TOP TEN ISSUES/THEMES FROM TAX UPDATE 2023

Over the past few years, several tax proposals and legislation have been rapidly released, many of which will significantly impact client deliverables and communication, workflow, business risk and billing practices.

The 10 Issues/Themes should be considered in the context of your firm policies and operations. Such considerations include the following:

- How will your firm ensure the new filings are delivered on time, accurate and complete?
- How will your firm manage the associated workload and deadlines?
- How will your firm bill for the associated work?
- How will your firm manage the new and expanded risks?
- Do the changes present new business opportunities and/or service delivery possibilities?

See Video Tax News' Status of Tax and Benefit Proposals document for the status of these and many other recent and ongoing developments.

1) **Alternative Minimum Tax (AMT) Modifications** (Proposed for 2024; Page 101) – The existing AMT regime is proposed to be significantly changed effective January 1, 2024 to focus on high-income individuals. These proposed changes would also impact several trusts engaging in normal-course, non-tax-abusive transactions. Should income/losses that can be triggered be accelerated such that they are exposed to the existing regime rather than the proposed regime? How will your firm identify existing and future structures that the changes may negatively impact? For those structures, will any changes be made to mitigate future impacts? How will your firm advise on strategies impacted by the proposed changes (such as large charitable donations, business sales or capital gain surplus strips)?

2) **First-year CCA Incentives** (Legislated and ongoing; Page 192) – Many first-year CCA incentives have been introduced over the last few years: accelerated investment incentive property (AIIP), AIIP for manufacturing and processing (M&P) equipment and clean-energy equipment, zero-emission property (vehicles and automotive equipment) and immediate expensing property (IEP). Several of these incentives will be reduced as of January 1, 2024. What is your process for communicating with clients to maximize CCA claims under the rates available until the end of 2023? How will you determine when assets are made available for use and, therefore, what the maximum associated CCA rate is?

3) **Trust Reporting** (Legislated and starting with December 31, 2023 year-ends; Page 246) – Commencing with December 31, 2023 year-ends, the types of trusts that must file T3 returns, including those where the trust acts as an agent for the beneficiary (referred to as bare trust arrangements), will increase significantly. In addition, the information required to be disclosed is significantly broadened. What is your strategy for identifying potential trusts requiring disclosures and obtaining the required information?

4) **Intergenerational Business Transfers** (Legislated with amendments proposed for 2024; Page 55) – Amendments to the rules that facilitate the intergenerational transfer of qualified small business corporation shares (QSBC) and shares of the capital stock of a family farm or fishing corporation shares to a corporation owned by the vendor's child/grandchild have been proposed to restrict these transactions to genuine intergenerational business transfers (IBTs). Specific eligibility requirements focused on transferring ownership, management and control of the business have been added. These amendments would be effective for share sales occurring on or after January 1, 2024. Should transactions in progress or estate/succession plans under consideration be accelerated? As many amendments require certain conditions to be met after the transaction, how will you/your clients continue to meet the conditions to benefit from the provisions? How will you incorporate these rules in broader discussions of succession planning?

5) **Business Sales and Transitions** (Legislated and proposed measures; Page 55, Page 299, Page 304) – With many business owners expected to exit their business in the coming years, how is your firm proactively assisting clients in planning and implementing these transitions? Which of the proposed IBT options (gradual or immediate) would be more appropriate for various clients? Are the proposed employee ownership trust rules appropriate for a transition? Will the Federal Court of Appeal in Foix impact whether a taxpayer may engage in a hybrid transaction?

6) **Mandatory Disclosures Rules** (Legislated for transactions entered into after June 21, 2023; Page 127) – The mandatory disclosure rules include three prongs: the expanded reportable transactions, notifiable transactions and reportable uncertain tax treatments. With the expanded reportable transactions rules applying for transactions entered into after June 21, 2023, what is your strategy for identifying relevant transactions and ensuring disclosures are filed? Will these rules and the risk of penalties for taxpayers and advisors impact your communications with your clients and the work you are involved in? In addition, while no notifiable transactions have been designated as of September 11, 2023, what is your process for ensuring that you disclose transactions when published and/or modified by the Minister of National Revenue?

7) **General Anti-Avoidance Rule (GAAR)** (Proposed for 2024; Page 135) – The existing GAAR is proposed to be significantly modified to capture more transactions, with larger penalties and an extended reassessment period. These amendments are proposed to apply to transactions on or after January 1, 2024. Will these rules and the associated risks impact the work you are involved in? Where there is a risk of disclosure, will your firm proactively disclose or disclose on an option basis? How will you communicate the risks associated with the changes to clients?

8) **Electronic Filing, Payments and Communication with CRA** (Legislated and ongoing; Page 23, 348, 350, 352 and Handout) – Several changes have been introduced that significantly affect how practitioners and taxpayers communicate and transact with CRA. For example, all payments/remittances to CRA in excess of $10,000 must be done electronically as of January 1, 2024, unless it is unreasonable to do so. In addition, the default method of correspondence for businesses that use CRA's My Business Account portal is changed to electronic only as of June 23, 2023. There are also several new requirement to file certain forms and returns electronically to avoid penalties. In addition, CRA has now provided the ability to electronically file special elections and returns. What is your strategy for implementing changes to your firm processes? What changes must be communicated to clients, and how will this be done?

9) **Real Estate Income Tax and GST/HST Matters** (Legislated and proposed measures ongoing; Page 73, Page 114, Page 229) – Many measures have been introduced to provide support to individuals and address perceived abuses related to real estate transactions. Incentives newly available in 2023 include the new multigenerational home renovation tax credit and the first home savings account. GST/HST on real property continues to be challenging. Rules to treat gains on short-term residential property sales (property held for less than a year) and gains on short-term assignment sales to be business income, effective January 1, 2023, have been enacted. Some additional areas where issues can arise include accessing the GST/HST new residential rental property rebate and GST/HST new housing rebate, and the requirement to self-assess on substantial renovations. What is your strategy for notifying clients of these incentives common filing issues? What is your strategy to collect all relevant information to ensure proper reporting?

10) **Underused Housing Tax (UHT)** (Legislated and ongoing; Page 147) – While relatively few taxpayers are subject to the UHT liability, many are still required to submit annual filings. How did your approach to the UHT filings work for the first year? Will your approach change in the future? For clients who may have missed filings for the 2022 year, how will you identify and file returns by December 31, 2023, to avoid further consequences of late filing/payment?