings element are structured by the life insurance industry to qualify as exempt policies, with the result that the Investment Income Tax system is the *de facto* system.
Tax	Personal income tax
Beneficiaries	Life insurance policyholders
Type of measure	Preferential tax rate
Legal reference	*Income Tax Act*, subsections 12.2(9) and 211.1(1) and (2)
Implementation and recent history	• Prior to 1968, the accumulated savings within a life insurance policy were not taxed. • To reduce the tax preference given to savings accumulated in a life insurance policy, the Investment Income Tax was introduced in 1968, along with additional rules to tax on an accrual basis the income earned in non-exempt life insurance policies. • The Investment Income Tax was repealed in 1978, reintroduced in 1987, and modified and considerably simplified in 1990.
Objective – category	To reduce administration or compliance costs
Objective	This measure simplifies the taxation of investment income earned on life insurance policies.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	The applicable tax rate departs from the benchmark tax rate.
Subject	Savings and investment
CCOFOG 2014 code	71029 - Social protection - Old age
Other relevant government programs	n/a
Source of data	T2 Corporation Income Tax Return, industry survey statistics
Estimation method	The tax expenditure is estimated as the difference between the annual tax that would be payable by policyholders and the Investment Income Tax paid by life insurance companies.
Projection method	Projected growth in the Investment Income Tax is based on changes to average reserves and long-term bond rates.
Number of beneficiaries	According to the Canadian Health and Life Insurance Association, about 21 million individuals own life insurance.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	285	275	270	255	220	210	195	200

Taxation of capital gains upon realization

Description	In general, capital gains are taxed on a realization basis, upon the disposition of property. This results in a tax expenditure because, under the benchmark tax system, capital gains (net of capital losses) would be included in income as they accrue.
Tax	Personal and corporate income tax
Beneficiaries	Individuals and corporations
Type of measure	Timing preference
Legal reference	*Income Tax Act*, subsection 40(1)
Implementation and recent history	• Introduced in Budget 1971. Effective for the 1972 and subsequent taxation years.
Objective – category	To reduce administration or compliance costs
Objective	This measure recognizes that, in many cases, it is difficult to estimate with accuracy the value of unsold assets, and that taxing the accrued gains on assets that have not been sold would be administratively complex and could create significant liquidity problems for taxpayers (*Report of the Royal Commission on Taxation*, vol. 3, 1966).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure permits the deferral of the recognition of income or gains for income tax purposes.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Tax-free amount for emergency services volunteers

Description	A volunteer emergency service provider can claim an exemption of up to $1,000 for amounts received from a government, municipality or other public authority for work as a volunteer ambulance technician, firefighter, or search, rescue or other type of emergency worker. If the volunteer emergency service provider claims the $1,000 exemption, he or she cannot claim the Volunteer Firefighters Tax Credit or Search and Rescue Volunteers Tax Credit in respect of the emergency work.
Tax	Personal income tax
Beneficiaries	Providers of volunteer emergency services
Type of measure	Exemption
Legal reference	*Income Tax Act*, subsection 81(4) and sections 118.06 and 118.07
Implementation and recent history	• Introduced in Budget 1961. Retroactive to the 1958 taxation year and effective in subsequent taxation years. The exemption was initially limited to volunteer firefighters. • Budget 1998 increased the exemption for volunteer firefighters to $1,000 from $500 and extended the exemption to other emergency services volunteers.
Objective – category	To achieve a social objective
Objective	This measure assists small and rural communities, which are often unable to maintain full-time emergency staff and depend on the services of volunteers. The measure supports emergency services volunteers who give freely of their time and expertise, often at considerable risk to themselves, in the service of their community (Budget 1998).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Social
CCOFOG 2014 code	70329 - Public order and safety - Fire protection services 70369 - Public order and safety - Public order and safety not elsewhere classified
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T4 Statement of Remuneration Paid
Estimation method	The value of this measure is estimated by first excluding taxpayers who claim the Volunteer Firefighters Tax Credit rather than the exemption. An estimate of forgone tax revenue is calculated by multiplying the total number of individuals assumed to claim the exemption by the average amount claimed in the year, and by the marginal tax rate of individuals claiming the Volunteer Firefighters Tax Credit over the estimation period.
Projection method	The projection assumes 0.68% average annual growth in the number of emergency services volunteers claiming the exemption.
Number of beneficiaries	It is estimated that about 18,500 individuals claimed this exemption in 2013.

Cost Information:

Millions of dollars	2011	2012	2013	2014 (P)	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	3	4	3	3	3	3	3	3

Tax-Free Savings Account

Description	The Tax-Free Savings Account (TFSA) is a general-purpose savings account that allows individuals to earn tax-free investment income. Individuals 18 years of age and older acquire TFSA contribution room each year, with unused room being carried forward. TFSA contributions are not deductible, but investment income earned in the account and amounts withdrawn are not included in income for tax purposes or taken into account in determining eligibility for federal income-tested benefits and credits. Withdrawals also create contribution room in the following year for future savings.
Tax	Personal income tax
Beneficiaries	Individuals
Type of measure	Exemption
Legal reference	*Income Tax Act*, sections 146.2 and 207.01
Implementation and recent history	• Introduced in Budget 2008. Effective for 2009 and subsequent years. • The TFSA annual contribution limit was initially $5,000 per individual, indexed to inflation in $500 increments. The limit increased to $5,500 on January 1, 2013 due to indexation. • Budget 2015 increased the TFSA annual contribution limit to $10,000, not indexed to inflation, for 2015 and subsequent taxation years. • On December 7, 2015, the Government proposed to return the TFSA annual contribution limit to $5,500 and reinstate indexation effective 2016.
Objective – category	To encourage savings
Objective	This measure improves incentives for Canadians to save by reducing taxes on savings (Budget 2008).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	This measure exempts from tax income or gains that are included in a comprehensive income tax base.
Subject	Savings and investment
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Canada Revenue Agency, Tax-Free Savings Account statistics
Estimation method	The value of this tax expenditure corresponds to the tax revenues forgone on the investment income earned in TFSAs. It is calculated by estimating how much of the total investment income earned in TFSAs is interest, dividends or capital gains, and multiplying these amounts by estimates of the average marginal tax rates applicable to TFSA holders (accounting for the dividend gross-up and tax credit and for the partial inclusion of capital gains). Interest income and dividend income are calculated based on estimated shares of TFSA assets that are fixed income and equity investments and on historical interest rates and dividend yields. Capital gains (or losses) are determined residually by subtracting estimated interest and dividend income from the total investment income.
Projection method	The value of this measure is projected based on the expected growth of net contributions and investment income earned in the accounts.
Number of beneficiaries	About 11.7 million individuals had a TFSA at the end of 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	170	250	410	555	655	885	1,020	1,140

Teacher and Early Childhood Educator School Supply Tax Credit

Description	Teachers and early childhood educators may claim a 15% refundable tax credit based on an amount of up to $1,000 in expenditures made in a taxation year for eligible supplies. Eligible supplies must be purchased for use in a school or in a regulated child care facility for the purpose of teaching or otherwise enhancing students' learning in the classroom or learning environment. Eligible supplies include the following durable goods: games and puzzles; supplementary books for classrooms; educational support software; and containers (such as plastic boxes or banker boxes for themes and kits). Eligible supplies also include consumable goods, such as construction paper for activities, flashcards or activity centres. This measure applies to supplies acquired on or after January 1, 2016.
Tax	Personal income tax
Beneficiaries	Teachers and early childhood educators
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.9
Implementation and recent history	• Introduced in Budget 2016, effective for the 2016 and subsequent taxation years.
Objective – category	To recognize expenses incurred to earn employment income
Objective	This measure provides tax recognition for costs that educators often incur at their own expense for supplies that enrich the learning environment (Budget 2016).
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Labour Force Survey
Estimation method	n/a
Projection method	Projections are based on estimates of total amounts to be claimed multiplied by the 15% credit rate. Total amounts to be claimed are estimated on the basis of the eligible population and anticipated out-of-pocket school supply expenses. The number of eligible educators is projected to grow in line with Employment and Social Development Canada's Canadian Occupational Projection System for secondary and elementary school teachers and counsellors.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	–	–	–	–	–	25	25	25

Textbook Tax Credit

Description	A student eligible for the Education Tax Credit could claim a non-refundable tax credit at the lowest personal income tax rate for post-secondary textbook costs. For full-time students the amount was $65 per month of study, and for part-time students the amount was $20 per month. Unused amounts could be transferred to a supporting individual or carried forward to a subsequent taxation year. Budget 2016 announced the elimination of this measure as of 2017. Amounts carried forward from prior years may still be claimed.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, subsection 118.6(2.1)
Implementation and recent history	• Introduced in Budget 2006. Effective for the 2006 and subsequent taxation years. • Budget 2016 announced the elimination of this measure as of 2017.
Objective – category	To recognize education costs
Objective	This measure provided better tax recognition for the cost of textbooks for post-secondary students (Budget 2006).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extended the unit of taxation. The tax benefit from this measure could be obtained in a taxation year other than the year during which it accrued.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education 70959 - Education - Education not definable by level
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.3 million individuals earned this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	105	110	115	115	120	125	65	50

Transfer of income tax points to provinces

Description	The federal government transfers 14.85851 points of personal income tax and one point of corporate income tax to provincial and territorial governments as part of existing federal-provincial fiscal arrangements.
Tax	Personal and corporate income tax
Beneficiaries	n/a
Type of measure	Other
Legal reference	*Federal-Provincial Fiscal Arrangements Act*, Part V.1
Implementation and recent history	• In 1967, the federal government transferred four points of personal income tax to all provinces in place of certain direct cash transfers under the then-existing cost-shared program for post-secondary education. • In 1977, the federal government agreed to transfer an additional 9.143 points of personal income tax and one point of corporate income tax to all provinces and territories as part of the Established Programs Financing for health and post-secondary education. • The 1977 reform involved a reduction of federal tax by 9.143% and a concurrent increase in provincial rates. This is the equivalent of 14.85851 tax points.
Objective – category	To implement intergovernmental tax arrangements
Objective	This measure reflects arrangements with provincial and territorial governments that allowed them to receive part of the federal program contribution for health and social programs in the form of tax abatements.
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	This measure is considered part of the benchmark tax system, and therefore is not a tax expenditure.
Subject	Intergovernmental tax arrangements
CCOFOG 2014 code	n/a
Other relevant government programs	n/a
Source of data	Canada Revenue Agency, Tax Sharing Statements
Estimation method	The value of the tax point transfers for personal income tax is estimated by multiplying Basic Federal Tax by 0.1485851. For corporate income tax, it is estimated by multiplying corporate taxable income by 0.01.
Projection method	Projections for this measure are based on forecasted growth of Basic Federal Tax for personal income tax and corporate taxable income for corporate income tax.
Number of beneficiaries	n/a

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	18,340	19,115	20,155	21,120	22,845	22,830	24,185	25,325
Corporate income tax	2,440	2,515	2,655	2,855	2,890	3,035	3,020	3,045
Total	20,780	21,630	22,815	23,975	25,735	25,865	27,200	28,375

Travellers' exemption

Description	Canadian travellers are eligible for limited GST relief on goods they bring back to Canada. The relief that is provided depends on the length of absence: returning residents can bring back up to $200 in goods without paying the GST if they were outside the country for between 24 and 48 hours, and up to $800 in goods if they were away for more than 48 hours. There is no relief for same-day travel. This measure is referred to as an "exemption", based on customs administrative terminology. However, the imported goods are not exempt supplies as defined under the *Excise Tax Act*, and unlike exempt supplies, no GST is embedded in the cost of these goods.
Tax	Goods and Services Tax
Beneficiaries	Canadian travellers returning to Canada
Type of measure	Other
Legal reference	Section 1 of Schedule VII to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • Budget 2012 announced the following increases in the travellers' exemption limits for lengths of absence greater than 24 hours, effective June 1, 2012: o From $50 to $200 for lengths of absence between 24 and 48 hours; o From $400 to $800 for lengths of absence between 48 hours and 7 days; o From $750 to $800 for lengths of absence over 7 days.
Objective – category	To reduce administration or compliance costs
Objective	This measure expedites customs clearance for returning Canadian consumers, making cross-border business and personal travel more convenient for Canadians (Department of Finance Canada news release 2012-061, June 1, 2012).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	The non-taxation of goods that will be consumed in Canada is a deviation from a broadly defined value-added tax base.
Subject	International
CCOFOG 2014 code	70499 - Economic affairs - Economic affairs not elsewhere classified
Other relevant government programs	n/a
Source of data	Statistics Canada, Supply and Use Tables Canada Border Services Agency data
Estimation method	The cost of this measure is calculated by applying the GST rate to Statistics Canada's estimates of expenditures by Canadians abroad on goods brought back to Canada less the GST collected on such goods.
Projection method	The cost of this measure is projected to grow in line with non-merchandise travel imports.
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Goods and Services Tax	195	215	230	250	250	250	260	270

Tuition Tax Credit

Description	A student can claim a non-refundable tax credit at the lowest personal income tax rate on tuition fees paid to designated educational institutions where the total for such fees exceeds $100. The student must claim the credit first on his or her own return. If the student does not need to use all of the credit, the unused amount may be transferred to a supporting individual or carried forward to a subsequent taxation year.
Tax	Personal income tax
Beneficiaries	Students and individuals supporting them
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.5
Implementation and recent history	• Introduced as a deduction in Budget 1960. Effective for the 1961 and subsequent taxation years. • Replaced by a non-refundable tax credit and made transferable to spouses, parents or grandparents as part of the 1987 Tax Reform. • Budget 1997 introduced a provision allowing unused tuition amounts to be carried forward for use in a subsequent year. • Budget 2011 made occupational, trade or professional examinations eligible for the Tuition Tax Credit. The 13-week minimum duration requirement applying to studies undertaken by Canadians at foreign universities was also reduced to 3 consecutive weeks.
Objective – category	To recognize education costs
Objective	This measure provides students with tax relief by recognizing the costs of enrolling in qualifying programs or courses (Budget 1960).
Category	Structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system. This measure extends the unit of taxation. The tax benefit from this measure can be obtained in a taxation year other than the year during which it accrued.
Subject	Education
CCOFOG 2014 code	70939 - Education - College education 70949 - Education - University education
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and Indigenous and Northern Affairs Canada also support objectives related to education and training. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 2.3 million individuals earned this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	935	995	1,040	1,120	1,190	1,215	1,360	1,545

Volunteer Firefighters Tax Credit

Description	Individuals who performed at least 200 hours of eligible volunteer firefighting services during a year can claim the non-refundable Volunteer Firefighters Tax Credit. The value of the credit is calculated by applying the lowest personal income tax rate to a credit amount of $3,000. An individual who performs both eligible volunteer firefighting services and eligible volunteer search and rescue services for a total of at least 200 hours in the year can claim either the Volunteer Firefighters Tax Credit or the Search and Rescue Volunteers Tax Credit. An individual who claims the Volunteer Firefighters Tax Credit is ineligible for the exemption from income that would otherwise apply to up to $1,000 of income (honoraria) received in the year for being a volunteer firefighter (see the measure "Tax-free amount for emergency services volunteers").
Tax	Personal income tax
Beneficiaries	Volunteer firefighters
Type of measure	Credit, non-refundable
Legal reference	*Income Tax Act*, section 118.06
Implementation and recent history	• Introduced in Budget 2011. Effective for the 2011 and subsequent taxation years. • The Volunteer Firefighters Tax Credit was extended to recognize hours of eligible search and rescue volunteer service in Budget 2014.
Objective – category	To achieve a social objective
Objective	This measure recognizes the important role played by volunteer firefighters in contributing to the security and safety of Canadians (Budget 2011).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Tax credits are treated as deviations from the benchmark tax system.
Subject	Social
CCOFOG 2014 code	70329 - Public order and safety - Fire protection services
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	T1 micro-simulation model
Projection method	T1 micro-simulation model
Number of beneficiaries	About 42,000 individuals claimed this credit in 2014.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Personal income tax	15	15	15	15	15	15	15	15

Working Income Tax Benefit

Description	The Working Income Tax Benefit (WITB) is a refundable tax credit that supplements the earnings of low-income workers. It is generally available to individuals 19 years of age and older not attending school full-time. The refundable credit is equal to 25% of each dollar of earned income in excess of $3,000 to a maximum credit of $1,028 for single individuals without dependants and $1,868 for families (couples and single parents) in 2016. The WITB is phased out at a rate of 15% of each dollar of adjusted net income above thresholds of $11,675 for single individuals without dependants and $16,122 for families in 2016. An additional WITB supplement of up to $514 in 2016 is provided to persons eligible for both the WITB and the Disability Tax Credit. The WITB supplement is phased out at a rate of 15% of each dollar of adjusted net income above a threshold of $18,531 for single individuals without dependants and $28,575 for families in 2016. Maximum benefit amounts and phase-out thresholds are indexed annually for inflation. Advance payment of up to 50% of the estimated WITB and WITB supplement may be available to eligible individuals upon application. Provincial and territorial governments can propose specific changes to the design of the WITB, subject to certain conditions, including cost neutrality. As of 2016, Quebec, British Columbia, Alberta and Nunavut have introduced jurisdiction-specific WITB designs.
Tax	Personal income tax
Beneficiaries	Low-income employees and self-employed individuals
Type of measure	Credit, refundable
Legal reference	*Income Tax Act*, section 122.7
Implementation and recent history	• Introduced in Budget 2007. Effective for the 2007 and subsequent taxation years (2008 and subsequent taxation years in respect of advance payments). • Enhanced in Budget 2009 for the 2009 and subsequent taxation years. • Enhanced in 2016 for the 2019 and subsequent taxation years (Department of Finance Canada news release 2016-081, June 20, 2016).
Objective – category	To encourage employment To provide income support or tax relief
Objective	This measure makes work more rewarding and attractive for low income-earning Canadians already in the workforce, and encourages other Canadians to enter the workforce. The WITB also provides important income support to low-income working Canadians. (Budget 2007; Budget 2009)
Category	Refundable tax credit
Reason why this measure is not part of benchmark tax system	This measure is classified as a transfer payment for government accounting purposes, and therefore is not considered to be a tax expenditure.
Subject	Employment Income support
CCOFOG 2014 code	70412 - Economic affairs - General economic, commercial, and labor affairs - General labor affairs 71099 - Social protection - Social protection not elsewhere classified
Other relevant government programs	Programs within the mandate of Employment and Social Development Canada also support employment. Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	T1 Income Tax and Benefit Return
Estimation method	The value of this measure corresponds to the amounts claimed as credits, as reported in administrative data.
Projection method	T1 micro-simulation model
Number of beneficiaries	About 1.4 million individuals received this benefit in 2014.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Personal income tax	1,080	1,100	1,180	1,165	1,165	1,165	1,165	1,165

Zero-rating of agricultural and fish products and purchases

Description	Certain agricultural and fish products are zero-rated throughout the production chain, including farm livestock, poultry, bees, grains and seeds for planting or feed, hops, barley, flax seed, straw, sugar cane, sugar beets and fertilizer. Prescribed agricultural and fishing equipment, such as tractors and fishing nets, are also zero-rated. This measure relates to the zero-rating of basic groceries.
Tax	Goods and Services Tax
Beneficiaries	Farming and fishing businesses
Type of measure	Zero-rating
Legal reference	Part IV of Schedule VI to the *Excise Tax Act* *Agriculture and Fishing Property (GST/HST) Regulations*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective To provide income support or tax relief
Objective	This measure is intended to improve the cash-flow position of farming and fishing businesses (*Goods and Services Tax*, December 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating inputs is a deviation from the multi-stage design of the GST, whereby businesses pay tax on their inputs and then claim input tax credits in respect of inputs used in making taxable (including zero-rated) supplies.
Subject	Business - farming and fishing
CCOFOG 2014 code	70421 - Economic affairs - Agriculture, forestry, fishing, and hunting - Agriculture 70423 - Economic affairs - Agriculture, forestry, fishing, and hunting - Fishing and hunting
Other relevant government programs	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	No data is available.
Estimation method	No estimate is available.
Projection method	No projection is available.
Number of beneficiaries	No data is available.

Zero-rating of basic groceries

Description	Basic groceries, which include the majority of foodstuffs for preparation and consumption at home, are zero-rated under the GST. A specified list of goods, such as soft drinks, candies, confections and alcoholic beverages, are not staple grocery items and are therefore taxable.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Zero-rating
Legal reference	Part III of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	The zero-rating of basic groceries reflects the widely held view of Canadians that, as a general principle, basic foodstuffs should not be taxed (*Goods and Services Tax: Technical Paper*, August 1989).
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating is a deviation from a broadly defined value-added tax base.
Subject	Social
CCOFOG 2014 code	n/a
Other relevant government programs	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	3,645	3,765	3,880	4,060	4,115	4,295	4,460	4,630

Zero-rating of feminine hygiene products

Description	Sanitary napkins, tampons, sanitary belts, menstrual cups and other similar products that are marketed exclusively for feminine hygiene purposes are zero-rated.
Tax	Goods and Services Tax
Beneficiaries	Households
Type of measure	Zero-rating
Legal reference	Part II.1 of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• Budget 2016 confirmed and implemented a previous Notice of Ways and Means Motion tabled in Parliament on May 28, 2015. The relief was effective in respect of supplies made on or after July 1, 2015.
Objective – category	To provide income support or tax relief
Objective	This measure provides tax relief to households.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating is a deviation from a broadly defined value-added tax base.
Subject	Families and households
CCOFOG 2014 code	n/a
Other relevant government programs	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Goods and Services Tax	–	–	–	–	15	35	35	35

Zero-rating of medical and assistive devices

Description	A wide range of medical and assistive devices are zero-rated under the GST, including wheelchairs, medical and surgical prostheses, hearing and speaking aids, prescription eyeglasses and various diabetic supplies. Certain devices are zero-rated only if provided on the written order of a physician, physiotherapist, occupational therapist or registered nurse. Certain devices are zero-rated only when for use by a final consumer, but others are zero-rated whether the user is the final consumer or a health care provider.
Tax	Goods and Services Tax
Beneficiaries	Individuals with medical conditions or disabilities and health care providers
Type of measure	Zero-rating
Legal reference	Part II of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991. • The list of zero-rated devices is periodically expanded and amended. Most recently, Budget 2016 announced that insulin pens, insulin pen needles, and intermittent urinary catheters would be zero-rated.
Objective – category	To achieve a social objective
Objective	This measure helps to preserve the affordability of these supplies.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating is a deviation from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	70719 - Health - Medical products, appliances, and equipment - Medical products, appliances, and equipment not elsewhere classified
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	2011	2012	2013	2014	2015 (P)	2016 (P)	2017 (P)	2018 (P)
Goods and Services Tax	325	325	340	360	370	380	385	400

Zero-rating of prescription drugs

Description	The following are zero-rated under the GST: • drugs that are controlled substances for which a prescription is required; • drugs that have been prescribed by a recognized health care practitioner; • certain drugs that do not require a prescription but that are used to treat life-threatening conditions; and • the service of dispensing a zero-rated drug. Drugs labelled or supplied for veterinary use are not zero-rated.
Tax	Goods and Services Tax
Beneficiaries	Individuals with medical conditions
Type of measure	Zero-rating
Legal reference	Part I of Schedule VI to the *Excise Tax Act*
Implementation and recent history	• This measure has been in effect since the inception of the GST in 1991.
Objective – category	To achieve a social objective
Objective	This measure helps to preserve the affordability of these supplies.
Category	Non-structural tax measure
Reason why this measure is not part of benchmark tax system	Zero-rating is a deviation from a broadly defined value-added tax base.
Subject	Health
CCOFOG 2014 code	70711 - Health - Medical products, appliances, and equipment - Pharmaceutical products
Other relevant government programs	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. Additional information on the relevant Government programs is provided in the table at the end of Part 3.
Source of data	Statistics Canada, Supply and Use Tables and National Income and Expenditure Accounts
Estimation method	Goods and Services Tax model
Projection method	Goods and Services Tax model
Number of beneficiaries	No data is available.

Cost Information:

Millions of dollars	**2011**	**2012**	**2013**	**2014**	**2015 (P)**	**2016 (P)**	**2017 (P)**	**2018 (P)**
Goods and Services Tax	725	735	755	775	785	820	855	885

Table

Additional Information on Relevant Government Programs by Subject

Subject	
Arts and culture	Programs within the mandate of Canadian Heritage also support arts and culture. These include programs such as the Canada Arts Presentation Fund, the Canada Arts Training Fund and the Canada Music Fund. More information on these programs can be found in the Departmental Plans of Canadian Heritage.
Business – farming and fishing	Programs within the mandates of Agriculture and Agri-Food Canada and Fisheries and Oceans Canada also support the farming and fishing sectors. These include programs such as the AgriStability, AgriInvest and AgriInsurance programs as well as the Catch Certification Program. More information on these programs can be found in the Departmental Plans of these organizations.
Business – natural resources	Programs within the mandate of Natural Resources Canada also support the natural resource sector. These include programs such as the Green Mining Initiative, the Aboriginal Forestry Initiative, the Investments in Forest Industry Transformation program, and the Targeted Geoscience Initiative 4 program. More information on these programs can be found in the Departmental Plans of Natural Resources Canada.
Business – small businesses	Programs within the mandate of Innovation, Science and Economic Development Canada also support small businesses. These include programs such as the Canada Small Business Financing Program, BizPal and Canada Business Network. More information on these programs can be found in the Departmental Plans of Innovation, Science and Economic Development Canada. The Business Development Bank of Canada, a federal Crown corporation, also provides financing, consulting and securitization services to small and medium-sized enterprises.
Business – research and development	Programs within the mandates of Innovation, Science and Economic Development Canada, the National Research Council Canada and the federal granting councils also support research and development. These include programs such as the Industrial Research Assistance Program, the Strategy for Partnerships and Innovation, and the Centres of Excellence for Commercialization and Research. More information on these programs can be found in the Departmental Plans of these organizations.
Business – other	Programs within the mandates of Global Affairs Canada, Public Services and Procurement Canada, and the regional development agencies (among other federal organizations) also offer support to Canadian businesses in various manners. These include programs such as the Canadian Trade Commissioner Service, the CanExport program and the Build in Canada Innovation program. More information on these programs can be found in the Departmental Plans of these organizations. Export Development Canada and the Canadian Commercial Corporation, two federal Crown corporations, also have mandates of facilitating and promoting international trade, notably by providing financing, market expertise and other services to Canadian businesses.
Donations, gifts, charities and non-profit organizations	Many federal government entities provide direct funding to registered charities, non-profit organizations and international development associations through various programs.
Education	Programs within the mandates of Employment and Social Development Canada, the Social Sciences and Humanities Research Council, the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research, and Indigenous and Northern Affairs Canada also support objectives related to education and training. These include programs such as the Canada Student Loan Program and Canada Education Savings Grant, the Apprenticeship Incentive Grant and Apprenticeship Completion Grant, and the Canada Graduate Scholarships program. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides funding to provinces and territories in support of post-secondary education—see the Departmental Plans of the Department of Finance Canada.

Subject	
Employment	Programs within the mandate of Employment and Social Development Canada also support employment. These include programs such as the Employment Insurance program, the Labour Market Development Agreements, the Canada Job Fund Agreements (including the Canada Job Grant), the Federal Workers' Compensation Service, the Youth Employment Strategy, the Aboriginal Skills and Employment Training Strategy, and the Foreign Credential Recognition Program. More information on these programs can be found in the Departmental Plans of Employment and Social Development Canada.
Environment	Programs within the mandates of Environment and Climate Change Canada, the Canadian Environmental Assessment Agency, Parks Canada and Natural Resources Canada also support environment-related objectives. These include programs related to supporting sustainable ecosystems and biodiversity, combatting climate change and conducting environmental assessments, as well as the Marine Renewable Energy Enabling Measures program and the Energy Innovation Program. More information on these programs can be found in the Departmental Plans of these organizations.
Families and households	Programs within the mandates of Employment and Social Development Canada and Indigenous and Northern Affairs Canada also support Canadian families and households. These include programs such as Employment Insurance maternity and parental benefits, and the Income Assistance Program and Assisted Living Program that support First Nations on reserve. More information on these programs can be found in the Departmental Plans of these organizations.
Health	Programs within the mandates of Health Canada, the Canadian Food Inspection Agency, the Canadian Institutes of Health Research, the Public Health Agency of Canada and Veterans Affairs Canada also support health-related objectives. These include programs such as the Health System Priorities program, the Medical Devices program, the Federal Tobacco Control Strategy, the Healthy Child Development program, and the First Nations and Inuit Primary Health Care program. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides long-term predictable funding for health care to provinces and territories through the Canada Health Transfer—see the Departmental Plans of the Department of Finance Canada.
Housing	Programs within the mandate of Canada Mortgage and Housing Corporation are intended to promote the construction of new houses, the repair and modernization of existing houses and the improvement of housing and living conditions. The Housing program of Indigenous and Northern Affairs Canada also pursues the goal of increasing the supply of safe and affordable housing to First Nations. More information on these programs can be found in the annual report of Canada Mortgage and Housing Corporation and Departmental Plans of Indigenous and Northern Affairs Canada.
Income support	Programs within the mandates of Employment and Social Development Canada and Veterans Affairs Canada also support income security. These include programs such as the Canada Pension Plan Disability and Survivor benefits, the Federal Workers' Compensation Service and the Disability Award program for veterans. More information on these programs can be found in the Departmental Plans of these organizations.
Retirement	Programs within the mandate of Employment and Social Development Canada also support retirement income security. These include the Canada Pension Plan as well as the Old Age Security program. More information on these programs can be found in the Departmental Plans of Employment and Social Development Canada.
Social	Programs within the mandates of Canadian Heritage, Immigration, Refugees and Citizenship Canada, Transport Canada and Public Safety Canada (among other departments) also support various other social objectives. These include programs such as the Exchanges Canada program, the Development of Official-Language Communities program, the Settlement program, the Transportation Infrastructure program and the Emergency Management program. More information on these programs can be found in the Departmental Plans of these organizations. The federal government also provides funding to provinces and territories in support of programs for children, social assistance and other social programs—see the Departmental Plans of the Department of Finance Canada.

Part 4
Tax Evaluations and Research Reports

A Statistical Profile of Federal Tax Expenditures, 1991–2015[1]

1. Introduction

The main purpose of tax systems is to raise the revenues required by governments to finance their spending. However, tax systems also often serve as tools to achieve other social and economic policy objectives through the use of targeted tax preferences such as tax exemptions, deductions or credits. These measures are referred to as "tax expenditures" because they are used to achieve policy objectives that deviate from the core function of the tax system, at the cost of lower tax revenues. Tax expenditures also comprise structural tax concessions that serve objectives that are internal to tax systems, such as reducing administration and compliance costs or recognizing non-discretionary expenses.

There were 182 tax expenditures in 2015 in relation to the federal income tax (personal and corporate) and the Goods and Services Tax (GST), and the combined value of these measures was estimated at $117.9 billion or 52% of the revenues from these taxes.

This paper provides a statistical profile of federal tax expenditures using historical data to examine trends in tax expenditures from 1991 to 2015. Following some methodological information, this paper presents information on trends in the number and value of tax expenditures by tax base and objective, and compares tax expenditures to direct government spending. This paper concludes with a high-level examination of the distributional effects of personal income tax expenditures.

Salient points from the analysis include:

- Personal income tax expenditures dominate in number and value, accounting for 71% of the total value of tax expenditures in 2015, compared with 16% for corporate income tax expenditures and 13% for GST expenditures.
- The number of tax expenditures rose from 145 in 1991 to 182 in 2015, for a net increase of 37 measures. Personal income tax expenditures account for 65% of the net increase in the number of tax expenditures over that period.
- The total value of tax expenditures grew by 74% or $50.1 billion between 1991 and 2015 (after adjusting for inflation), equivalent to 2.3% annual growth on average. Over the same period, average annual real gross domestic product (GDP) growth was 2.4%.
- Tax expenditures were equivalent to 52% of tax revenues in both 1991 and 2015.
- The value of tax expenditures is concentrated in a small number of measures, the value of which varies with financial and housing markets. For instance, the 15 largest measures still in effect in 2016 accounted for 77% of the total value in 2015.

[1] The analysis presented in this paper was prepared by Rachel Lott, Economist, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca.

- Tax expenditures reduce average tax rates through most of the income distribution relative to the benchmark tax rates, and the relative impact of tax expenditures on average tax rates appears to be greater at the bottom. This means that tax expenditures effectively increase the progressivity of the federal personal income tax system. The decline in average tax rates due to tax expenditures is also relatively large at the very top end of the income distribution, partly offsetting the higher average tax rates for taxpayers in this income group.

2. Methodology

This section outlines key methodological concepts employed in this paper. Part 1 of this report provides extensive methodological information about tax expenditures and the calculation of their fiscal cost and should be referenced for more detailed information.

For the present analysis—as for this report as a whole—tax expenditures are defined as any departure from the "benchmark" tax structure, which is characterized by only the most fundamental aspects of the tax system. As a result, some tax measures that may not be considered tax preferences are counted as tax expenditures and included in this analysis, notably structural tax measures that pursue objectives that are internal to the tax system.

The estimates of the values of individual tax expenditures used to conduct the present analysis are taken from the current and past editions of this report.[2] The year 1991 was chosen as the first year for analysis as it marks the introduction of the GST, as well as the full implementation of the tax reforms undertaken in 1987.

A number of methodological caveats apply in interpreting the present analysis:

- Aggregate values presented in this paper should be interpreted with caution. The value of each tax expenditure is measured by estimating the revenue that the federal government forgoes as a result of that measure. This is done independently for each measure, assuming that all other tax provisions remain unchanged. As a result, aggregating the value of tax expenditures may provide a biased estimate of the total cost of tax expenditures, as tax expenditures interact with one another and the income tax rate structure is progressive.[3] To minimize possible estimation biases, the value of GST rebates has been removed from the calculations (but no rebates have been removed from the count of tax expenditures); however, no similar adjustments were made for personal and corporate income tax expenditures. Additional analysis not presented in this report suggests that the fiscal cost of personal income tax expenditures, when estimated jointly, is slightly larger than the sum of individual estimates.
- Multiple changes to the estimation methodology occurred over the period of analysis. Amounts for earlier years have not been re-estimated using the current methodology; as such, methodological changes may account for some of the fluctuation in aggregate value over time.

2 Previous editions are available at www.fin.gc.ca.

3 See the subsection entitled "Independent Estimates and Projections" in Part 1 of this report for a detailed explanation.

- As they are estimates of forgone revenues, values of tax expenditures are also affected by changes to the benchmark tax rates, a number of which occurred over the period of analysis. Most notably, the reductions in the general corporate income tax rate (from 28.8% including the surtax in 1991 to 15% in 2012), the GST rate (from 7% in 2006 to 5% in 2008) and personal income tax rates (the introduction of a 26% bracket in 2001 and the lowering of the bottom rate from 17% in 2000 to 15% in 2007) have caused estimates to be lower than they otherwise would have been.
- Estimates are missing for a number of tax expenditures due to a lack of data to support a meaningful estimate or projection. Estimates for measures that have an estimated value of less than $500,000 in a given year also cannot be aggregated, as they are not shown in the report. The value of these measures is thus effectively excluded from the analysis.
- The Canada Child Benefit and its predecessors, the Canada Child Tax Benefit and the refundable Child Tax Credit, are also excluded from the analysis as they are considered to be transfer payments implemented through the tax system.

All values presented in this paper have been adjusted for inflation and are in 2015 dollars. When numbers and values of tax expenditures are reported by tax base, income tax expenditures available to both individuals and corporations have been allocated based on the taxpayer group most likely to use the tax expenditures.

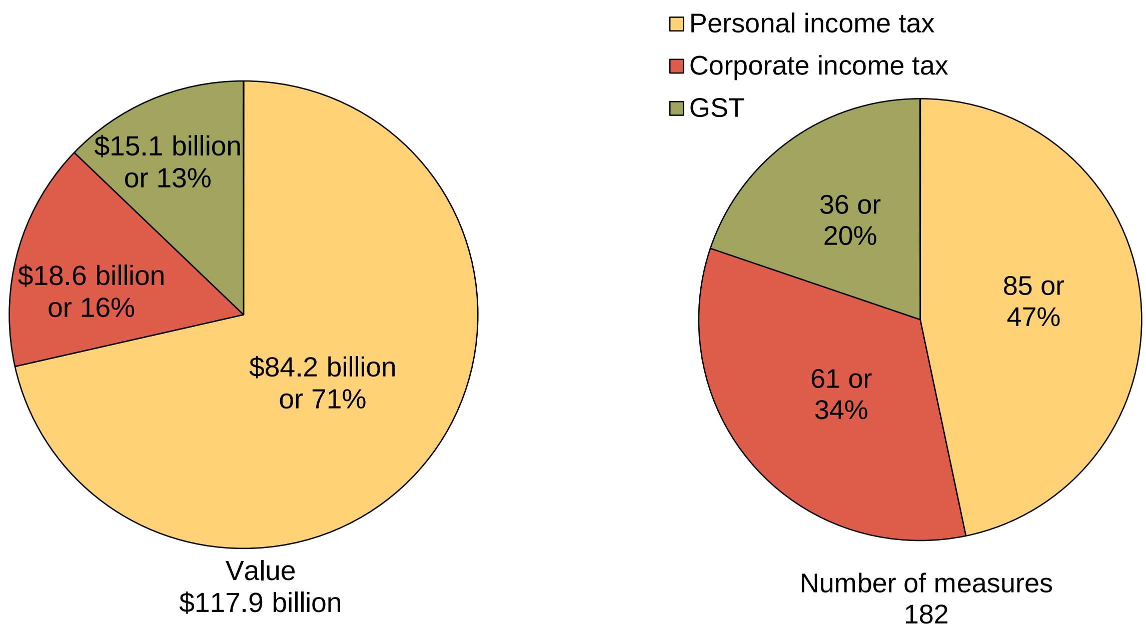
Finally, care should be taken in interpreting the analysis as the revenue gain from eliminating a tax expenditure may not correspond to the estimated value of the tax expenditure, among other reasons because behavioural responses and potential consequential policy changes are not incorporated into the tax expenditure estimates. Differences between estimated values and potential revenue gains are likely to be more important when considering all or large subgroups of tax expenditures, since the likelihood of significant behavioural responses and consequential policy changes should be greater in a scenario where a large number of tax expenditures would be eliminated at once.

3. Trends in Tax Expenditures

3.1 Number and Value, Current and Change Since 1991

There were 182 tax expenditures in force in 2015, 85 of which related to personal income tax, 61 to corporate income tax and 36 to the GST (Chart 1). The estimated value of tax expenditures totalled $117.9 billion in 2015, with measures relating to personal income tax expenditures accounting for 71% of the total, corporate income tax expenditures comprising 16%, and GST expenditures making up 13%.

Chart 1
Value and Number of Tax Expenditures by Tax Base, 2015



There was a net increase of 37 tax expenditures between 1991 and 2015, from 145 to 182.[4] As shown in Chart 2, this growth is primarily due to a rise in measures related to personal income tax, with 24 net measures added; corporate income tax and GST measures accounted for 8 and 5 net additional measures, respectively. Few new tax expenditures were introduced in the 1990s until budget balance was achieved in 1997, and five new measures were added in that year. The number of measures rose slowly in subsequent years, until 12 net new measures were added in 2006 and 2007, primarily in the personal income tax base.

4 See the Annex for a list of all tax expenditures introduced and repealed between 1991 and 2016.

Chart 2

Number of Tax Expenditures by Tax Base, 1991-2015

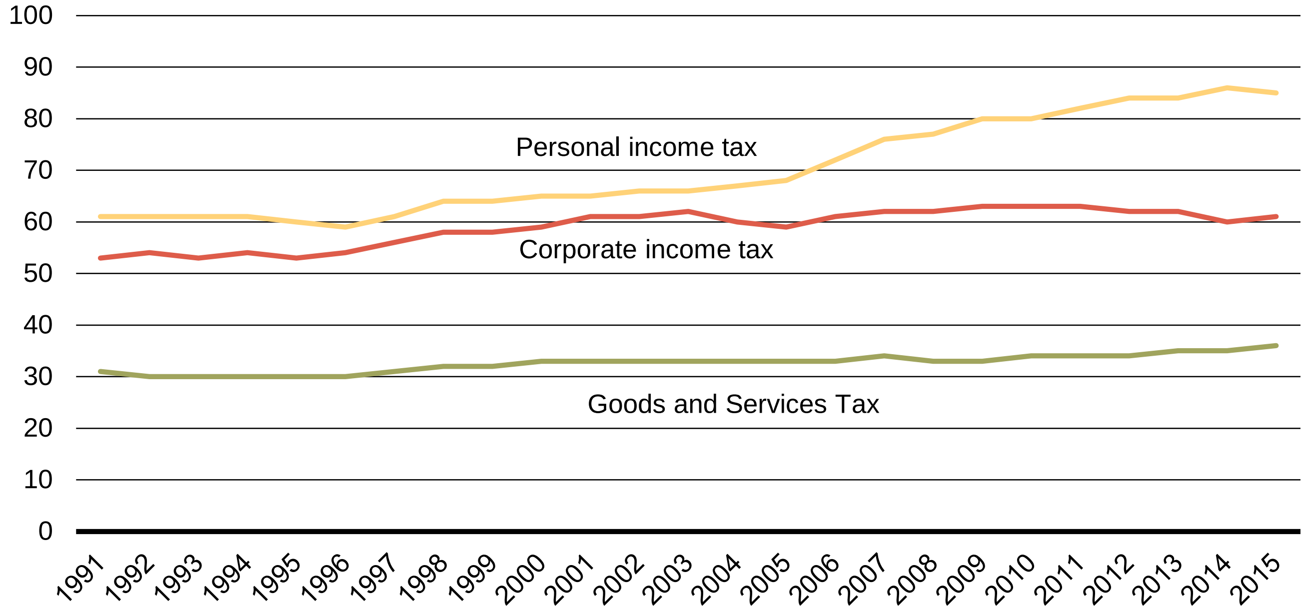


Chart 3 depicts the value of tax expenditures by tax base since 1991. The total value of tax expenditures grew by 74% or $50.1 billion over the period (adjusting for inflation), from $67.9 billion in 1991 to $117.9 billion in 2015. This corresponds to average growth of 2.3% per year, compared to average annual real GDP growth of 2.4% over the same period.

As demonstrated by Chart 3, while the total value of tax expenditures has been quite volatile over time, most of the variation is accounted for by a few large measures whose value varies with financial and housing markets. Among these measures, Registered Pension Plans (RPPs) and Registered Retirement Savings Plans (RRSPs) have dominated the value of tax expenditures over the period, contributing a combined 30% on average of the total value of tax expenditures for years between 1991 and 2015. The value of each of these two measures is comprised of three parts: the deduction for contributions from taxable income; the non-taxation of investment income earned as it accrues in the plan; and the taxation of withdrawals. The increase in value is primarily due to significant growth in the value of non-taxation of investment income. Investment income is closely tied to stock market performance, which has been strong over the period as a whole, with the Toronto Stock Exchange Composite Index increasing by 169% between 1991 and 2015 after adjusting for inflation. Stock market fluctuations can also help to explain the large decrease in the value of RPP and RRSP tax expenditures in 2001 and continuing into 2002, when markets dropped sharply following the September 11, 2001 attacks and further declined in 2002. More fundamentally, the growth in investment income since 1991 also reflects the gradual maturing of the RPP/RRSP system and the associated accumulation of assets within these retirement savings vehicles. Another factor that has contributed to the growth in the RPP/RRSP tax expenditure over this period has been the substantial increase in employer RPP contributions from 2003 to 2015 due to a combination of lower interest rates (which increased pension liabilities) and market shocks (which reduced assets). These factors resulted in substantially higher employer current service contributions and solvency deficiency payments over this period compared to the 1991 to 2002 period.

The partial inclusion of capital gains for both individuals and corporations has also grown in value and relative importance. Like RPPs and RRSPs, the value of this measure is linked to stock market performance, which explains part of the increase. Another contributing factor to the measure's rise in value was the reduction of the capital gains inclusion rate in 2000 from three-quarters to one-half.

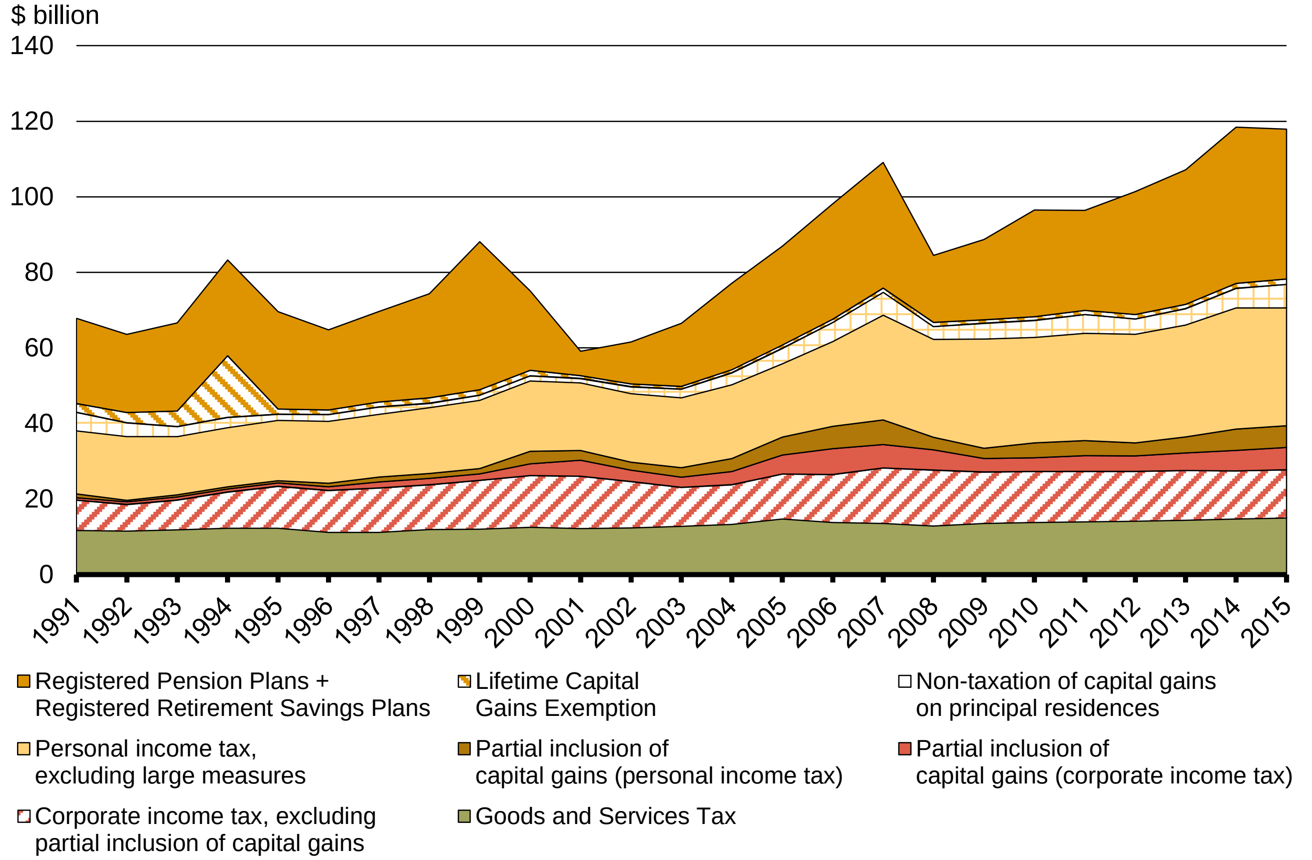
The non-taxation of capital gains on principal residences, the fourth largest expenditure in 2015, has grown in value to $6.2 billion in 2015, reflecting a significant increase in housing prices and wealth in recent years.[5]

The Lifetime Capital Gains Exemption was tightened in 1994, which led to a significant spike in the value of the measure for that year.[6] In recent years, the value of the Lifetime Capital Gains Exemption has increased.

5 Statistics Canada's New Housing Price Index, which measures changes in contractors' selling prices of new residential houses, rose 71% between 1991 and 2015. See Statistics Canada (2016), Table 327-0046 – New housing price index, annual, CANSIM database.

6 Budget 1994 eliminated the $100,000 Lifetime Capital Gains Exemption that was available for gains other than gains on small business shares and farming and fishing properties. The elimination was effective as of February 23, 1994, but individuals could claim the exemption for gains that had accrued up to that date on their 1994 tax return.

Chart 3
Value of Tax Expenditures by Tax Base, 1991-2015



Note: Values have been adjusted for inflation and are in billions of 2015 dollars.

3.2 Value as a Share of Tax Revenues and GDP

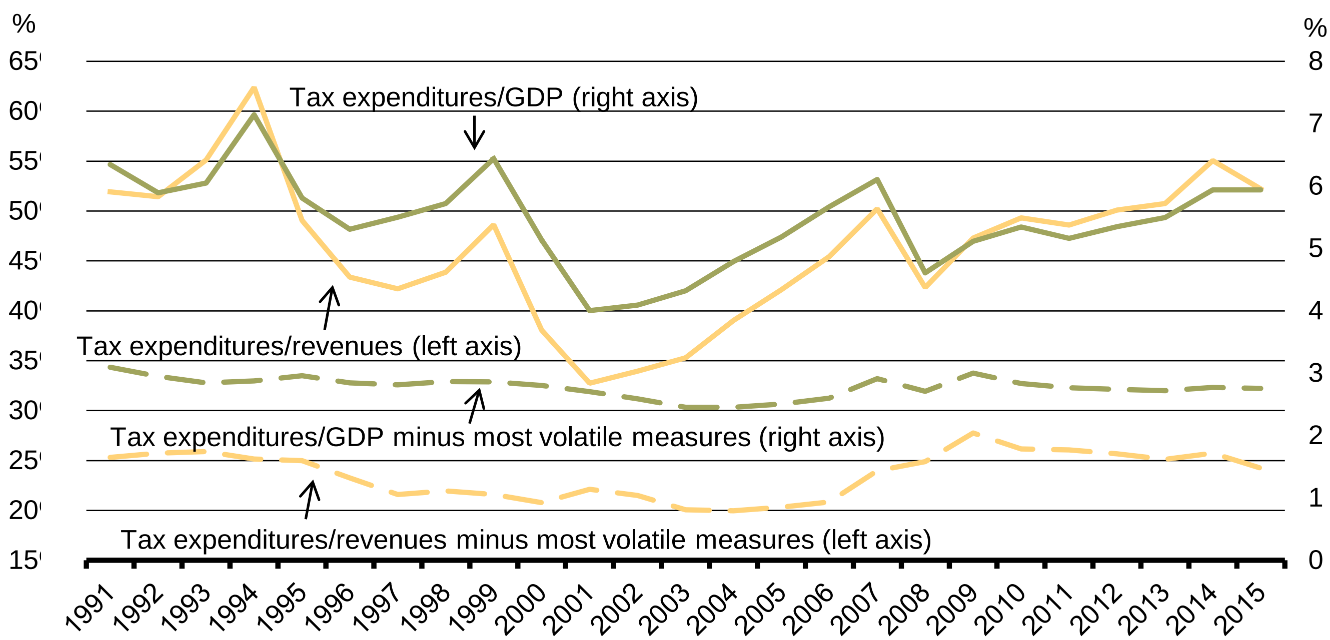
While tax expenditures grew significantly in real value between 1991 and 2015, their value as a share of tax revenues and as a share of GDP changed little over the period (Chart 4).[7] Indeed, tax expenditure growth has only slightly outpaced tax revenue growth since 1991, and as a result tax expenditures represented about half of tax revenues (52%) in both 1991 and 2015. There was, however, significant variation in these ratios during the period. Both ratios declined sharply in the 1990s and early 2000s, reflecting a significant drop in tax expenditures and continued, albeit slower, growth in GDP and tax revenues. This trend reversed in 2001, and these ratios have followed an upward trend since, apart from a drop during the recent financial crisis. Since 2008, tax revenues have grown by 11% while tax expenditures increased 40%. By tax base, tax expenditures as a share of tax revenues in 2015 was highest for personal income tax expenditures, at 58% of personal income tax revenues, followed by GST expenditures, at 46% of GST revenues. Corporate income tax expenditures were equivalent to 39% of corporate income tax revenues.

[7] Tax revenues include revenues from the federal personal income tax, corporate income tax, GST and non-resident income tax, with revenues from the latter tax being assigned to the corporate income tax.

Because the measures discussed above whose value varies with financial and housing markets drive large variations in the total value of tax expenditures, Chart 4 also displays tax expenditures as a share of GDP and of tax revenues excluding these measures. With volatile measures excluded, the ratio of tax expenditures to tax revenues fell between 1991 and 2003, as growth in value of tax expenditures was relatively constant and tax revenues grew more quickly. In 2006 and 2007 the ratio grew, driven by the introduction of large new measures including the Canada Employment Credit in 2006 and the Child Tax Credit in 2007 (which was eliminated as of 2015), and the rising value of existing tax expenditures. Since 2007 the observed variations in the ratio of tax expenditures to tax revenues are mainly driven by changes in tax revenues, including the spike in 2008 and 2009 which is attributable to the sharp reduction in tax revenues as a result of the financial crisis and the subsequent economic downturn. The ratio of tax expenditures to GDP with volatile measures excluded followed a similar pattern: growth is observed from 2003 to 2007 as tax expenditures increased in value, but the ratio then fell in 2008 and increased in 2009 due to the recession at that time.

Chart 4

Tax Expenditures as a Share of Tax Revenues and GDP, 1991-2015



Note: Tax revenues include personal income tax, corporate income tax, non-resident income tax and the GST.

3.3 Largest Tax Expenditures

Table 1 presents the 15 largest tax expenditures in effect in 2016, based on their value in 2015. The ranking is dominated by the measures discussed above whose value varies with financial and housing markets—RPPs, RRSPs, partial inclusion of capital gains and non-taxation of capital gains on principal residences. For the most part, the largest tax expenditures are longstanding features of the federal tax system.

The 15 largest measures comprised 77% of the total value of tax expenditures. The fact that a large portion of the total value of tax expenditures can be attributed to a handful of measures has been a constant since 1991.

Table 1
Largest Tax Expenditures in Effect in 2016, by Value in 2015

	Measure	Value (2015 $ billion)	Base
1	Registered Pension Plans	24.0	PIT
2	Registered Retirement Savings Plans	15.6	PIT
3	Partial inclusion of capital gains	11.6	PIT/CIT
4	Non-taxation of capital gains on principal residences	6.2	PIT
5	Exemptions from non-resident withholding tax	5.2	CIT
6	Goods and Services Tax/Harmonized Sales Tax Credit	4.3	GST
7	Zero-rating of basic groceries	4.1	GST
8	Preferential tax rate for small businesses	3.3	CIT
9	Age Credit	3.1	PIT
10	Charitable Donation Tax Credit	2.7	PIT
11	Non-taxation of benefits from private health and dental plans	2.7	PIT
12	Scientific Research and Experimental Development Investment Tax Credit	2.6	PIT/CIT
13	Canada Employment Credit	2.2	PIT
14	Exemption from GST for certain residential rent	1.8	GST
15	Spouse or Common-Law Partner Credit	1.5	PIT
15 largest measures—subtotal		91.0	
Total value of all measures		117.9	
15 largest measures as share of total		77%	

Note: PIT = personal income tax; CIT = corporate income tax; GST = Goods and Services Tax.

3.4 Number and Value by Objective

Table 2 classifies measures by their objective. Many different objectives are pursued by structural measures, reflecting the complexity of implementing a tax system that aims to be simultaneously efficient, neutral, simple and fair. While non-structural measures pursue a wide variety of policy objectives, the majority of the value of tax expenditures in 2015 was concentrated in three non-structural objectives—encouraging savings, achieving a social objective, and encouraging or attracting investment—which together accounted for 75% of the total value of tax expenditures.

Tax expenditures intended to encourage savings, primarily tax assistance provided on savings in RPPs, RRSPs and Tax-Free Savings Accounts, comprised $40.5 billion or 34% of the total value of tax expenditures in 2015. Growth in the value of these measures reflects the increasing share of capital income that is exempt from taxation, including because of the gradual accumulation of contribution room in Tax-Free Savings Accounts as the program matures.

Measures intended to achieve a social objective comprised $23.5 billion or 20% of the value of tax expenditures in 2015. Several of the largest tax expenditures in Table 1 fall under this category, including the Charitable Donation Tax Credit, the non-taxation of benefits from private health and dental plans, and the non-taxation of capital gains on principal residences.

Tax expenditures designed to encourage or attract investment doubled in value between 1991 and 2015, rising from 17% to 21% of the total value of tax expenditures. This growth was primarily due to the rising values of the partial inclusion of capital gains and the Scientific Research and Experimental Development Investment Tax Credit.

Table 2

Tax Expenditures by Objective

			Value in 2015		Change in value, 1991–2015		
Objective	Number in 2015	Change in number, 1991–2015	$ billion	Share of total (%)	$ billion	%	% point change in share of total, 1991–2015
Non-Structural Objectives	**124**	**25**	**100.0**	**84.8**	**43.5**	**77**	**1.5**
To encourage savings	8	2	40.5	34.3	17.7	78	0.8
To achieve a social objective	53	17	23.5	20.0	8.7	59	-1.9
To encourage or attract investment	24	0	24.6	20.9	12.8	109	3.5
To provide income support or tax relief	13	4	8.5	7.2	3.4	67	-0.3
To encourage employment	7	3	1.6	1.3	-0.1	-7	-1.2
To achieve an economic objective—other	8	0	0.8	0.7	0.9	n/a	0.7
Other	10	-1	0.5	0.4	0.1	34	-0.1
Structural Objectives	**58**	**12**	**17.9**	**15.2**	**6.5**	**58**	**-1.5**
To recognize non-discretionary expenses (ability to pay)	9	3	4.9	4.2	1.1	28	-1.5
To recognize expenses incurred to earn employment income	11	3	5.7	4.8	3.8	195	2.0
To reduce administration or compliance costs	12	-1	0.7	0.6	-0.9	-57	-1.8
To provide relief for special circumstances	13	3	0.1	0.1	0.0	6	-0.1
Other	9	-1	6.4	5.5	2.6	68	-0.2
Total	**182**	**37**	**117.9**	**100.0**	**50.1**	**74**	

Note: Some tax expenditures pursue multiple objectives. In this analysis, measures have been classified based on the primary objective they are intended to pursue. For example, the partial inclusion of capital gains is intended to encourage both investment and savings but is classified as intending to encourage investment.

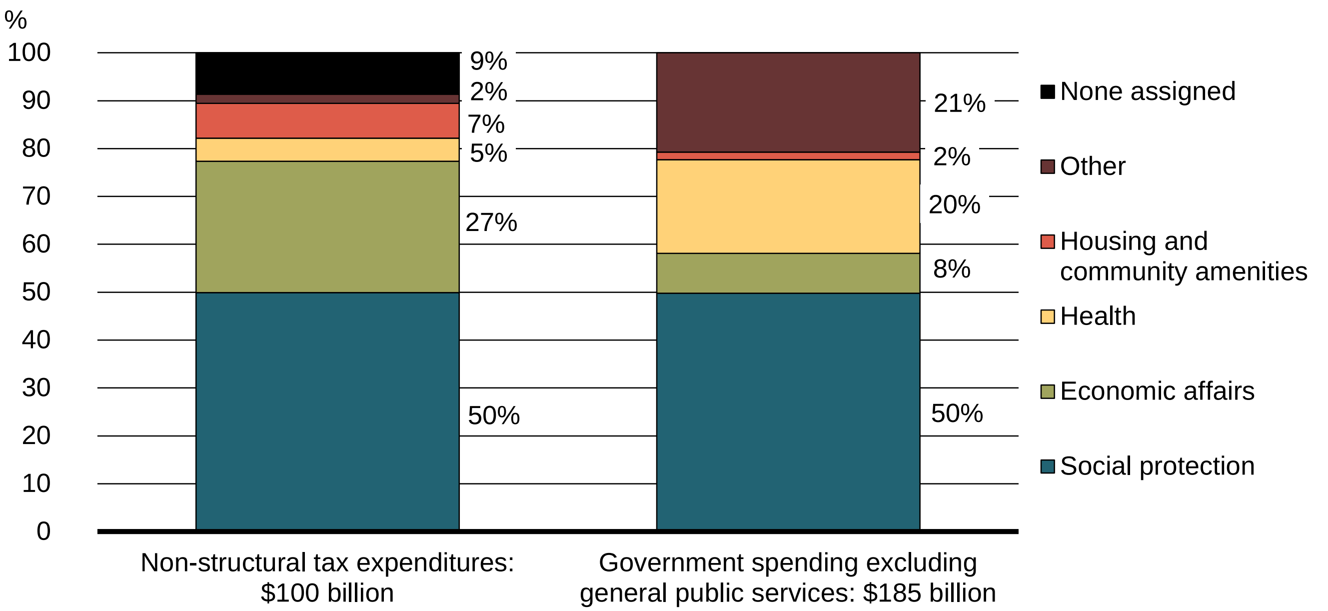
3.5 Comparison With Direct Government Spending

Non-structural tax expenditures, which are designed to achieve policy objectives outside the tax system, can at times be an alternative to direct government spending. The Canadian Classification of Functions of Government (CCOFOG) maintained by Statistics Canada categorizes spending by intended purpose. Examining both non-structural tax expenditures and direct spending according to this classification provides insight into the policy areas that are more frequently targeted through the tax system relative to direct spending.

Chart 5 shows non-structural tax expenditures and federal government expenses grouped by category for four of the largest valuations for 2014, the most recent year for which government spending CCOFOG data is available. Expenses related to general public services are omitted from direct spending as the majority of this expenditure is comprised of services that could not be delivered through the tax system, such as executive and legislative responsibilities, public administration and public debt financing.

Non-structural tax expenditures were valued at about $100 billion in 2014, equivalent to over half of the total $185 billion in direct spending by the federal government in that year.

Chart 5
Tax Expenditures and Direct Spending by CCOFOG Classification, 2014



Notes: Tax expenditures assigned to more than one specific CCOFOG code are included in the spending count for the most relevant category. “None assigned” denotes tax expenditures for which a relevant CCOFOG code could not be determined (CCOFOG code listed as “n/a” in Part 3 of the report) and those that are assigned to multiple codes, none of which is the most relevant (see, for example, the Charitable Donation Tax Credit). “Social protection” includes retirement income support.

The largest share of non-structural tax expenditures is for measures related to social protection, which includes funds directed toward families and children, old age, sickness and disability, and unemployment. Large tax expenditures in this category are those related to retirement, including RPPs, RRSPs and pension income splitting, the Age Credit, and family-related measures including the Child Tax Credit. A much larger share of tax expenditures than direct spending relates to economic affairs; many of these measures relate to modifying tax rates to affect investment and business incentives. The share of tax expenditures relating to housing and community amenities primarily consists of the non-taxation of capital gains on principal residences, and exemptions from GST for residential rents and new housing and residential rental property. Tax expenditures related to health include the non-taxation of benefits from private health and dental plans and the Medical Expense Tax Credit.

4. Distributional Effects of Personal Income Tax Expenditures

This section provides an overview of the broad incidence of personal income tax expenditures. In contrast to the analysis presented in prior sections, the analysis in this section relies on the joint estimation of the combined value of selected personal income tax expenditures, using the Department of Finance's T1 micro-simulation model (see Part 1 of this report for additional details on this model). Personal income tax expenditures accounted for in this section include those that are indicated in Part 3 of this report as being estimated using the T1 model. A number of measures pertaining to savings and housing, including RPPs, RRSPs, Tax-Free Savings Accounts, Registered Education Savings Plans, Registered Disability Savings Plans and the non-taxation of capital gains on principal residences, are not included in the T1 model, and thus are not covered by the analysis in this section.[8] This is a significant limitation, given that these measures account for a sizeable share of the total value of personal income tax expenditures. Corporate income tax and GST expenditures are also not taken into account.

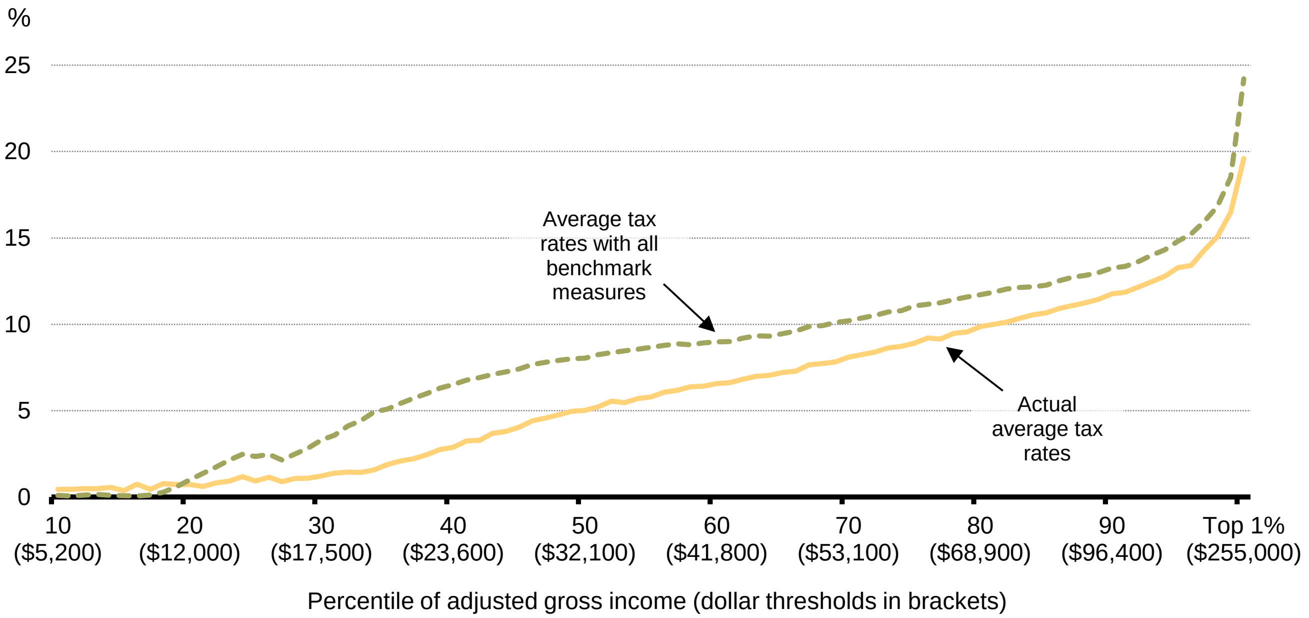
To provide a general sense of the incidence of personal income tax expenditures, Chart 6 compares actual average personal income tax rates for 2016 (bold line) to average tax rates under the hypothetical scenario under which tax expenditures that are estimated in the T1 model are eliminated (dashed line). The gap in Chart 6 between the two lines reflects the impact of tax expenditures on average tax rates. Because the classification of any particular measure as a tax expenditure or benchmark measure can be a matter of debate, and not all measures classified as tax expenditures are reflected in Chart 6 (only those the impact of which can be modelled using the T1 model), the true gap could be somewhat different than the one illustrated here.

[8] The analysis of the incidence of these tax expenditures is challenging, mainly because the benefits from these regimes should in principle be measured over a multi-year period and the data needed to perform such an analysis is not readily available.

As can be seen in Chart 6, while tax expenditures reduce average tax rates through most of the income distribution relative to the benchmark tax rates (dashed line versus bold line), the relative impact of tax expenditures on average tax rates is greater for the bottom half of the distribution, which means that tax expenditures effectively increase the progressivity of the federal personal income tax system.[9] This can be seen by the proportion of the area between the two lines, which is more significant at the lower end of the income distribution. The decline in average tax rates due to tax expenditures is also relatively large at the very top end of the income distribution, but this only partly offsets the higher average tax rates that are observed for individuals in the top 10% of the income distribution.[10]

Chart 6

Average Federal Personal Income Tax Rates, 2016 (projections)



Source: 2013 T1 model projections. The average tax rates with all benchmark measures (top line) do not account for the Quebec Abatement. Both lines reflect tax rates that include the in-year deduction for RRSP contributions (and income associated with withdrawals) as well as the impact of the RPP deduction.

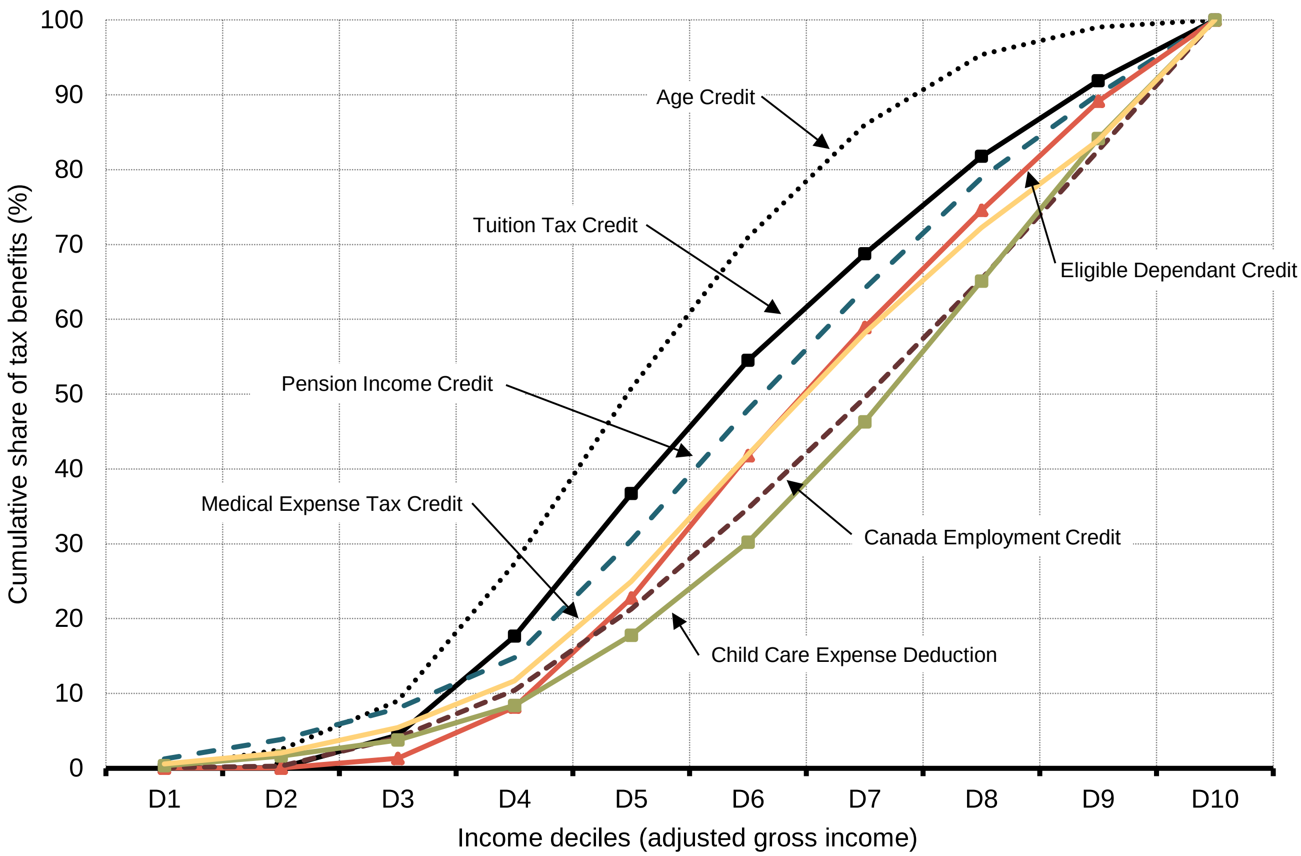
9 The fact that eliminating tax expenditures would decrease average tax rates for individuals in the bottom two income deciles is attributable to pension income splitting. As it is modelled here, pension income splitting increases the average tax rates of the lower-income spouses to which pension income is transferred. Ideally, the impact of pension income splitting would have to be modelled on a couple basis, as the tax savings from pension income splitting accrue at the level of the couple.

10 Care should be taken in interpreting distributional information on tax expenditures. The pattern of incidence of specific or groups of tax expenditures may depend in part on the concept of income that is used in the analysis. In particular, income is defined here to include capital gains. Capital gains may be a regular source of income for some individuals (e.g., seniors living on investment income), but capital gains are also often realized upon one-time events such as the sale or transfer of a business. Capital gains can thus be “lumpy”, and classifying individuals on the basis of their income inclusive of capital gains may result in individuals being classified as high-income earners that would otherwise be classified as low- or middle-income earners, only because of some large one-time capital gains. This explains in part why some tax expenditures (e.g., Lifetime Capital Gains Exemption, partial inclusion of capital gains) can be described as predominantly benefiting high-income filers.

Chart 7 shows the cumulative tax savings (projected to 2017) from selected large tax expenditures that predominantly benefit low- and middle-income filers. These measures include credits and deductions that are widely claimed and are capped or income-tested at a relatively modest level, such as the Age Credit and the Canada Employment Credit. In the case of the Child Care Expense Deduction, the deduction must be claimed by the lower-income partner in a couple, while more than half of the claims and about a third of the benefits from the Medical Expense Tax Credit accrue to those aged 65 and over, who on average have modest incomes.

Chart 7

Cumulative Share of Tax Benefits, Selected Tax Expenditures, 2017 (projections)



Source: 2013 T1 model projections.

5. Conclusion

Tax expenditures deliver targeted benefits to individuals and corporations through reductions in tax liability, serving to further social and economic policy objectives. Tax expenditures also comprise structural tax concessions that serve objectives that are internal to the tax system. While these tax measures grew in number and value between 1991 and 2015, their value as a share of tax revenues and GDP was similar in 1991 and 2015. Non-structural measures, which pursue objectives outside the tax system, represented about 85% of the value of tax expenditures in 2015, a similar share as in 1991. The value of non-structural measures in 2015, and hence the total value of tax expenditures, was dominated by a small number of measures related to retirement, saving and investment. Tax expenditures reduce average tax rates through most of the income distribution relative to the benchmark tax rates, and the relative impact of tax expenditures on average tax rates appears to be greater at the bottom, which means that tax expenditures effectively increase the progressivity of the federal personal income tax system. The decline in average tax rates due to tax expenditures is also relatively large at the very top end of the income distribution, partly offsetting the higher average tax rates for taxpayers in this income group.

Annex — Tax Expenditures Which Came Into Force or Ceased to Be in Force, 1991-2016

Table A1

Measures Introduced and Repealed, 1991–2016[1]

Year	Began/ceased to be in force	Tax expenditure	Tax base
1991	Began	Tax treatment of farm savings accounts (AgriInvest and Agri-Québec)	CIT
		Deductibility of expenses by employed artists	PIT
	Ceased	Federal Sales Tax Credit	PIT
1992	Began	Small Business Investment Tax Credit	CIT
		Interest on small business financing loans	CIT
		Reclassification of expenses under flow-through shares	CIT/PIT
	Ceased	Exploration Tax Credit	CIT
		Deductibility of carrying charges on land	CIT
		Small Business Transitional Credit	GST
1993	Ceased	Cape Breton Investment Tax Credit	CIT
1994	Began	Surtax on the profits of tobacco manufacturers	CIT
		Deductibility of contributions to a qualifying environmental trust	CIT/PIT
	Ceased	Small Business Investment Tax Credit	CIT
1995	Began	Canadian Film or Video Production Tax Credit	CIT
	Ceased	Interest on small business financing loans	CIT
		Special Investment Tax Credit	CIT
		Non-taxation of employer-paid premiums for group term life insurance of up to $25,000	PIT
1996	Began	Accelerated deductibility of Canadian Renewable and Conservation Expenses	CIT/PIT
		Rebate for book purchases made by certain organizations	GST
	Ceased	Special credit for certified institutions	GST
		Flow-through of capital cost allowance on Canadian films	PIT
1997	Began	Non-taxation of capital gains on donations of publicly listed securities	CIT/PIT
		Film or Video Production Services Tax Credit	CIT
		Refunds for Aboriginal self-governments	GST
		Refundable Medical Expense Supplement	PIT
		Deduction for tuition assistance for adult basic education	PIT
1998	Began	Deductibility of countervailing and anti-dumping duties when paid	CIT/PIT
		Deductibility of earthquake reserves	CIT
		Rebate for specially equipped motor vehicles	GST
		Supplementary Low-Income Credit	PIT
		Caregiver Credit	PIT
		Student Loan Interest Credit	PIT
2000	Began	Non-taxation of capital gains on donations of ecologically sensitive land	CIT/PIT
		Rebate for new residential rental property	GST
		Mineral Exploration Tax Credit for flow-through share investors	PIT
		Rollovers of investments in small businesses	PIT
	Ceased	Supplementary Low-Income Credit	PIT
2001	Began	Low tax rate on general income of small businesses between $200,000 and $300,000	CIT
		Tax rate on resource income	CIT

Year	Began/ceased to be in force	Tax expenditure	Tax base
2002	Began	Apprentice vehicle mechanics' tools deduction	PIT
2003	Began	Corporate Mineral Exploration and Development Tax Credit	CIT
2004	Began	Non-taxation of income earned by military and police deployed to international high- and moderate-risk operational missions	PIT
	Ceased	Manufacturing and processing allowance	CIT
		Non-resident-owned investment corporation refund	CIT
2005	Began	Adoption Expense Tax Credit	PIT
	Ceased	Low tax rate on general income of small businesses between $200,000 and $300,000	CIT
2006	Began	Apprenticeship Job Creation Tax Credit	CIT
		Patronage dividends paid as shares by agricultural cooperatives	CIT/PIT
		Public Transit Tax Credit	PIT
		Textbook Tax Credit	PIT
		Canada Employment Credit	PIT
		Deduction for tradespeople's tool expenses	PIT
2007	Began	Additional deduction for gifts of medicine	CIT
		Investment Tax Credit for Child Care Spaces	CIT
		Accelerated capital cost allowance for manufacturing or processing machinery and equipment	CIT/PIT
		Foreign Convention and Tour Incentive Program	GST
		Child Tax Credit	PIT
		Children's Fitness Tax Credit	PIT
		Pension income splitting	PIT
		Working Income Tax Benefit	PIT
	Ceased	Tax rate on resource income	CIT
		Deductibility of royalties paid to Indian bands	CIT
2008	Began	Registered Disability Savings Plans	PIT
	Ceased	Rebate for foreign visitors	GST
2009	Began	Accelerated capital cost allowance for computer equipment	CIT/PIT
		Home Renovation Tax Credit	PIT
		First-Time Home Buyers' Tax Credit	PIT
		Tax-Free Savings Account	PIT
2010	Began	Rebate for poppies and wreaths	GST
		Inclusion of the Universal Child Care Benefit in the income of an eligible dependant	PIT
	Ceased	Home Renovation Tax Credit	PIT
2011	Began	Children's Arts Tax Credit	PIT
		Volunteer Firefighters Tax Credit	PIT
2012	Began	Family Caregiver Tax Credit	PIT
		Pooled Registered Pension Plans	PIT
	Ceased	Accelerated capital cost allowance for computer equipment	CIT/PIT
2013	Began	Exemption for hospital parking	GST
		First-Time Donor's Super Credit	PIT
	Ceased	Non-taxation of income from the Office of the Governor General of Canada	PIT
2014	Began	Family Tax Cut	PIT
		Search and Rescue Volunteers Tax Credit	PIT
	Ceased	Expensing of purchases of capital equipment used for scientific research and experimental development	CIT/PIT
		Exemption from tax for international banking centres	CIT
2015	Began	Accelerated capital cost allowance for liquefied natural gas facilities	CIT/PIT
		Zero-rating of feminine hygiene products	GST
	Ceased	Child Tax Credit	PIT

Year	Began/ceased to be in force	Tax expenditure	Tax base
2016	Began	Teacher and Early Childhood Educator School Supply Tax Credit	PIT
		Home Accessibility Tax Credit	PIT
	Ceased	Corporate Mineral Exploration and Development Tax Credit	CIT
		Family Tax Cut	PIT
		Overseas Employment Tax Credit	PIT

Note: CIT = corporate income tax; PIT = personal income tax; GST = Goods and Services Tax.

1 A tax expenditure may still have value after it is no longer in force. For example, the Education Tax Credit is no longer in force as of 2017, but individuals with unused amounts from previous years may claim these amounts in 2017 and subsequent tax years, until they are used up. This list excludes measures associated with the introduction of the GST in 1991.

Evaluation of the Children's Fitness Tax Credit and the Children's Arts Tax Credit[1]

1. Introduction

Over the past decade, a number of tax credits have been introduced in Canada in order to encourage the participation of children in physical, artistic, cultural, recreational and developmental activities. At the federal level, Budget 2006 introduced the Children's Fitness Tax Credit (CFTC) to promote physical fitness among children by recognizing the costs associated with supervised physical activity. Budget 2011 supplemented the tax recognition provided for children's fitness activities by introducing the Children's Arts Tax Credit (CATC) to provide relief for the costs associated with children's artistic, cultural, recreational and developmental activities (hereafter simply referred to as "artistic activities"). During this period, some provinces and territories have also introduced their own children's fitness and arts tax credits.

In Budget 2016, the federal government announced the phase-out of the CFTC and the CATC by 2017, as part of its efforts to simplify the tax code and better target support for families with children. This paper presents an evaluation of these two credits.

The paper starts by providing background information on the two credits. It then presents an evaluation of their relevance, effectiveness, equity and efficiency. The report concludes by summarizing the main findings of the evaluation.

The main findings of the evaluation suggest that the CFTC and CATC had relevant policy objectives but significant shortcomings in terms of their effectiveness, fairness and efficiency. Overall, it is assessed that the effective price effects that resulted from the CFTC and CATC were relatively small and unlikely to generate significant behavioural responses, including because family decisions as to the participation of children in physical and artistic activities are relatively price-insensitive. Some concerns are also raised with respect to fairness as both credits were primarily used by high-income families. It is also assessed that the credits led to significant windfall gains for those families who would likely have registered their children in activity programs with or without the credits.

[1] The analysis presented in this paper was prepared by David Messier and Dominique Fleury, Economists, Tax Policy Branch, Department of Finance Canada, with the support of Rachel Lott, Economist, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca.

2. Background

2.1 History and Rules of the Credits

Budget 2006 introduced the 15% non-refundable CFTC effective as of January 1, 2007. The CFTC could be claimed for "eligible fitness expenses" incurred in respect of a "qualifying child", meaning a child who is, at the beginning of a taxation year, under 16 years of age or under 18 years of age if the child is eligible for the Disability Tax Credit.

"Eligible fitness expense" was defined as a fee paid to a person or partnership that offers one or more "prescribed programs of physical activity". A prescribed program of physical activity was defined as a program that is not part of a school's curriculum, involves a significant amount of physical activity, and is of a duration of at least eight consecutive weeks or five consecutive days.[2] Physical activity was defined as an activity that contributes to cardio-respiratory endurance and to one or more of muscular strength, muscular endurance, flexibility and balance.[3]

Until the 2014 taxation year, eligible fitness expenses could be claimed up to a maximum of $500 per qualifying child, for a maximum non-refundable tax savings of $75 (i.e., $500*15% = $75) per child per taxation year. For parents of children eligible for the Disability Tax Credit and with at least $100 of eligible expenses, an additional amount of $500 could be claimed, increasing the maximum amount from $500 to $1,000, for a maximum non-refundable tax savings of $150 (i.e., $1,000*15% = $150) per child per taxation year.[4] The additional amount was provided in general recognition of the extra costs that children with disabilities encounter in becoming involved in programs of physical activity, notably with regard to specialized equipment, transportation and attendant care.

Effective for the 2014 taxation year, the maximum amount was doubled to $1,000 per child under 16 years of age, for a maximum tax savings of $150 (i.e., $1,000*15% = $150). The CFTC was also made refundable, effective for the 2015 taxation year, to increase benefits to low-income families claiming the credit.[5] The additional amount of $500 related to children eligible for the Disability Tax Credit was not affected by these changes.

2 More than 50% of the daily activities or 50% of the time scheduled for activities had to include a significant amount of physical activity.

3 *Income Tax Act*, section 122.8 and *Income Tax Regulations*, section 9400.

4 This additional amount could be claimed subject to the parents spending a minimum of $100 on registration or membership fees for an eligible program of physical activity.

5 See the Department of Finance Canada news release *PM Announces Intention to Double the Children's Fitness Tax Credit,* October 9, 2014.

Recognizing that, like physical activities, participation in artistic, cultural, recreational and developmental activities can contribute to a child's development, the Government introduced the CATC in Budget 2011. The CATC could be claimed in respect of a "qualifying child" (children under 16 years of age or under 18 years of age for children eligible for the Disability Tax Credit) as for the CFTC, and became effective as of the 2011 taxation year. The CATC was available at a rate of 15% (non-refundable) on claims of up to $500 per child in eligible expenses for children's participation in activities "intended to contribute to a child's ability to develop creative skills or expertise, acquire and apply knowledge, or improve dexterity or coordination, in an artistic or cultural discipline including (i) literary arts, (ii) visual arts, (iii) performing arts, (iv) music, (v) media, (vi) languages, (vii) customs, and (viii) heritage" and that were not eligible for the CFTC.[6] As with the CFTC, an extra amount of $500 could be claimed for children eligible for the Disability Tax Credit.

Budget 2016 announced the phase-out of the CFTC and CATC by initially reducing the 2016 maximum eligible amounts from $1,000 to $500 for the CFTC (which remained refundable for 2016) and from $500 to $250 for the CATC, and then by eliminating both credits for the 2017 and subsequent taxation years.

2.2 Statistics on Claimants

Table 1 presents statistics on families who claimed the CFTC and/or CATC between 2007 and 2014 (the most recent year for which full tax data is available). It shows the number of families who claimed one or both of the credits, the number of children in these families, as well as the total and average amounts claimed and tax savings realized.

Some 1.8 million families claimed the CFTC/CATC in 2014, up from 1.6 million in 2011 (the first year where both CFTC and CATC were available), and from 1.3 million in 2007 (the year the CFTC was introduced). This represented about 43% of all families with children in 2014 compared with 40% in 2011 and 31% in 2007. Children in families claiming the CFTC/CATC (close to 3.4 million children) accounted for about 47% of all Canadian children in 2014.[7]

In 2013, the last year in which the total CFTC claim was limited to $500, the total of all CFTC/CATC claim amounts reached $1.2 billion. This compared with $1.7 billion in 2014, the first year where the maximum amount for the CFTC was doubled to $1,000. Total estimated tax savings resulting from the CFTC and CATC were $220 million in 2014, up from $155 million in 2013.

Take-up of the CFTC grew by 12.5% between 2007 and 2008, the first year after the introduction of the credit, and then more modestly up to 2011 when the CATC was introduced, after which the combined take-up of the two credits grew between 2% to 3.7% each year.

6 *Income Tax Regulations*, section 9401(1).

7 Available tax data does not provide for the exact number of "qualifying children" for purposes of the CFTC/CATC (i.e., children aged 15 years or less and children with a disability aged 17 years or less). Children of CFTC/CATC claimants as shown in Table 1 include children aged 17 years or less plus a number of children with a disability aged 18 years and over. As such, the total number of children in families with claimed CFTC/CATC is likely slightly overestimated, and averages per child of claimants underestimated.

Table 1

Statistics on CFTC and/or CATC Claimants, 2007-2014

	2007	2008	2009	2010	2011	2012	2013	2014
Total number of families claiming the CFTC/CATC (‘000)	1,277	1,437	1,487	1,529	1,639	1,682	1,715	1,778
As % of total nb. of families with children (take-up rate)	31.0	34.7	35.8	36.9	39.8	41.0	41.9	43.3
Year-to-year growth (%)		12.5	3.5	2.8	7.2	2.6	2.0	3.7
As % of total nb. of children of taxfilers	34.5	38.5	39.5	40.7	43.5	44.7	45.4	46.8
Year-to-year growth (%)		11.8	3.3	2.8	6.8	2.6	1.5	4.1
Amount claimed as CFTC/CATC								
Total (m$)	643	742	779	827	1,076	1,150	1,202	1,681
Year-to-year growth (%)		15.4	4.9	6.2	30.1	6.9	4.5	39.8
Avg. per family claiming the CFTC/CATC ($)	508	521	529	546	663	690	708	955
Avg. per child ($)	257	265	270	278	339	353	364	489
Tax savings associated with CFTC/CATC								
Total (m$)	90	105	110	110	140	150	155	220
Year-to-year growth (%)		16.7	4.8	0.0	27.3	7.1	3.3	41.9
Avg. per family claiming the CFTC/CATC ($)	70	73	74	72	85	89	90	129
Avg. per child ($)	36	38	38	37	44	46	47	64

Notes: Families are defined as spouses or common-law partners and their children. The matching of spouses is based on tax data, and as such may be affected due to data limitations. Available tax data also does not provide for the exact number of “qualifying children” for purposes of the CFTC/CATC (i.e., children aged 15 years or less and children with a disability aged 17 years or less). Children of CFTC/CATC claimants as shown in the table include children aged 17 years or less plus a number of children with a disability aged 18 years and over. As such, averages per child of claimants are likely to be slightly underestimated. There are a small number of families claiming the credits for whom the data does not show that they have children. These families are included in the total number of families with children.

From 2007 to 2010, families could only claim the CFTC while from 2011 to 2014 families could claim the CFTC, the CATC or both.

Take-up rate is calculated based on total number of families with children. Averages calculated based on the number of families claiming the CFTC/CATC or children of such families.

Source: Department of Finance Canada.

3. Evaluation Findings

3.1 Relevance

The main objective of the CFTC was identified in Budget 2006 as promoting physical fitness among children. The Government justified this objective by indicating that "regular physical activity has many positive effects on children, including healthier growth and development and improved physical fitness."

There is agreement among health policy experts that measures to promote physical activities among children address a real policy need. The Expert Panel for the CFTC underlined in its 2006 report that "encouraging families to help their children become physically active is an important goal, and one that is becoming increasingly important" in a context of "alarming" trends in children's fitness and the prevalence of child obesity due to, among other things, a more sedentary lifestyle.[8] Child obesity is associated with multiple negative health-related outcomes, such as type 2 diabetes, hypertension and emotional health issues, and overweight children have a greater chance of being overweight in adulthood.[9] The cost of obesity is assumed not only by individuals experiencing the condition, but also by the entire population, which collectively bears the social costs associated with the condition (e.g., higher health care costs, loss of productivity due to absenteeism).

The objective of the CATC was identified upon its introduction in 2011 as better recognizing the costs associated with children's artistic activities. Budget 2011 underlined that "like physical fitness, participation in artistic, cultural, recreational and developmental activities can positively contribute to a child's development." Research also supports the idea that participation in artistic activities has a positive impact on mental health and the development of children, although such research is more limited.[10]

As potential positive outcomes related to health and children's development can theoretically benefit society as a whole, government interventions that aim at promoting children's participation in a broad range of organized activities found to be correlated with such positive outcomes can be considered relevant.

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8 *Report of the Expert Panel for the Children's Fitness Tax Credit*, October 2006. Data collected by organizations such as Active Healthy Kids Canada and ParticipACTION indicate that children and youth physical activity levels are fairly low in Canada. Active Healthy Kids Canada found that, in 2014, only 7% of children aged 5-11 and 4% of youth aged 12-17 met the criteria of the Canadian Physical Activity Guidelines, which recommend that children and youth engage in at least 60 minutes of moderate- to vigorous-intensity physical activity every day. See Active Healthy Kids Canada (2014), *Is Canada in the Running? The 2014 Active Healthy Kids Canada Report Card on Physical Activity for Children and Youth*. Statistics Canada also found a deterioration in physical fitness indicators among children aged 7-19 between 1981 and 2007-2009. See Tremblay, Mark S. et al. (2010), "Fitness of Canadian Children and Youth: Results From the 2007-2009 Canadian Health Measures Survey," *Health Reports*, Statistics Canada, January 2010, pp. 7-8.

9 Roberts, Karen C. et al. (2012), "Overweight and Obesity in Children and Adolescents: Results From the 2009 to 2011 Canadian Health Measures Survey," *Health Reports*, Statistics Canada, August 2012, p. 3.

10 A Statistics Canada study released in the early 2000s found correlations between children's participation in organized activities outside of school (including sports, but also music, the arts and clubs) and positive development outcomes, such as self-esteem, interaction with friends and performance in school . In 2005, American researchers reviewed the literature on organized activities and found that organized activities (such as sports or any other types of organized activities) help kids build competencies, allowing them to successfully negotiate the challenges encountered in childhood and adolescence. They concluded that participation in such activities "is associated with academic success, mental health, positive social relationships and behaviors, identity development and civic engagement". See Mahoney, Joseph L. (Yale University), Reed W. Larson (University of Illinois) and Jacquelynne S. Eccles (University of Michigan) (2005), *Organized Activities as Contexts of Development: Extracurricular Activities, After-School and Community Programs*, LEA Publisher, p. 10.

3.2 Effectiveness

Both theoretical considerations and empirical evidence provide strong indications that the CFTC was ineffective at promoting greater children's participation in physical activities. The same theoretical considerations support the conclusion that the CATC was also ineffective at encouraging greater children's participation in artistic activities, even though empirical evidence in that case is not available.

Two key findings support the conclusion that the CFTC and CATC were ineffective at encouraging greater participation of children in physical and artistic activities:

- The effective price effects provided by these credits were relatively small; and
- Family decisions as to the participation of children in physical and artistic activities are relatively price-insensitive.

This section discusses these two findings, followed by a review of the empirical evidence as to the effectiveness of the CFTC.

Price Effects From the Children's Fitness Tax Credit and Children's Arts Tax Credit

The effective price effects that resulted from the CFTC and CATC can be described as relatively small, and thus as unlikely to generate significant behavioural responses, all else being equal.

By design, the CFTC and CATC each provided a maximal 15% reduction in the after-tax price of eligible children's activities vis-à-vis other family consumption items. However, there are multiple reasons to believe that for many families the effective price-incentive effect of the credits was in fact lower than the 15% maximal reduction:

- Families that face nil or low tax liabilities before credits or have sufficient other credits to offset their tax liabilities cannot fully benefit from non-refundable tax credits. The CFTC was made refundable as of 2015, but this limitation remained in the case of the CATC.
- The CFTC and CATC were capped, and thus did not reduce the price of eligible children's activities at the margin for parents who would have spent more than the maximum eligible expenses on children's activities.
- The net price effect of a price subsidy is a function in part of how supply responds to an increase in consumer demand (assuming there is such an increase in demand). For instance, in a scenario where supply is relatively fixed, suppliers would not be able (or willing) to accommodate an increase in demand, and would simply react to an increase in demand by increasing prices, thereby capturing part of the benefits from the price subsidy. Such a price dynamic should be at play to some extent in any market where supply cannot costlessly adjust to an increase in demand, for instance, due to the costs of building new sports infrastructure like arenas or gymnasiums or hiring additional coaches or trainers. The market for organized physical and artistic activities for children consists in part of private suppliers who are expected to react in such a manner, but also in part of public organizations (e.g., municipalities) whose pricing policies could be influenced by non-market considerations. This scenario suggests that to the extent families were responsive to the price incentives provided by the CFTC and CATC (which may not have been the case—see next section), the resulting increase in demand was likely partly muted by the effect of higher pre-tax prices.

- Any compliance burden imposed on parents (e.g., the requirement to collect and retain receipts in order to support claims for the credits) represented a cost that can partially offset the price reduction offered by the credits. These costs are subjective to some extent and may have changed perceptions with respect to the potential savings associated with the credits, at least for some families. Like any other business costs, compliance costs imposed on suppliers of organized physical and artistic activities for children (e.g., the requirement to issue receipts to parents, costs related to the need to assess the eligibility of their programs) were also expected to be partly shifted to parents through higher prices, further reducing the net price effects from the credits.[11]
- Some parents eligible for the credits may have discounted the value of the price reduction due to the fact that the resulting tax savings were only realized after having filed an income tax return rather than at the time the eligible expenses were incurred. Some parents may also be unaware of the availability of the credits, which effectively would mean that the price effects from the credits were nil for these parents.

Information to measure the effective net price effects of the CFTC and CATC is only partially available. In the case of families that could not fully benefit from the credits because they face a low or nil tax liability, estimates using tax data indicate that 31% of individuals in families with children were not able to benefit from the CFTC or CATC, while 17% were able to benefit only partially. Because of this, the average potential savings on the first dollar of eligible expenses among individuals eligible to claim the CFTC or CATC (i.e., those in families with children) were 10 cents in 2013, which is below the theoretical maximal tax savings of 15 cents per dollar. Making the CFTC refundable as of 2015 ensured that all parents could get 15 cents of tax savings per dollar of eligible spending on children's physical activities up to the maximum value. The CATC remained non-refundable; therefore it can be presumed that the net price effect remained below 15 cents for children's artistic activities.

With regards to awareness of the credits, some surveys indicated that this was an issue for the CFTC in the early years after the introduction of this credit, in particular among low-income parents.[12] However, as the trend in the take-up rate suggests, it is likely that awareness increased over time as the credit was regularly publicized by the Government. Media coverage that took place following the 2014 announcement of the doubling and refundability of the CFTC also likely increased awareness of the CFTC, especially among low-income families. It can be expected that awareness of the CATC followed a similar evolution. The take-up rates for the CFTC and CATC increased from 31.3% in 2007 to 41.0% in 2014 for the CFTC and from 11.5% in 2011 to 14.9% in 2014 for the CATC. Among families who generally have sufficient income to be taxable (e.g., those who report more than $40 000 a year), the combined take-up rate for the two credits was about 55.2% in 2014, up from 52% in 2011.[13]

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[11] The ability of suppliers to shift costs to consumers depends on the market structure and the extent to which demand is responsive to prices. To the extent families were responsive to the price incentives provided by the CFTC and CATC, it is likely that suppliers of organized physical and artistic activities for children were at least partially successful in shifting compliance costs to families.

[12] See Canadian Fitness and Lifestyle Research Institute, 2008 survey; Spence et al., 2009 survey; and Fisher et al., 2009 survey.

[13] Information on combined take-up rates for the CFTC and CATC can be found in Table 1 and Table 2 below.

Price Sensitivity of Family Decisions Concerning Children's Participation in Physical and Artistic Activities

The CFTC and CATC provided a tax subsidy for the consumption by families of eligible children's activities. The effectiveness of the credits, for the level of price effects that the credits effectively provided, depended therefore on the degree to which families were responsive to these price effects, that is, on the extent to which families were willing to give up other forms of spending in favour of spending on eligible children's activities.[14]

No studies are available that estimate the price elasticity of the demand for organized children's physical or artistic activities. However, research on the determinants of physical activity among children indicates that factors other than cost are more likely to be significant determinants of participation in organized physical activity.[15] This research identifies a number of characteristics that are associated with physical activity among children, notably age, gender, family education and income, and whether parents are involved in their children's physical activities. In spite of the positive association between family income and children's participation in physical activities, the evidence is mixed as to whether or not cost represents a significant barrier to physical activity. This suggests that the relationship between income and physical activity reflects other characteristics that are correlated with income, such as the educational level, values and lifestyle of the parents, more than the ability of families to pay for children's physical activities.

Different reasons may explain that cost is a secondary determinant of decisions concerning children's activities. The degree to which families are willing to reduce time spent on unorganized children's activities (e.g., playing sports with friends in the park, going to the movies, reading books) in order to spend more time on organized children's activities is likely low because such substitution requires parents and children to compromise on both the degree of organization or structure of the activity and its intensity. According to the literature, parents and children seem to demonstrate strong preferences regarding the degree of structure and intensity of children's activities; in particular, children that are less physically active express strong preferences for unstructured and quieter activities. Affordability is likely to be a secondary consideration in the presence of such strong preferences against organized children's activities.[16]

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14 In theory, income effects—the fact that families that would have been spending on eligible children's activities in the absence of the credits were richer to the extent of the credits they obtained in respect of this spending—could also have resulted in additional spending on eligible children's activities. However, income effects were likely small given average tax savings (see Table 1), and only a small fraction of the additional income would probably have been spent on eligible children's activities in any case.

15 Clark, Warren (2008), "Kids' Sports," *Canadian Social Trends*, Statistics Canada, cat. no. 11-008-X; Gilmour, Heather (2007), "Physically Active Canadians," *Health Reports*, Statistics Canada, vol. 18, no. 3; Kremarik, Frances (2000), "A Family Affair: Children's Participation in Sports," *Canadian Social Trends*, Statistics Canada, cat. no. 11-008-X.

16 While the ease of substitution between eligible physical activities and eligible artistic activities is likely more significant, the CFTC and CATC provided the same price reduction to both types of activities; as such, the relative prices between these two categories of activities were unaffected and families had no price incentive to substitute one for the other. Such a price incentive only existed for families who were spending more than the maximum amounts eligible for the credits for only one of the two categories of children's activities. The situation differed before the introduction of the CATC in 2011, at which time the CFTC lowered the price of children's physical activities relative to children's artistic activities.

Time constraints may also be a key factor limiting family decisions, above and beyond affordability or preferences. Some families, in particular families with many children or who had already registered their children in some organized programs of activities, may have been unwilling to register their children in additional eligible programs due to a lack of time or because they were not available on the days and at the time these programs were offered. Other families might have been willing to marginally increase the amount of time spent on children's activities in a given week but might not have been able to allocate the time required to register their children in a full program of activities eligible for the credits. Such time constraints could have limited the scope for substitution between forms of children's activities that otherwise would appear to have been easily substitutable—for instance, programs of organized activities that met or did not meet the minimum duration or intensity requirements that were set out under the CFTC and CATC.

Overall budget constraints may have been another limiting factor for certain families. The price reduction provided by the credits may not have been sufficient for families for whom the cost of registering a child for one additional program of activity was significant relative to their budget (assuming these families were in a position to benefit from the credits).

Finally, the possibility for families to choose among different physical activities at different prices may be another explanation why cost does not seem to be a significant barrier to physical activity generally, but rather may be more of a barrier to the type of activity. There is some evidence that children in high-income families tend to participate in more expensive sports such as skiing or hockey, and children in low-income families in less expensive sports such as basketball.[17] It is possible that the CFTC and CATC led some families to spend more on eligible children's activities, without necessarily dedicating more time to these activities. For instance, parents who had registered their child for an eight-week soccer program may have decided, after the introduction of the CFTC, to instead register their child for a more expensive eight-week hockey program, as the CFTC now made this latter activity more affordable and the child preferred hockey to soccer. In such a situation, the substitution effects brought about by the credit may not have resulted in the child doing more physical activity overall. Increased spending on eligible activities may have had beneficial fitness or developmental outcomes to the extent that the additional spending permitted to improve the quality of the child's activities being undertaken (e.g., private music lessons instead of group lessons), but could also have been used to make a substitution among physical activities, without clearly enhancing the fitness or developmental outcomes.

While no Canadian research was found concerning the determinants of children's participation in artistic activities specifically, evidence for the United States in the field of research on organized activities (physical or not) indicates that availability and affordability are the most basic factors affecting children's participation in out-of-school organized activities. According to this research, the requisites for participation in such activities are the presence of resources such as community centres and playing fields, and the availability of competent and willing adults to provide the activities. Beyond availability, factors such as family income, culture, ethnicity, individuals' competence and age also influence participation rates.[18]

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17 See Kremarik (2000).

18 Mahoney, Joseph L. (Yale University), Reed W. Larson (University of Illinois) and Jacquelynne S. Eccles (University of Michigan) (2005), *Organized Activities as Contexts of Development: Extracurricular Activities, After-School and Community Programs*, LEA Publisher, p. 13.

On balance, it seems doubtful that the price incentive that the CFTC and CATC provided has significantly increased children's participation in organized activities. Tax credits like the CFTC and CATC may marginally reduce the cost for families of registering their children in organized physical or artistic activities, but they do not affect other important factors that influence participation in such activities, such as preferences, competences or time constraints. Because cost is only one of the various factors determining children's participation in organized physical or artistic activities, the price elasticity of the demand for such activities is probably low.

Empirical Evidence

Some sophisticated empirical analyses of the impact of the CFTC on the demand for children's physical activities also suggest that this credit was of limited effectiveness. A 2014 study compared the change in participation in physical activity for children eligible for the CFTC to that of children not eligible for the credit, before and after the introduction of the credit, using a well-known evaluation technique (i.e., a difference-in-difference estimation method) and data from two nationally representative Statistics Canada surveys, the Canadian Community Health Survey and the Survey of Household Spending.[19] Results from this study show that the overall impact of the CFTC on the probability that children will participate in organized physical activity is small and insignificant, leading its authors to conclude that the CFTC had "no effect of increasing physical activity participation for children."

In two earlier surveys, parents of children were asked whether the CFTC has had an impact on their children's participation in physical activity. Spence et al. (2010) reported that 26.1% of all parents with children claimed the CFTC in 2007, and that 15.6% of these parents agreed the CFTC had increased their children's participation in organized physical activities. Put differently, 4% of all parents who answered this survey said that the CFTC had increased their children's participation in physical activities. Fisher, K.L. et al. (2012) indicated for their part that, among parents aware of the CFTC in 2009-2010 (65.4%), 31% said the CFTC motivated them to register their child in physical activity, 34% said the CFTC made it easier to register their child in physical activity, and 15% said they would not have been able to register their child in physical activity if not for the CFTC. Such survey results should be interpreted with caution in assessing the effectiveness of the credit, as parents may overstate the importance of the credit when answering such surveys.

Health policy experts were generally of the view that the CFTC was ineffective at promoting physical activity among children. For instance, an international panel of experts that was set up by a team of researchers to review the effectiveness of tax credits and other economic instruments in dealing with child obesity and inactivity in the Canadian context concluded that "tax credits were seen as rather ineffective at encouraging physical activity amongst the sedentary," and "were deemed to provide windfall gains to those who already participate in physical activity." The panel suggested that "there was insufficient evidence to clearly recommend specific tax credits or subsidies to promote physical activity." [20]

[19] Nguyen, Hai V. (Duke-NUS Graduate Medical School Singapore) and Paul Grootendorst (University of Toronto), *Does the Child Fitness Tax Credit Program Make Children More Active?*, working paper, November 2014.

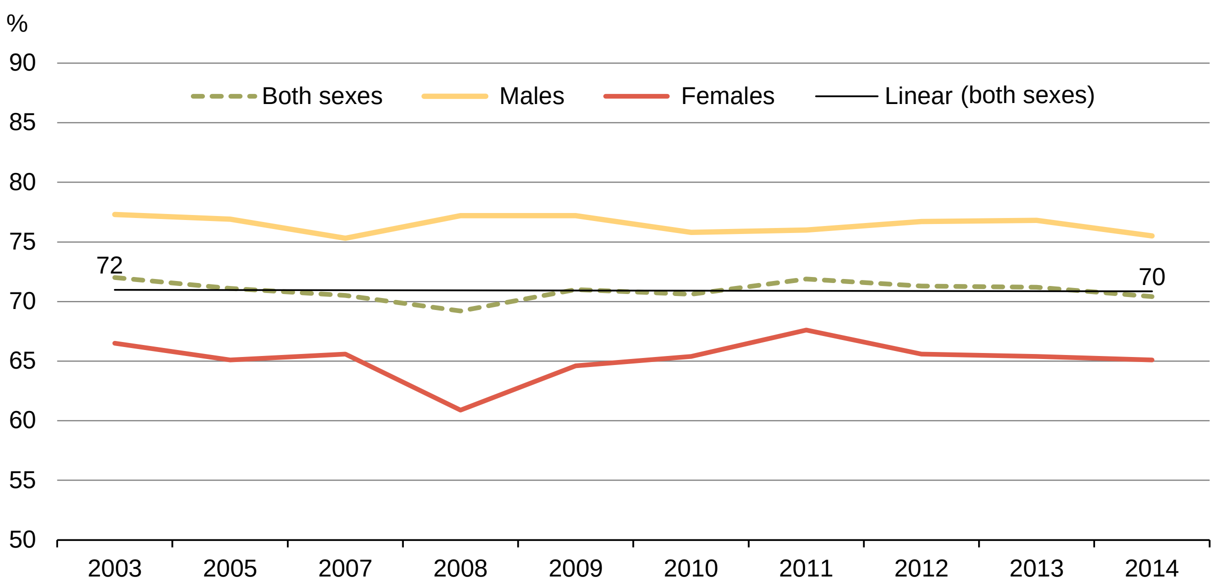
[20] Faulkner, Guy et al. (2011), "Economic Instruments for Obesity Prevention: Results of a Scoping Review and Modified Delphi Survey", *International Journal of Behavioral Nutrition and Physical Activity*, vol. 8, pp. 109 and sq.

A 2014 paper that evaluated the effectiveness of the CFTC and similar credits at increasing physical activity levels in Canada also came to the conclusion that such credits are unlikely to be effective at achieving their objective.[21]

Statistics on trends in physical activity among children since the introduction of the CFTC also point to the limited effectiveness of the credit. A review of existing Canadian data on physical activity trends for children shows little difference in the levels of physical activity among children before and after the introduction of the CFTC in 2007. A Canadian Physical Activity Levels Among Youth (CANPLAY) study, which collected pedometer data from eight surveys between 2005 and 2014 to describe physical activity trends for individuals 5-19 years old, found that the median number of steps per day taken among this population increased between 2006-07 and 2007-08 but then decreased in 2012-14.[22] Statistics Canada, which measures the levels of physical activity among Canadian children aged 12-19 on an annual basis through survey questions, also found no clear trend in the levels of physical activity among these children over the last decade (Chart 1). Despite a slight decrease in activity levels for girls in 2008 followed by a noticeable rebound by 2011, no significant differences in the average levels of physical activity among boys and girls were observed before and after the introduction of the CFTC, with the percentage of children who reported being moderately active or active decreasing slightly from 71.1% in 2005 to 70.4% in 2014.

Chart 1

Percentage of Canadian Children Aged 12 to 19 Who Are Moderately Active or Active, by Sex



Note: Data for 2004 and 2006 are not available and were estimated as the mid-points between the previous and subsequent years.

Source: Statistics Canada, Canadian Community Health Survey, CANSIM table 105-0501.

21 Sauder, J. (2014), *Canada's Experiment With Children's Fitness and Activity Tax Credits*, University of Saskatchewan, August 2014.

22 Cameron, C. et al. (2016), "CANPLAY Study: Secular Trends in Steps/Day Amongst 5-19 Year-Old Canadians Between 2005 and 2014," *Preventive Medecine*, Volume 86, May 2016.

While no similar empirical results are available regarding the impact of the CATC on children's participation in artistic activities, the theoretical considerations described earlier provide reasons to believe that the results of such empirical studies would likely lead to similar conclusions, i.e., that the CATC was most likely ineffective at promoting greater children's participation in artistic activities.

3.3 Equity

Since the introduction of the CFTC and CATC, the credits (in particular the CFTC) have been criticized as being inequitable.[23] Table 2 shows some CFTC/CATC statistics for 2014 by total family income. This table shows that take-up rates, as well as average amount claimed and average tax savings per child, increased steadily with income. For instance, the take-up rate for families with $40,000 or less in income in 2014 was less than half the take-up rate for families in the $40,000 to $80,000 income group, and less than a quarter of the take-up rate for very high income families (more than $200,000 in family income).

Table 2

CFTC and CATC Statistics by Total Family Income, 2014

Total family income	Total number of families claiming the CFTC and/or the CATC		Total amount claimed		Total tax savings		Average amount claimed per child	Average tax savings per child	Take-up rate
($)	('000)	(%)	($ million)	(%)	($ million)	(%)	($)	($)	(%)
Up to 40,000	210	11.8	137	8.2	5	3	348	14	16.8
40,000-80,000	383	21.6	278	16.6	36	16	385	50	39.3
80,000-120,000	439	24.7	373	22.2	52	24	438	61	54.6
120,000-160,000	327	18.4	333	19.8	47	21	520	73	65.2
160,000-200,000	188	10.6	226	13.4	32	15	612	87	71.0
Over 200,000	230	12.9	334	19.9	48	22	728	104	73.3
Total	1,778	100.0	1,681	100.0	220	101	489	64	43.3

Notes: Available tax data does not provide for the exact number of "qualifying children" for purposes of the CFTC/CATC (i.e., children aged 15 years or less and children with a disability aged 17 years or less). Children of CFTC/CATC claimants as shown in the table include children aged 17 years or less plus a number of children with a disability aged 18 years and over. As such, averages per child are likely to be slightly underestimated. The take-up rate is calculated based on the total number of families with children. Averages are calculated based on the number of families claiming the CFTC/CATC or children of such families. See Table 1 for other notes.
Source: Department of Finance Canada.

The lower take-up rate and amount claimed among families with total income of $40,000 or less primarily reflects the fact that low-income families may not have had sufficient tax payable to fully benefit from the credits.[24] However, families in the $40,000 to $80,000 income group, who would generally be taxable, also exhibited a lower take-up rate and average amount claimed per child, at about 55% of those of very high income families. This indicates that non-refundability of the credits (up until 2015 for the CFTC) only partially explains why lower-income families were less likely to benefit from the credits as higher-income families. Making the CFTC refundable in 2015 made the credit more beneficial to low-income individuals that claimed eligible expenses, which lessened to some extent the equity concerns discussed above. However, preliminary data for 2015 suggests that despite refundability, the take-up rate among low-income individuals and amounts claimed remained much lower than for other income groups.

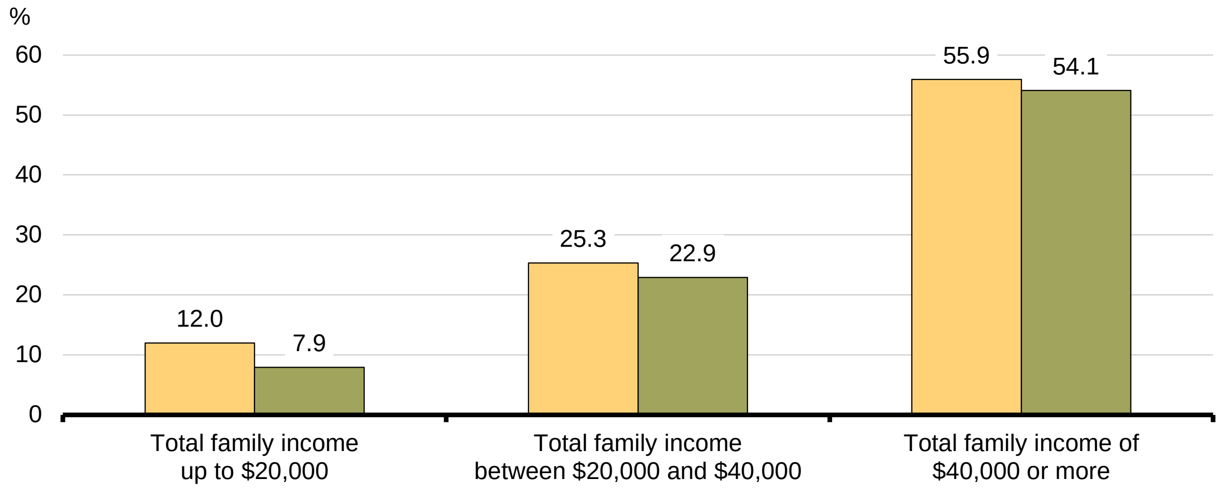
23 See for instance, Caledon Institute of Social Policy (2014), *If You Don't Pay, You Can't Play: The Children's Fitness Tax Credit*, October 2014.

24 The relatively low spending on children's physical activities by low-income households may also reflect in part the availability of financial assistance for sport participation for low-income families.

Chart 2 also provides little evidence that the refundability of the children's fitness and arts tax credits offered in Saskatchewan, Ontario and Quebec has had a significant impact on the CFTC/CATC take-up rates among low-income families with children.[25] Even in the presence of refundable provincial tax credits in these provinces, the take-up rates for the CFTC/CATC continued to be significantly lower among low-income families than among higher-income families.

Chart 2

CFTC/CATC Take-up Rates by Total Family Income, in Provinces With and Without Refundable Credits, 2014



Provinces with refundable children's fitness or arts tax credit (i.e., Quebec, Ontario, Saskatchewan)
Provinces without refundable children's fitness or arts tax credit

Notes: Same notes as for Table 1. The territories are not included in this chart.

Source: Department of Finance Canada.

The lower take-up rates and tax savings among low-income families in spite of refundability may have been attributable to a number of factors, including the fact that low-income families have less discretionary income to spend on organized children's activities or that these families may have access to municipal financial assistance programs designed to support their children's participation in organized activities.

Statistics on claims by province of residence in 2014 show that take-up rates varied little by region, with the exception of the Northwest Territories and Nunavut where take-up was much lower than elsewhere in the country (Table 3). The ability to participate in activity programs for children depends on the availability of resources in the community, for instance on the availability of recreational infrastructure, transportation and human resources. Accordingly, accessibility to activity programs for children can be more challenging in smaller communities than in larger communities, which means that the CFTC and CATC likely benefited children in larger communities to a greater extent.

25 Ontario's Children's Activity Tax Credit was eliminated as of January 1, 2017.

Table 3

CFTC and CATC Statistics by Province and Territory, 2014

	Number of families claiming the CFTC and/or the CATC		Total amount claimed		Total tax savings		Average amount claimed per child	Average tax savings per child	Take-up rate
	('000)	(%)	($ million)	(%)	($ million)	(%)	($)	($)	(%)
Canada	1,778	100.0	1,681	100.0	220	100.0	489	64	43.3
Newfoundland and Labrador	23.3	1.3	23.2	1.4	3.2	1.5	564	79	39.5
Prince Edward Island	7.5	0.4	6.7	0.4	0.9	0.4	451	61	44.9
Nova Scotia	40.5	2.3	38.5	2.3	5.2	2.4	510	68	39.9
New Brunswick	33.2	1.9	26.4	1.6	3.6	1.6	425	57	38.8
Quebec	411.5	23.2	268.1	16.0	29.7	13.5	331	37	43.2
Ontario	698.2	39.3	746.0	44.4	99.5	45.4	560	75	44.6
Manitoba	59.2	3.3	51.8	3.1	7.0	3.2	437	59	37.9
Saskatchewan	57.0	3.2	53.3	3.2	7.3	3.3	449	61	39.9
Alberta	217.6	12.3	226.7	13.5	31.5	14.3	522	72	42.8
British Columbia	223.6	12.6	231.7	13.8	31.0	14.1	553	74	44.8
Northwest Territories	1.7	0.1	1.5	0.1	0.2	0.1	466	67	27.6
Yukon	1.8	0.1	1.6	0.1	0.2	0.1	484	68	40.6
Nunavut	0.4	0.0	0.2	0.0	0.0	0.0	231	32	6.0

Notes: Same notes as for Table 1. Taxfilers filing in multiple jurisdictions are not included in province totals but are included in Canada totals. These comprise 0.1% of the total number of families making a claim.

Provincial tax credits for children's fitness activities are available in the following jurisdictions: Nova Scotia (effective 2005, eliminated for 2015 and later years), Manitoba (2007), Yukon (2007), Saskatchewan (2009), Ontario (2010), British Columbia (2012) and Quebec (2013). The tax credits in Saskatchewan, Yukon, Ontario and Quebec are refundable.

Relatively low tax savings for taxfilers resident in Quebec reflect in part the 16.5% tax abatement that is available to Quebec residents.

Provincial tax credits for children's artistic, cultural, recreational and developmental activities are available in the following jurisdictions: Manitoba (2011), Yukon (2011), British Columbia (2012), Saskatchewan (2009), Ontario (2010) and Quebec (2013). The tax credits in Saskatchewan, Ontario and Quebec are refundable.

Source: Department of Finance Canada.

3.4 Efficiency

That the CFTC and CATC were unlikely to have resulted in significant additional children's activities implies that these credits were also largely inefficient because the bulk of the costs arising from the credits were incurred in relation to activities that would have taken place even in the absence of the credits. This holds true for the fiscal cost that the Government incurred, that is, the tax revenues that were foregone because of the credits. This cost was estimated at $255 million in 2015, before the credits began to be phased out. Because the CFTC and CATC led to little additional children's activities, it can be concluded that most of the forgone tax revenues accrued as windfall gains to families that would have registered their children in eligible activity programs even in the absence of the credits.

The same holds true for other costs associated with the CFTC and CATC, including administration and compliance costs as well as the economic costs associated with the need for the Government to raise other taxes to make up for the tax revenues forgone because of the credits.[26] Even though these other costs may have been minimized per unit of activity subsidized, the bulk of these costs represented a loss from the point of view of society as a whole, since these costs did not lead to significantly greater participation in children's activities.

[26] In most cases, taxes impose economic costs as they distort decisions made by economic agents. The economic welfare and efficiency losses arising from these distortions represent a cost of having to raise taxes to finance the cost of a tax expenditure.

In any event, behavioural responses may fail to lead to beneficial outcomes, which would be another source of inefficiency. In the case of the CFTC and CATC, it has been questioned to what extent a change in the mix of organized versus unorganized children's activities is beneficial to children from physical and developmental standpoints. With regards to physical fitness, such a change may not result in any significant increase in levels of physical activity of children, as one form of physical activity only replaces the other. With regard to children's development, participation in organized physical or artistic activities may help develop specific physical, cognitive and social skills, although the same can also be argued for participation in unorganized activities.

The above suggests that the costs associated with the CFTC and CATC exceeded the realized benefits, and that other alternatives would have likely been more efficient from a benefit-cost standpoint.

4. Conclusion

This paper presents an evaluation of the Children's Fitness Tax Credit and Children's Arts Tax Credit from the standpoints of their relevance, effectiveness, equity and efficiency. While the main findings of the evaluation support the relevance of the credits' objective of promoting greater participation of children in physical and artistic activities, they provide little evidence to support the effectiveness of the CFTC and CATC in achieving these objectives. This evaluation finds that the price effects induced by these credits were relatively small, and that family decisions with respect to participation of children in organized physical and artistic activities are likely relatively insensitive to prices. The evaluation also raises concerns with respect to the equity and efficiency of the credits, as both were primarily used by high-income families who would likely enrol their children in organized activities even in the absence of the credits, meaning that the Government forgoes tax revenues with little resulting behavioural changes or social benefits.

Overall, this evaluation indicates that the CFTC and CATC had relevant policy objectives but many shortcomings in terms of their effectiveness, equity and efficiency. These shortcomings demonstrate that the CFTC and CATC were likely inferior to alternative approaches to promote fitness and artistic development among children, such as targeted direct subsidies to families and service providers or investment in sport and social infrastructure.

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Evaluation of the Goods and Services Tax Credit[1]

1. Introduction

In Canada, as in many other countries, consumption taxes are an important source of government revenue. In 1991, the Government of Canada adopted the Goods and Services Tax (GST). The GST applies to the sale price of a wide range of goods and services consumed by households, such as telephone services, clothing, automobiles and new homes. The wide range of goods and services subject to the GST allows for a relatively low rate and facilitates administration for businesses and the Government.

To ensure fairness, the GST Credit was implemented at the same time the GST was introduced in order to reduce the fiscal burden of this tax on low- or modest-income Canadians and thus counter the generally regressive features of consumption taxes. This paper presents an evaluation of the GST Credit.[2] It begins with an overview of the history of the credit and of its main rules. It also discusses federal GST revenues and amounts paid under the GST Credit. It then presents an evaluation of the GST Credit in terms of its relevance, effectiveness, equity and efficiency, including the merit of alternative measures.

The main results of the evaluation suggest that the GST Credit pursues a relevant objective—namely to alleviate the regressive features of consumption taxation—and that it effectively meets its objective, as it truly helps reduce the regressive nature of the GST for low- and modest-income populations. The evaluation also concludes that the credit is fair, as it actually benefits the populations targeted by the credit. Finally, the evaluation indicates that the GST Credit likely achieves the objective of improving the incidence of the GST more efficiently than alternative mechanisms, such as tax exemptions or multiple tax rates.

[1] The analysis presented in this paper was prepared by Dominique Fleury, Economist, Tax Policy Branch, Department of Finance Canada. Enquiries regarding Department of Finance Canada publications can be sent to finpub@canada.ca.

[2] To improve the effectiveness of collection and administration, some provinces have in recent years chosen to harmonize their own sales taxes with the GST and have it administered by the Canada Revenue Agency. Thus, Nova Scotia, New Brunswick and Newfoundland and Labrador adopted the Harmonized Sales Tax (HST) in 1997, followed by Ontario in July 2010 and Prince Edward Island in April 2013. The HST tax base is almost identical to that of the GST, and the HST is applied at the same rate as the GST, plus a provincial component that can vary depending on the province. This paper examines the federal component of the HST and therefore refers only to the GST.

2. General Information on the GST Credit

2.1 History

The GST Credit was implemented in 1991, the year in which the federal government replaced the Federal Sales Tax (FST) with the GST. When it was abolished, the FST, which had been in effect since 1924, applied at a general rate of 13.5% on goods manufactured in Canada at the time they were sold by the manufacturer, including when they were destined for export.[3] For imported goods, the FST was applied to their duty-paid value and therefore on prices that did not include marketing and distribution expenses, unlike goods manufactured in Canada. The GST, which replaced this tax, originally applied at a lower flat rate of 7% (since reduced to 5%) to a wider range of goods and services.[4] This reform aimed to make the tax system fairer, more efficient and easier to administer, and to increase investment and global competitiveness by providing a tax exemption for inputs used in the production of goods and services destined for export.

One of the concerns raised during the development of the GST was the potential impact that the new tax could have on lower-income households. To ensure that these households would not bear a greater tax burden than before the implementation of the GST, the GST Credit was implemented. It replaced and enhanced the Federal Sales Tax Credit in effect since 1986.[5] The 1989 budget indicated that the implementation of an enhanced credit, combined with sales tax reform and other changes to the direct taxation of individuals, should yield a fairer tax system overall.

2.2 Main Rules

The GST Credit is a non-taxable quarterly payment made by the federal government to low- or modest-income individuals or families to offset all or some of the GST they pay on goods and services consumed.

To be eligible for the credit, a person must be a resident of Canada for income tax purposes and be in one of the following situations:

1. is 19 years of age or older before the month in which the quarterly payment is issued;
2. has (or previously had) a spouse or common-law partner; or
3. is (or previously was) a parent and lives (or previously lived) with his or her child.

To receive the credit in a given year (benefit year), the person needs to have filed an income tax return for the year preceding the year for which the credit is being claimed (base year), even if no income was received in that year.[6]

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3 Certain goods were taxed at a lower rate, such as construction materials, while others, such as tobacco, were taxed at a higher rate.

4 The GST rate was reduced from 7% to 6% on July 1, 2006, and then from 6% to 5% on January 1, 2008.

5 Other mitigation measures were also implemented, including certain exemptions and zero-rating (see Part 3 of this report for a full list of these measures).

6 For the purposes of the GST Credit, a benefit year is from the beginning of July to the end of June. During the benefit year, payments are made quarterly, in July, October, January and April.

The value of the credit provided in a benefit year depends on the adjusted family net income and the family situation reported by the taxpayer in the base year.[7] Specifically, the maximum amounts payable for the July 2016 to June 2017 period (for the 2015 taxation year) are as follows:

- an adult receives a basic adult credit of $276 per year;
- families with children aged 18 and under receive a basic child credit of $145 per year for each child;
- in lieu of the basic child credit, single parents can claim the full basic adult credit of $276 per year for one dependent child;
- single parents are eligible for an additional credit of $145 per year in addition to their basic credit, child credits and full basic adult credit for the first dependent child;
- single adults without children are eligible for an additional credit of up to $145 per year (depending on income) in addition to the basic credit.

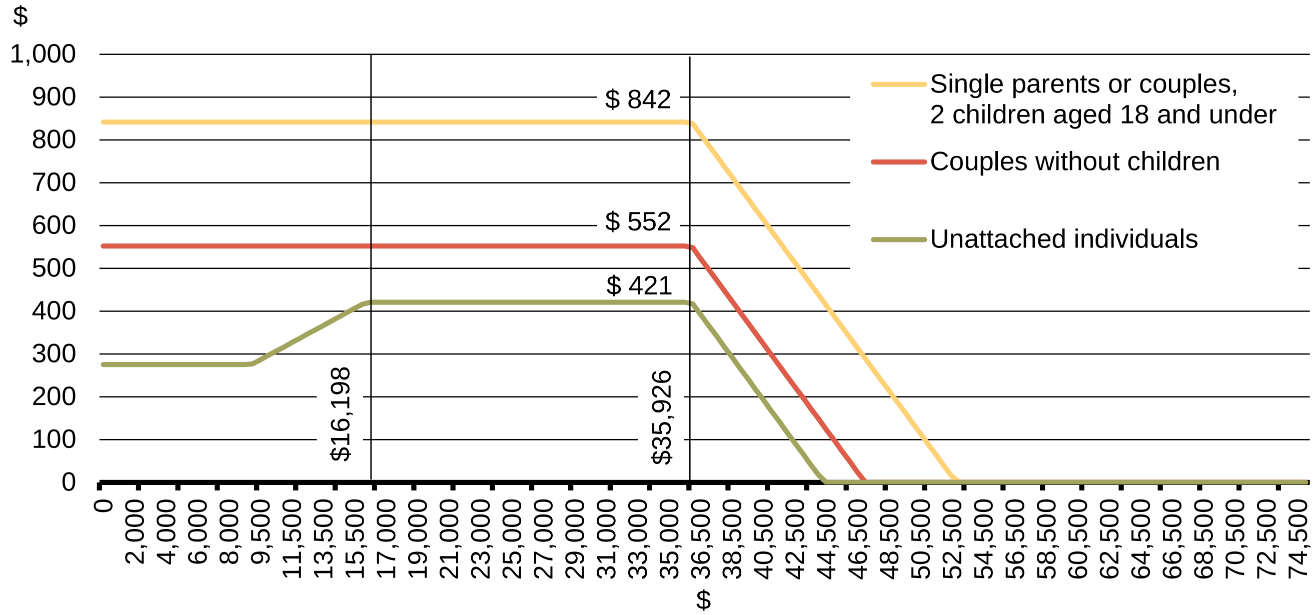
For individuals and families whose annual income exceeds the phase-out threshold, the amount of the credit is reduced at a rate of 5% of adjusted family net income in excess of the threshold. The phase-out threshold for the 2016-2017 benefit year is $35,926.

Chart 1 shows the GST Credit amounts payable to some family types in 2016-2017.

[7] Adjusted family net income is the amount entered on line 236 of the individual's income tax return. For individuals who have a spouse, the spouse's net income is added to their income to obtain family net income. Family net income does not include the net income of dependent children. Adjusted family net income corresponds to family net income minus net amounts received from the Universal Child Care Benefit (which was eliminated in 2016) and a Registered Disability Savings Plan.

Chart 1

GST Credit Amounts for the 2016-2017 Benefit Year, by Family Type and Adjusted Family Net Income Reported in 2015



Notes: For unattached individuals, a $276 credit is provided for those who report an income of $8,948 or less. Between $8,948 and $16,198 of income, the credit gradually increases to a maximum of $421. It remains at $421 between $16,198 and $35,926 of income, and then gradually decreases to $0 when income reaches $44,346. For single parents and couples with two children, the amount is $0 when adjusted family net income reaches $52,766; for couples without children, it is $0 when adjusted family net income reaches $46,966.

Source: Department of Finance Canada, based on information contained in the Canada Revenue Agency booklet entitled *GST/HST Credit Including related provincial credits and benefits for the period from July 2016 to June 2017.*

Prior to the implementation of the GST Credit, it was decided that the parameters for determining the credit amounts would be indexed to increases in the Consumer Price Index in excess of 3%.[8] This rule meant that, in the 1990s, the parameters of the credit were adjusted in only two years, the 1992-1993 and 1993-1994 benefit years. In subsequent years, the change in the Consumer Price Index did not exceed 3%; as a result the parameters were not adjusted until the end of the 1990s. Following the 2000 budget, the indexation rule was changed to provide for full indexation of the parameters of the credit. This change took effect beginning in the 2000-2001 benefit year.

When the GST rate was reduced in 2006 and 2008, no changes were made to the parameters of the credit. They remained at their existing level and continued to be fully indexed. A table presented in the Annex shows the evolution of the GST rate and the various parameters of the credit since the early 1990s.

8 Department of Finance Canada, *Goods and Services Tax: A Summary*, October 1990, p. 14.

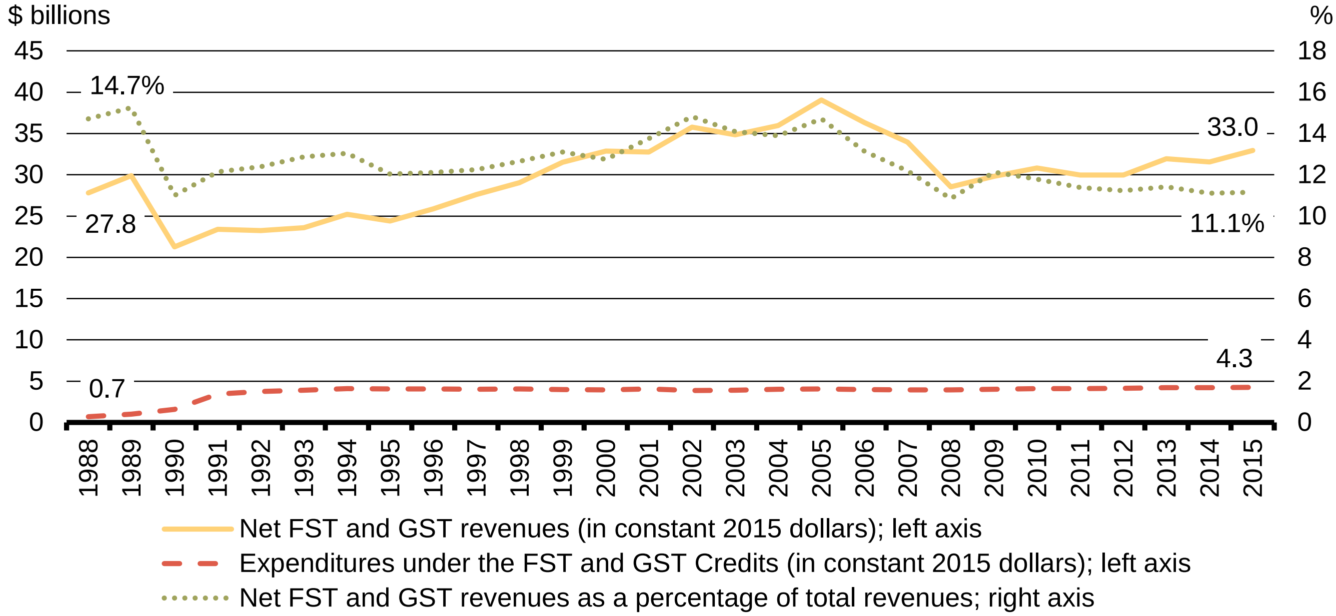
2.3 Federal GST Revenues and GST Credit Expenditures

GST revenues totalled $37.3 billion in the 2015-2016 fiscal year.[9] Of this amount, $4.4 billion was paid out under the GST Credit. That year, net GST revenues totalled $33.0 billion and represented 11.1% of total net federal revenues.

As shown in Chart 2, net FST and GST revenues have followed a general upward trend over the last 30 years (solid line). Expenditures for credits related to these taxes increased following the transition from the FST to the GST, but have remained relatively stable since then, after adjusting for inflation (dashed line). GST revenues as a proportion of total revenues today are similar to when the GST was implemented, but are slightly lower than FST revenues as a proportion of total revenues in the late 1980s (dotted line).

Chart 2

Net FST and GST Revenues, Expenditures Under the FST and GST Credits, and FST and GST Revenues as a Proportion of Total Federal Revenues, 1988 to 2015



Note: The *Fiscal Reference Tables* refer to fiscal years, e.g. from April 1, 2015 to March 31, 2016, while the *Report on Federal Tax Expenditures* refers to taxation years, e.g. from January 1, 2015 to December 31, 2015. These distinct reference periods explain the difference between the $4.4 billion appearing in the first paragraph of this section and the $4.3 billion presented in this chart.

Sources: Department of Finance Canada, *Fiscal Reference Tables* (2016 edition) for net FST and GST revenues and for net FST and GST revenues as a percentage of total revenues; *Report on Federal Tax Expenditures* (2016 edition) for expenditures under the FST and GST Credits.

9 Source: *Public Accounts of Canada*. The Government's 2015-2016 fiscal year is from April 1, 2015 to March 31, 2016. The $37.3 billion excludes $2.0 billion that was allocated to departments to fund their purchases of goods and services from outside parties.

3. Evaluation of the GST Credit

3.1 Relevance

As stated previously, the main objective of the GST Credit is to mitigate the regressive features of consumption taxation. This credit is therefore one of the measures aimed at increasing vertical equity within the tax system, as noted in the 1989 budget. The concept of vertical equity refers to the equitable treatment of individuals who are not in the same situation. One can generally say that vertical equity is achieved when the tax burden is distributed among individuals based on each person's ability to pay. However, as there is no consensus on the best way to define and measure an individual's ability to pay, it is difficult to draw firm conclusions regarding the vertical equity of the tax system or of a specific tax measure.[10]

The regressivity or progressivity of a tax is usually measured by taxes paid as a proportion of annual income, the effective tax rate. If the effective tax rate is higher for taxpayers with higher incomes and lower for those with lower incomes, a tax is said to be progressive. When the opposite is true, the tax is said to be regressive.

In the case of consumption taxes, the tax rate imposed on goods and services is not based on the income of those paying the taxes. Studies on consumer spending show that current consumption represents a larger share of the current income of low-income individuals than of those with middle or high incomes. As a result, lower-income individuals tend to devote a larger share of their annual income to paying consumption taxes than higher-income individuals, which explains the regressive nature of consumption taxes.

Chart 3 shows the effective GST tax rate for families in each of the 10 income deciles, without taking into account the GST Credit.[11] These results were obtained using version 18.0 of Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). Version 18.0 was used instead of the more recent version 22.3 because it allows for simulations regarding the tax system over the entire period which is of particular interest for this evaluation, i.e. the 1992-2010 period when specific changes may have had an impact on the effectiveness of the GST Credit (see next section). The overall impact of the GST Credit in 2010 is similar to its impact in subsequent years; therefore, the results of this evaluation are valid for the credit today.

The results indicate that the GST paid by Canadian families is indeed regressive when considered relative to their annual disposable income. In effect, the lower a family's income, the higher the share of annual disposable income devoted to paying the GST.[12] For example, in 2010, families in the 1st and 2nd income deciles devoted 3.8% and 3.5% of their total disposable family income to paying the GST, while those in the middle deciles (5th and 6th deciles) devoted 3.1% and 2.9% respectively, and those in the highest deciles (9th and 10th deciles) devoted 2.7% and 2.1%. Note that for families in the 3rd to 8th deciles, the GST appears to be only slightly regressive.

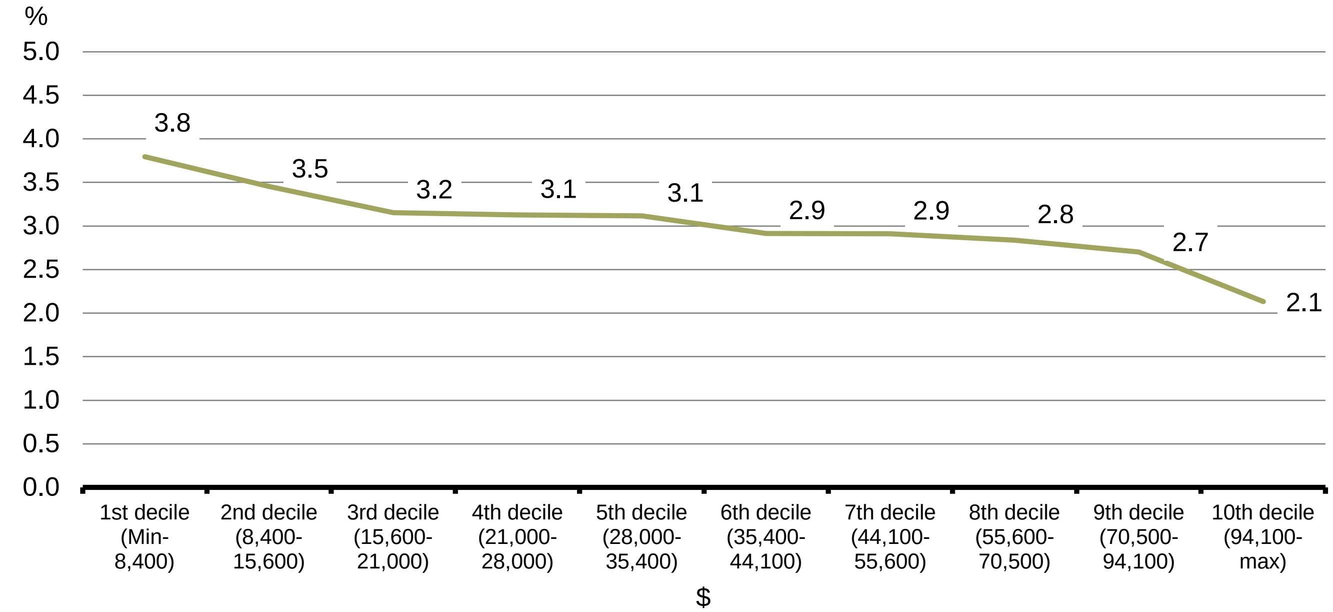
10 In contrast, the concept of horizontal equity refers to the equitable treatment of individuals in the same situation, e.g. taxpayers in the same income class.

11 An analysis by decile sheds light on the level and evolution of income for families who are in one of the 10 segments of the income distribution. The 1st segment, also known as the 1st decile, includes the 10% of families with the lowest disposable incomes, while the last segment, referred to as the 10th decile, includes the 10% of families with the highest disposable incomes. An unattached individual is considered to be a single-individual family. The GST paid on the purchase of new housing was excluded from the analysis. Although the GST paid on new housing represents approximately 20% of GST revenues each year, in a competitive market builders can adjust their prices to absorb a portion of the tax, to the benefit of families. Moreover, the impact of the portion of the tax that is absorbed by families is generally spread over the period during which the purchase of the property is financed (typically several years when the purchase is financed through a mortgage).

12 Annual disposable income is income after transfers and taxes. It is the income available to families for consumption.

Chart 3

Share of Disposable Family Income (in %) Devoted to Paying Gross GST, by Decile of Disposable Family Income, 2010



Notes: The unit of analysis is the nuclear family, which includes the members of a couple and their children under the age of 18. This concept is the one that is closest to the one used by the Canada Revenue Agency to calculate the amount of the GST Credit, i.e. the one including the filer and his or her spouse. Disposable family income that is taken into account consists of total family income, including market income (such as taxable and non-taxable capital gains and dividends), transfer income and all of the spouses' pension income (including Registered Retirement Savings Plan withdrawals), minus payroll deductions and income taxes.

Source: Simulation results based on version 18.0 of Statistics Canada's Social Policy Simulation Database and Model. Assumptions and calculations underlying the simulation results were specified by the Department of Finance Canada, and responsibility for the use and interpretation of the results is entirely that of the authors.

Some researchers disagree with the premise that consumption taxes are regressive. They consider a general consumption tax, such as the GST, to be less regressive over an entire lifetime, possibly proportional or even progressive, given that the amounts saved today will finance the purchase of goods and services in future years and that the tax will be imposed at that time on those purchases. In support of this view, some studies evaluate the impact of consumption taxes on annual consumption rather than annual income, based on the premise that annual consumption better captures the "permanent income" of individuals than does annual income.[13]

While these studies raise doubts about the incidence of consumption taxes, most countries that collect consumption taxes have concerns regarding the impact that these taxes can have on lower-income populations, and use various mechanisms to mitigate this impact.

[13] See for instance the Organisation for Economic Co-operation and Development (2014) study as well as the Bird and Smart (2016) study, which concluded that the GST (before the GST Credit) is not regressive, but slightly progressive in Canada.

3.2 Effectiveness

While the previous section concludes that the GST Credit pursues a relevant objective, this section seeks to evaluate how effectively the credit achieves this objective. It uses the SPSD/M to analyze the credit's impact on the effective tax rate of the GST, and aims to determine if the credit actually helps reduce the regressive features of the federal consumption tax and, if so, to what degree.[14] This section also examines how that contribution has evolved over time.

In general, the analyses presented below indicate that the GST Credit achieves its objective of reducing the regressive features of the GST for low- or modest-income populations. This finding is true today, as it was in the early 1990s, i.e. in the first years following implementation of the GST. The analyses suggest that the rule of partial indexation of the GST Credit that was in place in the 1990s slightly reduced the effectiveness of the credit in achieving its objective of mitigating the regressive features of the GST. However, this rule was changed in the 2000 budget to provide for full indexation of the credit. Moreover, the cut to the GST rate, combined with the continued relative generosity of the credit in the 2000s, mean that low- or modest-income families now devote a smaller or similar share of their disposable income to paying the GST (net of the credit) than in the first years following the introduction of the GST.

Incidence of the GST Credit

The dotted line in Chart 4 shows total GST paid by families as a proportion of their total disposable income, taking the GST Credit into account. This line shows that the GST Credit makes the federal consumption tax progressive up to the 8th income decile. Taking into account both the tax and the credit, the share of income devoted to paying the GST is lowest among families in the 1st income decile (-1.7%), increases to 0.8% for families in the 2nd income decile, continues to gradually increase until the 8th decile, and then decreases. For those in the 1st decile, the effective GST tax rate is negative when the credit is taken into account. This phenomenon is explained by the fact that, for a significant proportion of families in the lowest income decile, the value of the credit received is greater than the amount of GST paid over the course of the year.[15]

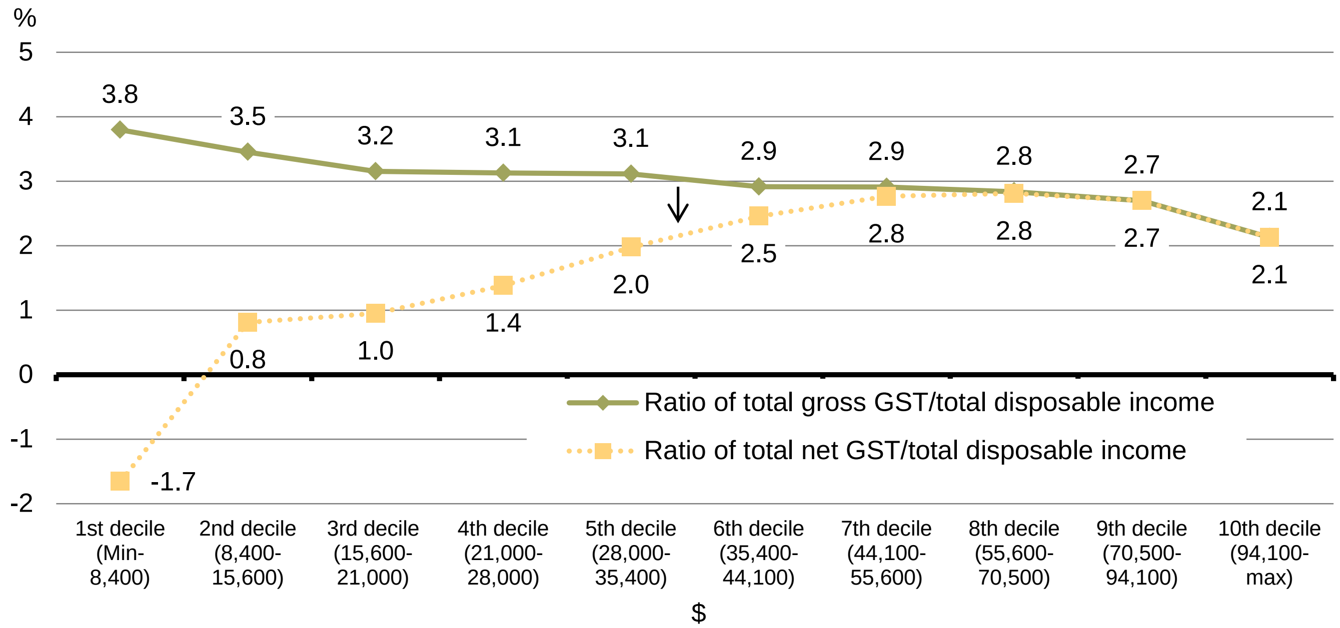
Therefore, the GST Credit effectively meets its objective of mitigating the regressive features of the federal consumption tax because, with the credit, the regressive incidence of the GST is reversed and becomes progressive for the first eight income deciles. Beyond a certain threshold of disposable family income (approximately $70,500 in 2010), the credit no longer has an impact on the regressive features of the GST, which is to be expected as the credit targets only low- or modest-income taxpayers.

14 This evaluation uses effective GST rates calculated based on annual disposable family income, since the GST Credit is paid based on family income, not on consumption levels.

15 The proportion of families in the 1st decile who were in this situation is estimated at 68.3% in 2010. This proportion could be overestimated, as the simulation model used to obtain these estimates is based on the following assumption: in a household that includes more than one nuclear family, the proportion of expenses paid by each nuclear family is equivalent to each family's share of the household's income. For example, in a household consisting of a couple earning $100,000 per year and their 20-year-old child who reports no income, the share of the household's expenses attributed to the young adult is 0%. Thus, the amount of GST paid by that young person is set at $0. This is a reasonable assumption, but may not perfectly reflect reality.

Chart 4

Share of Disposable Family Income (in %) Devoted to Paying the GST, Gross and Net of the GST Credit, by Decile of Disposable Family Income, 2010



Notes: The unit of analysis is the nuclear family, which includes the members of a couple and their children under the age of 18. This concept is the one that is closest to the one used by the Canada Revenue Agency to calculate the amount of the GST Credit, i.e. the one including the filer and his or her spouse. Disposable family income that is taken into account consists of total family income, including market income (such as taxable and non-taxable capital gains and dividends), transfer income and all of the spouses' pension income (including Registered Retirement Savings Plan withdrawals), minus payroll deductions and income taxes.

Source: Simulation results based on version 18.0 of Statistics Canada's Social Policy Simulation Database and Model. Assumptions and calculations underlying the simulation results were specified by the Department of Finance Canada, and responsibility for the use and interpretation of the results is entirely that of the authors.

Trend in the Incidence of the GST Credit

Since the implementation of the GST and the GST Credit in the early 1990s, a number of factors have had an impact on the effectiveness of the GST Credit in alleviating the regressive features of the GST among low- or modest-income populations. These factors include: 1) the partial indexation rule of the GST Credit in the 1990s; and 2) the cuts in the GST rate while maintaining the parameters of the credit in the 2000s. To be able to draw conclusions regarding the evolution of the GST Credit's contribution to reducing the regressive features of the federal consumption tax over time, the net effect of these two factors must be considered.

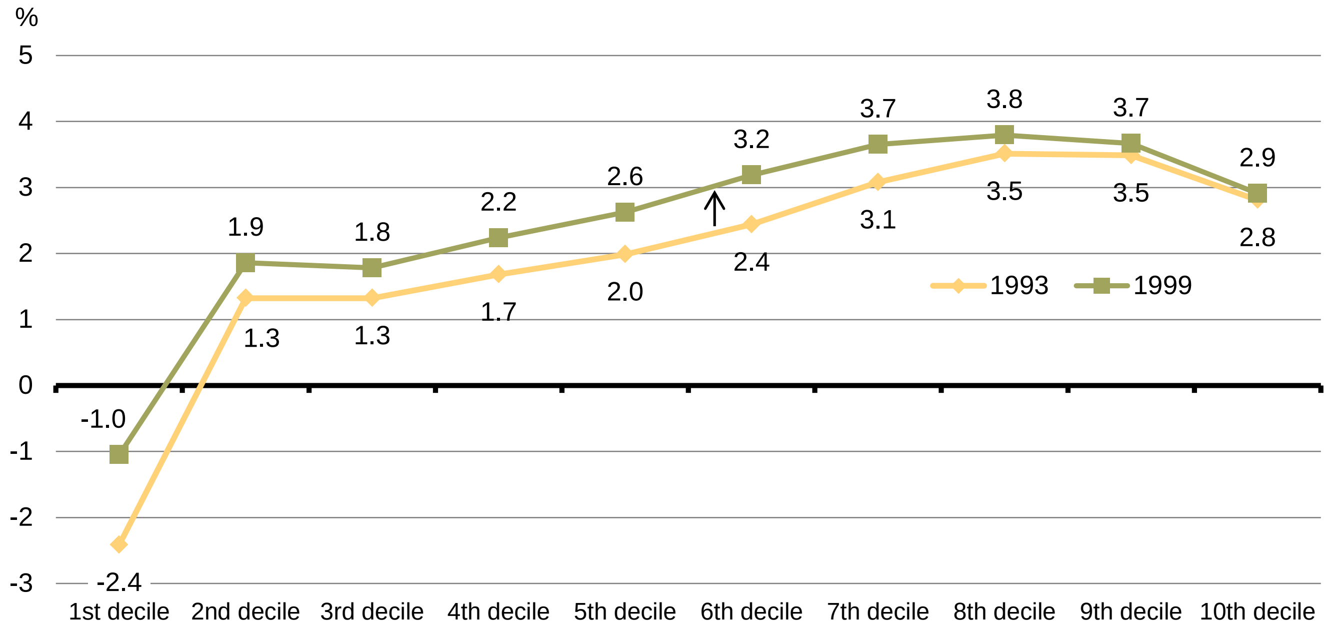
Evolution of the Effective Tax Rate of Net GST

In the 1990s, the GST Credit was only adjusted if inflation exceeded 3%, resulting in the credit being increased in only two years, the 1992-1993 and 1993-1994 benefit years. This led to an erosion in the value of the credit during this period relative to GST amounts paid, i.e. the credit is now lower than if all credit parameters had been fully indexed to take into account the rise in the cost of living during the period from 1993-1994 to 1999-2000.

As the prices of goods and services rise each year, GST paid for their consumption rises as well, and as a result the partial indexation rule of the credit can be expected to have increased the net value of GST paid by the population benefiting from the credit. A comparison of effective net GST tax rates for families in each income decile in 1993 and 1999 reveals an increase in net GST paid by low- or modest-income families during this period. Chart 5 shows that, between 1993 and 1999, the period during which the credit was partially indexed, the share of income devoted to paying net GST increased among families in the lower income deciles and to a lesser degree among families in the three upper deciles. The fact that these proportions increased more in the lower income deciles than in the upper deciles is consistent with expectations, as the credit targets low- or modest-income populations.[16]

Chart 5

Share of Disposable Family Income (in %) Devoted to Paying Net GST, by Decile of Disposable Family Income, 1993 and 1999



Notes: The unit of analysis is the nuclear family, which includes the members of a couple and their children under the age of 18. This concept is the one that is closest to the one used by the Canada Revenue Agency to calculate the amount of the GST Credit, i.e. the one including the filer and his or her spouse. Disposable family income that is taken into account consists of total family income, including market income (such as taxable and non-taxable capital gains and dividends), transfer income and all of the spouses' pension income (including Registered Retirement Savings Plan withdrawals), minus payroll deductions and income taxes.

Source: Simulation results based on version 18.0 of Statistics Canada's Social Policy Simulation Database and Model. Assumptions and calculations underlying the simulation results were specified by the Department of Finance Canada, and responsibility for the use and interpretation of the results is entirely that of the authors.

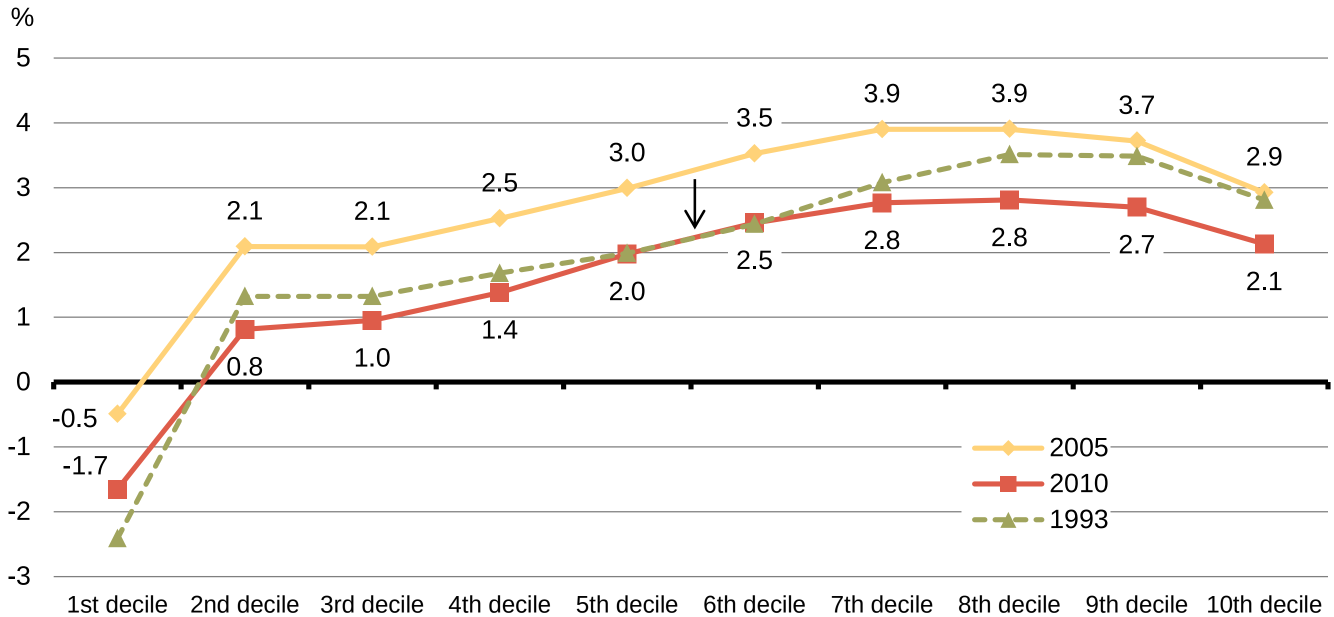
In the 2000s, the Government chose first to restore the full indexation of the personal income tax system, and thus of the GST Credit, in order to fully protect taxpayers from inflation. It then lowered the GST rate from 7% to 6% on July 1, 2006 and from 6% to 5% on January 1, 2008, while maintaining the existing GST Credit rates for low- or modest-income Canadians, as well as the rebate for new housing and purchases by public service bodies.

[16] Although high-income families do not benefit from the credit, the share of income devoted by these families to net GST also rose slightly during this period. This trend is due to the fact that the share of income devoted to paying gross GST increased during this period among all income deciles due to a larger increase in the total amount of GST paid by families compared to the increase in their disposable income.

These changes also had an impact on the share of disposable income that families devoted to paying net GST. The 2007 Economic Statement indicated that maintaining the GST credit level would translate into $1.1 billion in benefits annually for low- or modest-income families.[17] Chart 6 shows that the reductions in the GST rate, while the value of the credit's parameters were maintained, resulted in a reduction in the share of income devoted to paying net GST for all families, including low- or modest-income families. In fact, in 2010, the effective tax rates for families in each income decile were lower than the rates in 2005, the year preceding the first GST rate reduction.

Chart 6

Share of Disposable Family Income (in %) Devoted to Paying Net GST, by Decile of Disposable Family Income, 2005 and 2010 (and 1993)



Notes: The unit of analysis is the nuclear family, which includes the members of a couple and their children under the age of 18. This concept is the one that is closest to the one used by the Canada Revenue Agency to calculate the amount of the GST Credit, i.e. the one including the filer and his or her spouse. Disposable family income that is taken into account consists of total family income, including market income (such as taxable and non-taxable capital gains and dividends), transfer income and all of the spouses' pension income (including Registered Retirement Savings Plan withdrawals), minus payroll deductions and income taxes.

Source: Simulation results based on version 18.0 of Statistics Canada's Social Policy Simulation Database and Model. Assumptions and calculations underlying the simulation results were specified by the Department of Finance Canada, and responsibility for the use and interpretation of the results is entirely that of the authors.

[17] Department of Finance Canada, *Economic Statement*, October 30, 2007, p. 81.

Chart 6 also shows that, following the reduction in the GST rate from 7% to 5%, the share of income devoted to paying net GST by families in the 2nd, 3rd and 4th income deciles fell to below 1993 levels. This means that, overall, most low- or modest-income families (i.e. with annual disposable income between $8,400 and $28,000 in 2010) now devote a smaller share of their disposable income to paying net GST than in the first years following the introduction of the GST. Thus, for this population, the two successive cuts to the GST, while the credit parameters were maintained at their existing level, more than offset the erosion of the credit's value that resulted from the partial indexation rule applied in the 1990s. For families at the middle of the income distribution (i.e. those in the 5th and 6th deciles, or with disposable income between $28,000 and $44,100 in 2010), the cut to the GST rate ensured that they now dedicate about the same share of their annual disposable income to paying net GST as in 1993. Families in the four upper deciles were little affected by the erosion of the credit's value, but benefited from the cuts to the GST rate due to their consumption level. They therefore saw their effective net GST tax rate fall during this period.

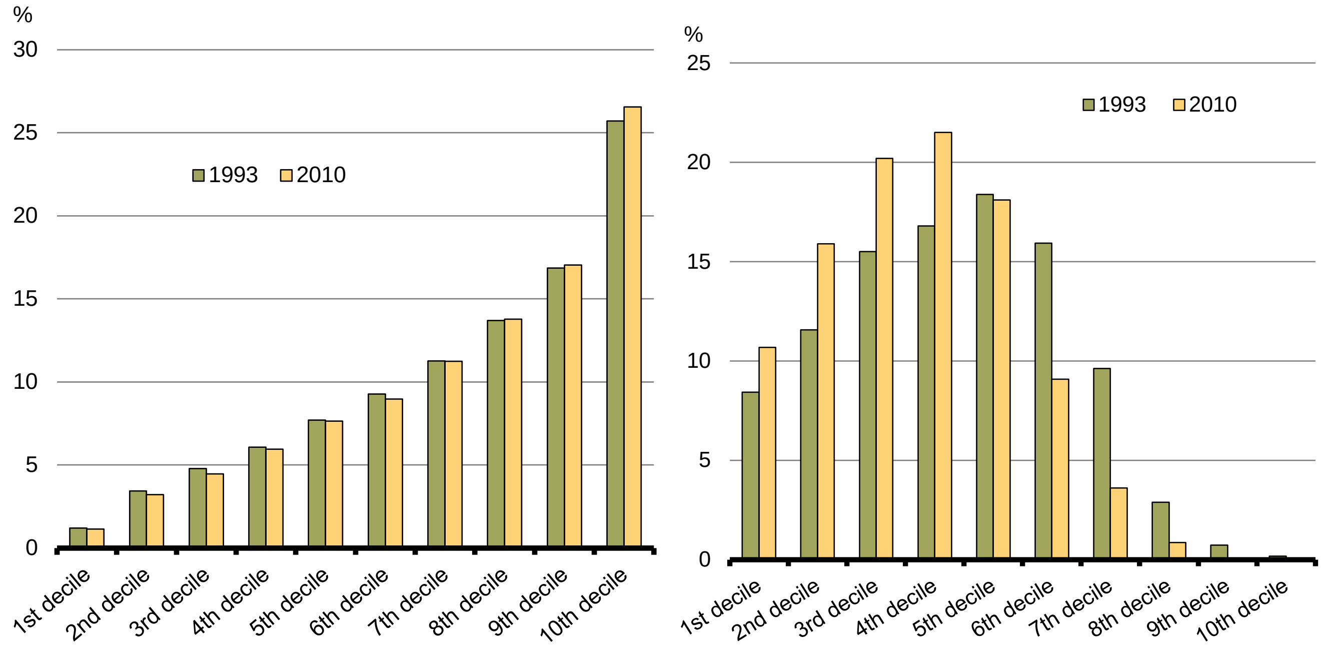
Evolution of the Credit's Impact on the Effective GST Tax Rate

The comparison over time of the decrease in GST paid that is attributable to the GST Credit shows that the partial indexation rule applied in the 1990s effectively resulted in a reduction in the relative generosity of the credit and that, on the other hand, the cuts to the GST rate while the credit parameters were maintained at their existing values increased the relative generosity of the credit. Overall, the decisions regarding the GST and the GST Credit in the 1990s and 2000s led to an impact of the credit that is now about the same as it was in the early 1990s for families in the first four income deciles, and slightly lower among families in the middle of the income distribution.

While Chart 7 shows that the share of total GST paid by families in each income decile changed very little between 1993 and 2010, it also shows that a much larger share of total GST Credit payments is now provided to families at the lower end of the income distribution (the first four deciles), and that families in the highest part of the income distribution do not benefit as much from the credit as they did in the past.

Chart 7

Proportion (in %) of Total GST Paid by Families in Each Decile (Left) and Proportion (in %) of Total GST Credit Payments Going to Families in Each Decile (Right), 1993 and 2010



Notes: The unit of analysis is the nuclear family, which includes the members of a couple and their children under the age of 18. This concept is the one that is closest to the one used by the Canada Revenue Agency to calculate the amount of the GST Credit, i.e. the one including the filer and his or her spouse. Disposable family income that is taken into account consists of total family income, including market income (such as taxable and non-taxable capital gains and dividends), transfer income and all of the spouses' pension income (including Registered Retirement Savings Plan withdrawals), minus payroll deductions and income taxes.

Source: Simulation results based on version 18.0 of Statistics Canada's Social Policy Simulation Database and Model. Assumptions and calculations underlying the simulation results were specified by the Department of Finance Canada, and responsibility for the use and interpretation of the results is entirely that of the authors.

3.3 Equity

This section examines the impact of the GST Credit on various groups and provides an overview of the number of credit recipients and amounts received, based on statistics published by the Canada Revenue Agency.[18] The analysis indicates that the GST Credit is generally fair, as it benefits the group of taxpayers targeted by the measure, i.e. those who report personal income or couple income that can be considered low or modest.

Table 1 presents statistics on the number of GST Credit recipients based on their province of residence. A total of $4.1 billion was paid under the GST Credit in the 2014-2015 benefit year, to more than 10 million Canadians, the equivalent of $402 per recipient.

18 GST Credit recipients are individuals who have received at least one credit payment in the benefit year.

Table 1 shows that GST Credit recipients are distributed fairly proportionally to the size of the population aged 15 and over in each province and territory of Canada. There is a slight over-representation of recipients in Newfoundland and Labrador and Quebec, and an under-representation of recipients in Ontario and Alberta. The average amount paid per recipient varies little from one province or territory to another, apart from Manitoba, Saskatchewan and Nunavut, where it is higher due to the financial and family situations of residents of those jurisdictions. In particular, the data indicate that GST Credit recipients in these three regions are more likely to be part of a family with three or more children. For example, 12.2% of credit recipients in Nunavut are part of such families, compared to 2.2% of recipients in Canada as a whole.

Table 1
Number of GST Credit Recipients, Total Value of Payments and Average Payment by Province and Territory, 2014-2015 Benefit Year

	% of the population	Number of GST Credit recipients	% of the total number of recipients	Total value of payments ($ million)	% of the total value of payments	Average payment per recipient ($)
Total for Canada	100.0	10,098,880	100.0	4,059	100	402
Newfoundland and Labrador	1.5	187,060	1.9	75	1.9	403
Prince Edward Island	0.4	43,740	0.4	17	0.4	398
Nova Scotia	2.7	295,550	2.9	118	2.9	400
New Brunswick	2.2	243,460	2.4	98	2.4	403
Quebec	23.3	2,618,080	25.9	1,033	25.5	395
Ontario	38.5	3,842,290	38.0	1,553	38.3	404
Manitoba	3.5	370,370	3.7	154	3.8	415
Saskatchewan	3.0	284,490	2.8	120	3.0	422
Alberta	11.3	856,740	8.5	349	8.6	407
British Columbia	13.3	1,329,700	13.2	530	13.1	399
Northwest Territories	0.1	10,310	0.1	4	0.1	409
Yukon	0.1	8,410	0.1	3	0.1	400
Nunavut	0.1	8,020	0.1	4	0.1	503

Notes: The distribution of the population corresponds to the distribution of the population aged 15 and over by province and territory on July 1, 2014. Totals may not add due to rounding.
Sources: Canada Revenue Agency, GST/HST Credit Statistics – 2014-2015 (2013 tax year); Statistics Canada, CANSIM table 051-0001.

Table 2 presents the number of recipients and payment amounts based on the marital status of recipients and the number of dependent children. More than 84% of GST Credit recipients are not in a couple and more than 89% do not have any dependent children. Although people living in a couple are less likely to receive the credit, those who do receive it receive a higher average credit amount ($578) than people who are not living in a couple ($369). Moreover, since those with more dependent children are entitled to a larger credit, it is expected that the average credit received by recipients increases with the number of children, from $633 for those with one dependent child to $871 for those with three or more dependent children.

Table 2

Number of GST Credit Recipients, Total Value of Payments and Average Payment by Marital Status and Number of Dependent Children, 2014-2015 Benefit Year

	Number of GST Credit recipients	% of the total number of recipients	Total value of payments ($ million)	% of the total value of payments	Average payment per recipient ($)
Total	10,098,880	100.0	4,059	100.0	402
Marital status					
Not in a couple	8,509,040	84.3	3,140	77.4	369
In a couple	1,589,840	15.7	919	22.6	578
Children					
No children	9,010,290	89.2	3,295	81.2	365
1 child	517,420	5.1	328	8.1	633
2 children	350,080	3.5	244	6.0	696
3 or more children	221,090	2.2	193	4.7	871

Source: Canada Revenue Agency, GST/HST Credit Statistics – 2014-2015 (2013 tax year).

Table 3 presents the number of recipients and payment amounts based on the net family income level of recipients. Given that eligibility for the GST Credit and its value are determined based on the net family income of individuals, it is not surprising that the largest proportion of recipients have a low or modest income. Nearly one third of all credit recipients (32.1%) reported net family income of less than $10,000 in 2013, 28.8% reported income between $10,000 and $20,000, and 37.0% reported income between $20,000 and $40,000. A very small proportion of recipients (0.04%) reported net family income of $50,000 or more in 2013. As the average value of the credit is lower among those who reported net family income of less than $10,000, this group did not receive a third of total payments, but rather a quarter. Almost all GST Credit amounts in 2014-2015 went to people who reported net family income of less than $40,000.

Table 3

Number of GST Credit Recipients, Total Value of Payments and Average Payment by Net Family Income in 2013, 2014-2015 Benefit Year

	Number of GST Credit recipients	% of the total number of recipients	Total value of payments ($ million)	% of the total value of payments	Average payment per recipient ($)
Total	10,098,880	100.0	4,059	100.0	402
Under $10,000	3,241,440	32.1	995	24.5	307
$10,000 to $19,999	2,905,680	28.8	1,273	31.4	438
$20,000 to $29,999	2,096,630	20.8	996	24.5	475
$30,000 to $39,999	1,635,430	16.2	719	17.7	440
$40,000 to $49,999	215,480	2.1	75	1.8	346
$50,000 or more	4,230	0.0	1	0.0	320

Notes: Net family income is net income reported on line 236 of the income tax return. For individuals with a spouse, the net incomes of the two spouses are combined.
Source: Canada Revenue Agency, GST/HST Credit Statistics – 2014-2015 (2013 tax year).

Previous results suggest that the GST Credit benefits those who are the most in need. However, results published by Statistics Canada in 2006 raise some concerns in that regard, showing that a sizeable proportion of families who receive the GST Credit are not in a low-income situation (74% in 2003), and that a non-negligible proportion of them have high incomes (8% had a family income of $100,000 or more in 2003).[19] There are two primary explanations for the differences between the results of the Statistics Canada study and those presented in Table 3 of this paper. First, the thresholds used to determine GST Credit eligibility are significantly above the thresholds used by Statistics Canada to determine low-income status.[20] This aligns with the GST Credit's main objective, which is to soften the burden of the GST for both low- and modest-income families. The second explanation relates to the choice of the unit of analysis considered. The Statistics Canada study relies on the hypothesis that incomes are shared amongst all members of an economic family, i.e. the income of all related persons living under the same roof, while only personal income and that of a spouse are taken into account when determining an individual's eligibility for the GST Credit. According to the GST Credit rules, a young adult who is 19 years of age or older who lives with his or her parents can, for example, receive the full credit amount if his or her employment earnings are below the phase-out threshold, regardless of the parents' income, while in the Statistics Canada study, this same young adult would be considered low-income only if his or her parents also report low incomes. This explains why Statistics Canada also finds that almost all high-income GST Credit recipients are neither the main income earner for the family nor his/her spouse, but rather are their children or parents.

3.4 Efficiency

This section examines the efficiency of the GST Credit, i.e. whether the costs incurred to provide the benefits of this measure are minimized. It concludes that the GST Credit seems to more efficiently meet the objective of alleviating the regressive features of the GST than would some alternative mechanisms, such as multiple rates or the exemption of certain goods and services.

Regarding the administration of the GST Credit, an internal audit conducted in 2006 by the Canada Revenue Agency concluded that the management of this program was highly effective in achieving service objectives, primarily regarding respect for deadlines and accuracy in processing benefit claims, modifications and payments.[21] Also, compliance costs for taxpayers are minimal, as the Canada Revenue Agency automatically determines whether or not individuals are entitled to the credit when they file an income tax and benefit return.[22] Only new residents of Canada must complete a form in order to claim the credit.

Costs incurred by the federal government each year for the GST Credit are equivalent to the total payments made to families, i.e. some $4.4 billion in 2015-2016. Measures other than a refundable tax credit—such as lower rates or exemptions for certain goods and services consumed by low- or modest-income individuals—could also be used to mitigate the regressive nature of consumption taxes, and one can ask if these alternative measures would achieve this objective at a lower cost.

[19] Chawla, Raj K. (2006), "The GST Credit," *Perspectives on Labour and Income,* Statistics Canada, Catalogue no. 75-001-XIE, Vol. 7, No. 6, June 2006.

[20] The low-income status of individuals was established using Statistics Canada's low-income cutoff measure. The low-income cutoffs are available in the Statistics Canada publication *Low Income Lines, 2013-2014*.

[21] Canada Revenue Agency, "Benefit Programs," Corporate Audit and Evaluation Branch, November 2006.

[22] Since 2014, filers no longer need to indicate on their return that they wish to claim the credit.

The evidence available in this regard suggests that the credit represents the most efficient option for achieving the desired objective.[23] Several problems are associated with the use of these alternative measures, and many economists are opposed to their use, on the basis that the costs incurred by these measures are greater than the benefits that they could provide in terms of progressivity. First, it is practically impossible to target goods and services consumed exclusively by low- or modest-income taxpayers. Consequently, a potentially large share of the total fiscal benefits provided for such goods and services could go to consumers other than those with low or modest incomes, reducing the efficiency of the measures. Moreover, these measures require that tax authorities and businesses identify which goods and services are eligible for the various rates and exemptions, resulting in additional administrative and compliance costs. Finally, these measures can encourage consumers to change their consumption choices in favour of goods and services taxed at a lower rate, distorting economic decisions.

In addition to being less complex administratively, financial compensation for lower-income families, including through refundable tax credits, is generally considered a more efficient means of countering the regressive features of consumption taxation, as it more appropriately targets populations in need and is less likely to result in consumption behaviours that are not optimal from an economic standpoint.

4. Conclusion

This paper presents an evaluation of the relevance, effectiveness, equity and efficiency of the GST Credit. Overall, it concludes that the credit does not present any significant shortcomings regarding the four guiding principles of the evaluation.

First, it concludes that the credit is relevant, as it aims to alleviate the regressive features of the federal consumption tax in Canada and thus increase the vertical equity of the tax system. It then finds that the GST Credit is effective, as it achieves its objective of reducing the regressive features of the federal consumption tax for populations at the bottom of the income distribution. The evaluation also concludes that the credit is fair, as it effectively benefits the targeted populations. Finally, the analysis indicates that alternative mechanisms to refundable tax credits that aim to counter the regressive features of a consumption tax would not likely achieve this objective at a lower cost. It therefore concludes that the GST Credit is an efficient measure.

[23] See, for example, Godbout, Luc and Suzie St-Cerny (2011),"Are Consumption Taxes Regressive in Quebec?", *Canadian Tax Journal*, pp. 471-472; Bickley, James M. (2003), *Value Added Tax: Concepts, Policy Issues, and OECD Experiences*, Novinka Books, pp. 19-21; Carlson, George N. and Melanie K. Patrick (1989), "Addressing the Regressivity of a Value-Added Tax," *National Tax Journal*, 42:3, September 1989, pp. 344-346.

Annex – GST Rate and GST Credit Parameters, Base Year 1990 to 2015

Base or taxation year	GST rate %	Benefit year for the GST Credit	Amount for adults $	Amount for children/single supplement $	Phase-out threshold $	Phase-in threshold for single supplement $
1990	FST	1991-1992	190	100	24,769	6,169
1991	7.0	1992-1993	193	102	25,215	6,280
1992	7.0	1993-1994	199	105	25,921	6,456
1993	7.0	1994-1995	199	105	25,921	6,456
1994	7.0	1995-1996	199	105	25,921	6,456
1995	7.0	1996-1997	199	105	25,921	6,456
1996	7.0	1997-1998	199	105	25,921	6,456
1997	7.0	1998-1999	199	105	25,921	6,456
1998	7.0	1999-2000	199	105	25,921	6,456
1999	7.0	2000-2001	205	107	26,284	6,546
2000	7.0	2001-2002	207	109	26,941	6,710
2001	7.0	2002-2003	213	112	27,749	6,911
2002	7.0	2003-2004	216	114	28,193	7,022
2003	7.0	2004-2005	224	118	29,123	7,253
2004	7.0	2005-2006	227	120	29,618	7,377
2005	7.0	2006-2007	232	122	30,270	7,539
2006	6.0	2007-2008	237	125	30,936	7,705
2007	6.0	2008-2009	242	127	31,524	7,851
2008	5.0	2009-2010	248	130	32,312	8,047
2009	5.0	2010-2011	250	131	32,506	8,096
2010	5.0	2011-2012	253	133	32,961	8,209
2011	5.0	2012-2013	260	137	33,884	8,439
2012	5.0	2013-2014	265	139	34,561	8,608
2013	5.0	2014-2015	268	141	34,872	8,685
2014	5.0	2015-2016	272	143	35,465	8,833
2015	5.0	2016-2017	276	145	35,926	8,948

Notes: The GST was introduced on January 1, 1991. The rate was reduced from 7% to 6% as of July 1, 2006, and then from 6% to 5% as of January 1, 2008.
Source: Department of Finance Canada.

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