2023 FEDERAL BUDGET
Top takeaways

[Soft music]

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Tuesday's federal budget 2023 had a number of changes and measures that affect both individuals and corporations. Let's take a few minutes and review some of the changes that you'll want to know about.

First, let's begin with the grocery rebate. To help lower income Canadians with increasing costs particularly the cost of food, the budget proposed an increase to the maximum amount of GST credit for January 2023 (that we just received), known as the grocery rebate.

[Grocery rebate
• Eligible individuals will receive twice the GST rebate received in January 2023
• To be paid ASAP after legislation is passed
• Maximum additional amount will be $153 per adult, $81 per child, $81 additional single supplement]
And eligible individuals are going to get twice the amount that they received in January that will be paid as soon as possible once the legislation has passed. So, this maximum official amount will be $153 per adult or $81 per child, and another $81 for a single supplement.

[Alternative Minimum Tax (AMT)
• Changes expected to generate an additional $3 billion in revenue over the next five years]

The big news for higher-income Canadians, of course, is a complete rehaul of the alternative minimum tax known as the AMT. Starting in 2024, the government, being concerned that high income individuals are paying relatively little in personal income tax as a share of their income, are going to be introducing this new, rebranded AMT. It is expected that the AMT changes will generate an additional $3 billion in revenue over the next five years and in fact will affect and target primarily the highest income earners in Canada.

The Government did announce a number of changes to a variety of registered plans. First of all, they made a couple of changes to RESPs and RDSPs.

[Registered Education Savings Plan
• $8,000 of Educational Assistance Payments (EAPs) allowed in the first 13 consecutive weeks of enrollment
• Divorced/separated couple can open an RESP as joint subscribers]

The RESP, education savings plan, they've made a slight change there to allow $8,000 instead of $5,000 in the first 13 consecutive weeks of enrollment, in terms of an educational assistance payment. And they also amended the requirement when you open up an RESP, a joint RESP, currently you have to have spouses or common law partners. The new budget proposes to allow a divorced or separated couple to open an RESP as a joint subscriber for one or more of their children.

[Registered Disability Savings Plan
• A parent, spouse or partner is permitted to open an RDSP for a beneficiary over the age of 18 whose capacity is in doubt
• Expanded the definition of a qualifying member to include a brother or sister of the beneficiary]

There's also a small change to the Registered Disability Savings Plans. Under the current rule, there is an issue if you have someone who has a child over the age of 18, but they don't have the mental capacity to be able to enter into a contract. As a result, under a temporary rule which is now being extended till the end of 2026, a parent or a spouse or partner is permitted to open up the RDSP for them as opposed to just trying to get a guardian or legal representative. And they've also expanded the definition of a qualifying member to also include a brother or a sister of the beneficiary who's at least 18 years of age, to allow a sibling to establish an RDSP for an adult with disability who doesn't have the capacity to enter into their own RDSP contract.

[Corporate Tax Changes
• Intergenerational business transfers
• Introduced legislation to facilitate employee ownership trusts]

A few quick changes for corporations. There was a bill a number of years ago to facilitate intergenerational share transfers. That was Bill C-208. The government is just making a couple of changes there to make sure that people don't take advantage of that rule inappropriately, if there hasn't been a bona fide sale to a family member. They've also introduced legislation to facilitate employee ownership trusts, which have been popular both in the U.S. and the U.K. as a way of allowing a corporation to transition to some of the key employees of the business in future generations on a tax effective basis.

[General Anti-Avoidance Rule (GAAR)
• GAAR will be amended to address interpretive issues
• This could include a GAAR penalty equal to 25% of the amount of the benefit
• Extending a reassessment period by three years for GAAR assessments]

And then finally, there are some changes coming to the General Anti-Avoidance Rule or the GAAR, to strengthen the GAAR. The GAAR basically is the rule that was introduced back in 1988, that effectively says that a tax benefit could be denied if the government deems it to be inappropriate. So, the GAAR will be amended to help address the various interpretative issues that the Government is concerned about, that the GAAR is not currently applying as intended. This could include a GAAR penalty equal to 25% of the amount of the benefit, as well as extending a reassessment period by three years for GAAR assessments.

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