Federal Budget 2019 — No Real Surprises

March 19, 2019

The Honourable William Morneau, Minister of Finance, tabled the 2019 Federal Budget (Budget 2019) for the Government of Canada (the Government) on March 19, 2019 (Budget Day). As expected in an election year, Budget 2019 spoke directly to the young, the elderly, the "middle class" (and those working hard to join it), and federal government employees who continue to be impacted by the Phoenix pay system. Of note, the largest single tax expenditure is anticipated to be the Canada Training Credit with a cost of $815 million over 5 years. Investors and employees holding lucrative stock options may be disappointed due to proposed limits on benefits. On the business side, there will be increased support for research and innovation and for Canadian journalism. There are a few anti-avoidance measures targeted at the investment industry, which seem par for the course given other recent budgets. In addition, Canada has reaffirmed international commitments to combat tax avoidance, improve beneficial ownership transparency, and strengthen Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime. Despite pressure from industry, the Government made no commitment to engage in meaningful or comprehensive tax reform to enhance Canada's tax competitiveness.

Business Income Tax Measures

Character Conversion Transactions

In 2013, the Government introduced rules to the Income Tax Act (Canada) (the Income Tax Act) aimed at financial arrangements (character conversion transactions) which use derivative contracts to convert the returns on an investment from ordinary income to capital gains. Under those rules, gains arising from a "derivative forward agreement" were treated as ordinary income rather than as a capital gain. A derivative forward agreement was defined to include any agreement to purchase (or sell) a capital property where

- the term of the agreement (or series of agreements) exceeds 180 days, and
- the difference between the fair market value of the property delivered on settlement of the agreement and the amount paid for the property is derivative in nature (i.e., it is attributable, in whole or in part, to an underlying interest other than certain excluded interests).

One important excluded interest is where the economic return from a purchase or sale agreement is based on the economic performance of the actual property being purchased or sold. This exception is intended to exclude certain commercial transactions (such as M&A transactions) from the scope of the rules. Transactions have been developed which arguably fit within the commercial transaction exception, but they are considered a misuse of the exception as their purpose is not tied to the type of situations to which the exception was intended to apply. Generally, these transactions involve the forward purchase of an income-generating asset where the income is rolled up into the asset value and realized as a capital gain when the transaction is closed out.

Budget 2019 proposes an amendment that introduces an additional qualification for the commercial transaction exception in the definition of "derivative forward agreement" as the exception applies to purchase agreements. In general terms, this amendment will provide that the commercial transaction exception is unavailable if it can reasonably be considered that one of the main purposes of the series of transactions, of which an agreement to purchase a security in the future (or an equivalent agreement) is part, is for a taxpayer to convert into a capital gain an amount paid on the security, by the issuer of the security, during the period that the security is subject to the agreement.

This measure will apply to transactions entered into on or after Budget Day. It will also apply after December 2019 to transactions that were entered into before Budget Day that extended or renewed the terms of the agreement on or after Budget Day. This grandfathering will incorporate the same growth limits used under the transitional relief provided under the derivative forward agreement rules introduced in 2013.

Mutual Funds: Allocation to Redeemers Methodology

In order to support unitholder fairness in the mutual fund industry, the Income Tax Act provides the capital gains refund mechanism, which is a formula that reduces the amount of realized capital gains that would otherwise be payable to unitholders at the trust level by the amount of gains realized on the redemption of units during the year. Due to the perceived inefficiencies of the formula, the mutual fund industry developed a methodology of allocating capital gains to unitholders on the redemption of their units (the allocation to redeemers methodology), which was sanctioned by the Canada Revenue Agency (the CRA) in a number of advance income tax rulings. Under the methodology, a unitholder's proceeds on redemption was reduced by the amount of capital gains allocated, and the mutual fund trust was able to claim a corresponding deduction.

The Department of Finance believes that certain mutual fund trusts have been using the allocation to redeemers methodology to allocate capital gains to redeeming unitholders in excess of the capital gains that would otherwise have been realized by these unitholders on the redemption of their units, resulting in an inappropriate deferral of tax on the excess amount for these remaining unitholders.

To address this perceived abuse, Budget 2019 proposes to introduce a new rule that would deny a mutual fund trust a deduction in respect of the portion of an allocation made to a unitholder on a redemption of a unit of the mutual fund trust that is greater than the capital gain that would otherwise have been realized by the unitholder on the redemption, if the following conditions are met:

- the allocated amount is a capital gain; and

- the unitholder's redemption proceeds are reduced by the allocation.

In addition, Budget 2019 proposes to introduce a new rule that will deny a mutual fund trust a deduction in respect of an allocation made to a unitholder on a redemption, if

- the allocated amount is ordinary income, and
- the unitholder's redemption proceeds are reduced by the allocation.

Both of these measures will apply to taxation years of mutual fund trusts that begin on or after Budget Day, and they are expected to have a significant impact on the ETF industry.

Scientific Research and Experimental Development (SR&ED) Program

For Canadian-controlled private corporations (CCPCs), a fully refundable enhanced tax credit at a rate of 35 per cent (as compared to 15 per cent non-refundable tax credit for non-CCPCs and unincorporated businesses) is available on up to $3 million of qualifying SR&ED expenditures annually. The expenditure limit for a taxation year for an associated group is gradually reduced where (i) taxable income for the previous taxation year is between $500,000 and $800,000 and (ii) taxable capital employed in Canada for the previous taxation year is between $10 million and $50 million. Budget 2019 proposes to repeal the use of taxable income as a factor in determining a CCPC's annual expenditure limit for the purpose of the enhanced SR&ED tax credit. As a result, small CCPCs with taxable capital of up to $10 million will benefit from unreduced access to the enhanced refundable SR&ED credit regardless of their taxable income provided their taxable capital does not exceed $10 million. This measure will apply to taxation years that end on or after Budget Day.

Capital Cost Allowance (CCA) Rules for Zero-Emission Vehicles

Budget 2019 proposes to provide a temporary enhanced first-year CCA rate of 100 per cent in respect of eligible zero-emission vehicles, which follows shortly after the announcement of other accelerated CCA measures in the Fall Economic Statement on November 21, 2018 (the Fall Economic Statement). The new measure applies to eligible zero-emission vehicles acquired on or after Budget Day and become available for use before 2028, subject to a phase-out for vehicles which become available for use after 2023. For vehicles acquired in 2024 or 2025, the enhanced allowance will be reduced to 75 per cent, and for those acquired in 2026 or 2027, the enhanced allowance will be reduced further to 55 per cent. A taxpayer will be able to claim the enhanced allowance in respect of an eligible zero-emission vehicle only for the taxation year in which the vehicle first becomes available for use. CCA will be deductible on any remaining balances in the new classes on a declining-balance basis at a rate of 30 per cent for Class 54 and 40 per cent for Class 55.

Budget 2019 also confirms the Government's intention to proceed with the Accelerated Investment Incentive, and the immediate 100 per cent write-off of newly acquired equipment used in manufacturing and processing as well as specified clean energy equipment. Both measures were announced in the Fall Economic Statement.

Support for Canadian Journalism Organizations

Budget 2019 introduces three new tax measures to support Canadian journalism organizations:

- **Qualified Donee Status** : Budget 2019 proposes to allow Canadian journalism organizations that meet certain conditions to apply to the CRA to be registered as qualified donees. Like registered charities, these organizations will be exempt from income tax and will be entitled to issue charitable donation receipts. This measure will apply as of January 1, 2020.
- **Refundable Labour Tax Credit:** Budget 2019 proposes to introduce a 25 per cent refundable labour tax credit on salary or wages paid to eligible newsroom employees of qualifying Canadian journalism organizations. This measure will apply to salary or wages earned in respect of a period on or after January 1, 2019.
- **Personal Income Tax Credit for Digital Subscriptions:** Budget 2019 proposes a temporary, non-refundable 15 per cent tax credit for subscriptions to Canadian digital news. This will allow individuals to claim up to $500 in costs paid towards eligible digital subscriptions in a taxation year, for a maximum tax credit of $75 annually. This credit will be available in respect of eligible amounts paid after 2019 and before 2025.

“Qualified Canadian Journalism Organization” status is a necessary condition for each of the three measures. An independent panel will be established to recommend eligibility criteria for the purposes of these measures. Once the panel has made its recommendations, eligibility of organizations will be evaluated and a recognition process will be put in place.

International Tax Measures

Transfer Pricing Measures

Order of Application of Transfer Pricing Rules

To provide greater certainty in the application of the income tax rules, Budget 2019 proposes to amend the Income Tax Act to clarify that the transfer pricing rules in Part XVI.1 apply in priority to the application of the provisions in other parts of the Income Tax Act, including the provisions relating to ordinary income computation in Part I. The current exceptions to the application of the transfer pricing rules that pertain to situations in which a Canadian resident corporation has an amount owing from, or extends a guarantee in respect of an amount owing by, a controlled foreign affiliate will continue to apply.

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

Applicable Reassessment Period

For purposes of the transfer pricing rules the definition of “transaction” is expanded to include an arrangement or an event. This expanded definition of “transaction” used in the transfer pricing rules does not currently apply for the purposes of the rule establishing an extended three-year reassessment period relating to transactions involving a taxpayer and a non-resident with whom the taxpayer does not deal at arm’s length. Budget 2019 proposes to amend the Income Tax Act to provide that the definition of “transaction” used in the transfer pricing rules also be used for the purposes of the extended reassessment period. The measure is intended to match the extended reassessment period with the full range of transactions to which the transfer pricing rules may apply.

This measure will apply to taxation years for which the normal reassessment period ends on or after Budget Day.

Foreign Affiliate Dumping

Foreign affiliate dumping rules currently apply only in respect of corporations resident in Canada (CRICs) that are controlled by a non-resident corporation (or by a related group of non-resident corporations). The Government has identified similar policy concerns where a CRIC controlled by a non-resident individual or trust makes an investment in a foreign affiliate. Accordingly, Budget 2019 proposes to extend the application of these rules to CRICs that are controlled by

- a non-resident individual,
- a non-resident trust, or
- a group of persons that do not deal with each other at arm’s length, comprising any combination of non-resident corporations, non-resident individuals, and non-resident trusts.
  The proposals include an extended meaning of “related” that applies for the purpose of determining whether a non-resident trust does not deal at arm’s length with another non-resident person.

This measure will apply to transactions and events that occur on or after Budget Day.

Cross-Border Share Lending Arrangements

Securities lending is a practice commonly used in capital markets. A securities lending arrangement may involve a non-resident lending a share to a Canadian resident, and the Canadian resident agreeing to return an identical share to the non-resident in the future, providing collateral as security. Over the term of the arrangement, the Canadian resident is obligated to make payments as compensation for any dividends paid by the issuer of the lent share (dividend compensation payments). The arrangement intends to put the non-resident in the same economic position with respect to the lent share as if it had continued to hold the lent share.

The Income Tax Act contains rules that deem a dividend compensation payment made under a “fully collateralized” securities lending arrangement to be a payment made by the Canadian resident to the non-resident of a dividend payable on the lent share, which is subject to withholding tax. For the purpose of these rules, a securities lending arrangement is “fully collateralized” if the Canadian resident provides collateral to the non-resident in the form of money or government debt obligations with a value of 95 per cent or more of the lent share. If a securities lending arrangement is not “fully collateralized”, the dividend compensation payment is instead deemed to be a payment of interest made by the Canadian resident to the non-resident, which is generally exempt from withholding tax provided the parties deal at arm’s length.

Budget 2019 introduces a number of measures intended to prevent non-resident taxpayers from avoiding Canadian dividend withholding tax on compensation payments made under cross-border share lending arrangements with respect to shares of Canadian-resident corporations (Canadian shares), either through securities lending arrangements that are structured not to meet the "fully collateralized" test, or by entering into securities loans that are designed to fail the requirements of the "securities lending arrangement" definition. The Government contends that existing rules may be used to challenge these types of arrangements in certain circumstances; however, for the sake of efficiency, the Government is proposing specific measures in Budget 2019.

Under the proposed amendments, a dividend compensation payment made under a securities lending arrangement by a Canadian resident to a non-resident in respect of a Canadian share will always be treated as a dividend under the characterization rules (and therefore always subject to withholding tax). Budget 2019 also proposes an amendment to apply the characterization rules not only to a "securities lending arrangement" under the Income Tax Act, but also to a "specified securities lending arrangement" which includes securities loans that are substantially similar to securities lending arrangements. Finally, complementary amendments are proposed to ensure that the securities lending arrangement rules cannot be used to obtain other unintended withholding tax benefits.

These proposed amendments will apply to compensation payments that are made on or after Budget Day unless the securities loan was in place before Budget Day, in which case the amendments will apply to compensation payments made after September 2019.

In addition, Budget 2019 proposes to broaden an existing Canadian dividend withholding tax exemption to circumstances where the securities lending characterization rules would otherwise result in inappropriately taxing compensation payments made under certain securities lending arrangements in respect of shares of foreign corporations. This proposed amendment will apply to dividend compensation payments made on or after Budget Day.

Review of Base Erosion and Profit Shifting (BEPS)

Large multinational enterprises in Canada and elsewhere are now required to file country-by-country reports that include information on their global allocation of income and taxes, as well as the nature of their global business activities. These reports are exchanged between the CRA and other tax authorities with whom Canada has exchange agreements. Country-by-country reports are an important tool in addressing BEPS by providing the CRA and other tax authorities with new information to better assess transfer pricing risks. In conjunction with other international tax authorities, Canada is now participating in a review of these reporting standards to ensure that they provide tax administrators with information that allows for proper assessment of transfer pricing and other BEPS risks. This review is scheduled to be completed in 2020.

Personal Income Tax Measures

Employee Stock Options

Budget 2019 announces the Government's intent to limit the use of the current employee stock option tax regime and move toward aligning the tax treatment with the

United States for employees of large, long-established, mature firms. The current tax rules provide preferential tax treatment to employee stock options in the form of a deduction which effectively results in the benefit being taxed at a rate equal to one half of the normal rate of personal taxation, the same effective rate as for capital gains. In the Government's view, the tax benefits of the employee stock option deduction disproportionately accrue to a very small number of high-income individuals.

To address this perceived inequity, the Government intends to move forward with changes to limit the benefit of the employee stock option deduction by applying a $200,000 annual cap on employee stock option grants (based on the fair market value of the underlying shares) that may receive tax-preferred treatment for employees of large, long-established, mature firms. For start-ups and rapidly growing Canadian businesses, employee stock option benefits would remain uncapped. Any changes would apply on a go-forward basis only and would not apply to employee stock options granted prior to the announcement of legislative proposals to implement any new regime. Further details of this measure will be released before the summer of 2019.

Additional Types of Annuities under Registered Plans

Current tax rules generally require that an annuity purchased within a registered plan must commence by the end of the year in which the annuitant turns 71. Budget 2019 proposes to permit registered retirement savings plans (RRSPs), registered retirement income funds, deferred profit sharing plans, pooled registered pension plans (PRPPs) and defined contribution registered pension plans (DC RPPs) to acquire an advanced life deferred annuity (ALDA). An ALDA is a life annuity the commencement of which may be deferred until the end of the year in which the annuitant turns 85.

In order to qualify, the annuity contract must state that it intends to qualify as an ALDA and satisfy a number of requirements. An individual will be subject to a lifetime ALDA limit equal to 25 per cent of a specified amount in relation to a particular qualifying plan. An individual will also be subject to a comprehensive lifetime ALDA dollar limit of $150,000 from all qualifying plans.

Budget 2019 also proposes to amend the tax rules to permit PRPPs and DC RPPs to provide variable payment life annuities (VPLA) to members directly from the plan. A VPLA will provide payments that vary based on the investment performance of the underlying annuities fund and on the mortality experience of VPLA annuitants.

PRPP and DC RPP administrators will be permitted to establish a separate annuities fund under the plan to receive transfers of amounts from members' accounts to provide VPLAs. A minimum of 10 retired members will be required to participate in a VPLA arrangement in order for a plan to establish such an arrangement. VPLAs will be required to comply with certain existing tax rules applicable to PRPPs and DC RPPs, as well as additional requirements.

The Government will consult on potential changes to federal pension benefits standards legislation to accommodate VPLAs for federally regulated PRPPs and DC RPPs. To the extent that provinces wish to accommodate VPLAs for provincially regulated PRPPs and DC RPPs, they may need to amend their provincial pension benefits standards legislation.

These measures will apply to the 2020 and subsequent taxation years.

Registered Disability Savings Plans (RDSPs)

Where a beneficiary of a RDSP ceases to be eligible for the Disability Tax Credit (DTC) for a full year, the RDSP must be closed (and Canada Disability Savings Grants and Canada Disability Savings Bonds received in the prior 10 years repaid) by the end of the following year, subject to the ability to elect to extend the period during which the RDSP can remain open where a medical practitioner certifies that the beneficiary is likely to be eligible for the DTC in the foreseeable future. The election can be valid for a maximum of four years after which the RDSP must be closed if the beneficiary has not become eligible for the DTC within the election period.

Budget 2019 proposes to remove the time limitation on the period that an RDSP may remain open after a beneficiary becomes ineligible for the DTC and to eliminate the requirement for medical certification that the beneficiary is likely to become eligible for the DTC in the future in order for the plan to remain open. Further, the obligation to repay the Canada Disability Savings Grants and Canada Disability Savings Bonds will gradually abate after the beneficiary turns 60. The general rules that currently apply in respect of a period during which an RDSP may remain open after a beneficiary becomes ineligible for the DTC will continue to apply with certain modifications. If a beneficiary regains eligibility for the DTC, the regular RDSP rules will apply commencing with the year in which the beneficiary becomes eligible for the DTC.

This measure will apply after 2020. An RDSP issuer will not be required to close an RDSP on or after Budget Day and before 2021 solely because the RDSP beneficiary is no longer eligible for the DTC.

Restriction on Contributions to a Specified Multi-Employer Plan (SMEP)

A SMEP is a specific type of union-sponsored, defined benefit registered pension plan (DB RPP). In order to bring the SMEP rules in line with the pension tax provisions that apply to other DB RPPs, Budget 2019 proposes to amend the tax rules to prohibit contributions in respect of a member after the end of the year the member turns 71 and contributions to a defined benefit provision of a SMEP if the member is at the same time receiving a pension from the plan (except under a qualifying phased retirement program).

To provide SMEP sponsors and employers with a flexible transition period, this measure will apply in respect of SMEP contributions made pursuant to collective bargaining agreements entered into after 2019, in relation to contributions made after the date of the agreement.

Pensionable Service under an Individual Pension Plan (IPP)

Budget 2019 proposes to amend the pension transfer rules to restrict the ability to transfer the accrued value in a DB RPP to an IPP. An IPP is a DB RPP that has fewer than four members, at least one of whom is related to the employer that participates in the IPP. The proposed measures are aimed at addressing planning that seeks to circumvent prescribed transfer limits. Applicable to pensionable service credited under an IPP on or after Budget Day, IPPs will be prohibited from providing retirement benefits in respect of past years of employment that were pensionable service under a DB RPP of an employer, other than the IPP’s participating employer (or its predecessor employer). Any assets transferred from a former employer's DB RPP to an IPP that relate to benefits provided in respect of prohibited service will be considered to be a non-qualifying transfer that is required to be included in the income of the member for income tax purposes.

Carrying on Business in a Tax-Free Savings Account (TFSA)

Budget 2019 proposes to extend the joint and several liability for tax owing on income from carrying on a business in a TFSA, which is currently imposed on the trustee of a TFSA (i.e., a financial institution) and the TFSA itself, to the TFSA holder. This measure recognizes that a TFSA holder is typically in the best position to know whether the activities of the TFSA constitute carrying on a business. The joint and several liability of a trustee of a TFSA at any time in respect of business income earned by a TFSA will be limited to the property held in the TFSA at that time plus the amount of all distributions of property from the TFSA on or after the date that the notice of assessment is sent. This measure will apply to the 2019 and subsequent taxation years.

Other Personal Income Tax Measures

- **Canada Training Credit:** Budget 2019 proposes to introduce the Canada Training Credit, a refundable tax credit aimed at providing financial support to help cover up to half of eligible tuition and fees associated with certain adult upskill training. The eligible fees not refunded through the Canada Training Credit will continue to qualify as eligible fees under the Tuition Tax Credit. This measure will apply to the 2019 and subsequent taxation years.
- **Home Buyers' Plan (HBP)**: Budget 2019 proposes to increase the HBP withdrawal limit to $35,000 from $25,000 starting in 2019 to provide first-time home buyers with greater access to their RRSPs to purchase or build a home. Budget 2019 also proposes to extend access to the HBP in order to help Canadians maintain homeownership after the breakdown of a marriage or common-law partnership. As a result, a couple will potentially be able to withdraw $70,000 from their RRSPs to purchase a first home. This measure will apply to HBP withdrawals made after 2019.
- **Change in Use Rules for Multi-Unit Residential Properties:** To improve the consistency of the tax treatment of owners of multi-unit residential properties in comparison to owners of single-unit residential properties, Budget 2019 proposes to allow a taxpayer to elect that the deemed disposition that normally arises on a change in use of part of a property not apply. This measure will apply to changes in use of property that occur on or after Budget Day.
- **Medical Expense Tax Credit:** Budget 2019 proposes to amend the Income Tax Act to reflect the current regulations for accessing cannabis for medical purposes in the Cannabis Regulations, under the Cannabis Act, which came into force on October 17, 2018. This measure will apply to expenses incurred on or after October 17, 2018.
- **Electronic Delivery of Requirements for Information:** To improve the efficiency of the requirement-for-information process and to reduce administration and compliance costs, Budget 2019 proposes to allow the CRA to send requirements for information electronically (instead of by registered mail, certified mail or personal service) to banks and credit unions that consent to this method of service. This measure will apply as of January 1, 2020.
- **Donations of Cultural Property:** Budget 2019 proposes to amend the Income Tax Act and the Cultural Property Export and Import Act to remove the

requirement that property be of “national importance” in addition to being of “outstanding significance” in order to qualify for the enhanced tax incentives for donations of cultural property. This measure is intended to address concerns that certain donations of important works of art that are of outstanding significance but of foreign origin may not qualify for the enhanced tax incentives. This measure will apply in respect of donations made on or after Budget Day.

Sales and Excise Tax Measures

New Classes of Cannabis Products: Edibles, Extracts, and Topicals

Edible cannabis, cannabis extracts and cannabis topicals will soon be legalized for recreational sale.

Cannabis excise duties are currently calculated either as a flat-rate tax, calculated based on a cannabis product’s weight/quantity at the time of packaging, or by an ad valorem rate, calculated based on the cannabis product’s sale price, whichever is greater. For processed cannabis products (i.e. cannabis oil), the flat-rate tax calculation is based on the amount of cannabis material used in the production process.

To address compliance difficulties cannabis producers face with tracking cannabis used in making cannabis oils, Budget 2019 proposes a new excise duty calculation method based on the quantity of THC contained in a product. This new THC-based calculation method will apply to edibles, cannabis extracts, cannabis oils and cannabis topicals. The THC-based duty rate will be $0.01 per milligram of total THC content, except in Manitoba. Manitoba continues to administer its own provincial cannabis tax regime parallel to the federal regime; accordingly, special rules apply to Manitoba.

The proposals do not affect current cannabis product exemptions or the Coordinated Cannabis Taxation Agreements in place between the federal and provincial or territorial governments (except for Manitoba). These new proposed rules apply to cannabis products packaged for final retail sale on or after May 1, 2019.

New Goods and Services Tax/Harmonized Sales Tax (GST/HST) Health Measures

Budget 2019 proposes new GST/HST measures to extend healthcare-related GST/HST relief to new classes of biologicals, medical devices and health care services. Each of the following proposed measures apply to supplies made the day after Budget day:

- **Human Ova and In Vitro Embryos:** Only human sperm is currently zero-rated for GST/HST purposes – other human reproductive materials are not. Budget 2019 proposes to zero-rate supplies of human ova and relieve in vitro embryos from GST/HST on importation.
- **Foot Care Devices Supplied on the Order of a Podiatrist or Chiropodist:** Budget 2019 proposes to extend the zero-rating provision for foot care devices to devices supplied on the order of licensed podiatrists and chiropodists.
- **Multidisciplinary Health Care Services:** Budget 2019 proposes to exempt from GST/HST the supply of multidisciplinary health services that are rendered by a team of health professionals, where all or substantially all (generally, 90 per cent or more) of the consideration paid for the services is attributable to services that would be GST/HST-exempt if supplied as standalone services.

Other Measures

Strengthening Beneficial Ownership Transparency

In December 2017, the Minister of Finance and his provincial and territorial counterparts jointly committed to improving corporate transparency so that Canadian authorities can more clearly know who owns which corporations in Canada. To that end, the Canada Business Corporations Act was amended to require federally incorporated corporations to maintain beneficial ownership information. Budget 2019 proposes further amendments to that Act to make the beneficial ownership information maintained by federally incorporated corporations more readily available to tax authorities and law enforcement. The Government will continue to collaborate with the provinces and territories to assess how best to improve corporate ownership transparency.

Strengthening Canada 's Anti-Money Laundering and Anti-Terrorist Financing Regime

Budget 2019 proposes to create the Anti-Money Laundering Action, Coordination and Enforcement Team (the ACE Team), which will bring together dedicated experts from across intelligence and law enforcement agencies to strengthen inter-agency coordination and cooperation and identify and address significant money laundering and financial crime threats (including tax evasion). Budget 2019 also proposes to create a multi-disciplinary Trade Fraud and Trade-Based Money Laundering Centre of Expertise, which will complement the efforts of the ACE Team.

Improving Tax Compliance

In recent years, the Government has made significant investments aimed at combatting aggressive tax avoidance and cracking down on tax evasion. Budget 2019 proposes to continue these initiatives by investing an additional $150.8 million over five years, starting in 2019-20, to enhance the CRA's ability to unravel complex tax schemes, increase collaboration with international partners, and bring offenders to justice. This investment will allow the CRA to fund new and existing initiatives, including:

Hiring additional auditors, conducting outreach and building technical expertise to target non-compliance associated with cryptocurrency transactions and the digital economy;
Creating a new data quality examination team to ensure proper withholding, remitting and reporting of income earned by non-residents; and
Extending programs aimed at combatting offshore non-compliance.
The Government expects the revenue impact of these targeted compliance initiatives to reach $369.0 million over five years. This amount does not take into account any increase in provincial and territorial tax revenue resulting from these initiatives.

In addition, Budget 2019 proposes to invest $65.8 million over five years to improve CRA's information technology systems, including replacing legacy systems.

Improving Client Services at the CRA

As a result of a 2018 departmental review of the CRA's service model and activities, Budget 2019 proposes to internally reallocate CRA's resources to improve services for Canadians. This will include:

- **Improved digital services:** taxpayers will be notified promptly as their file progresses, and will be able to view this progress online;
- **Timely resolution of taxpayers' objections:** disputes with CRA will be resolved in a more timely fashion; and
- **Additional liaison officers:** more CRA staff will be available to guide new businesses through the tax filing and assessment process prior to filing their tax returns.

In support of CRA's service improvement efforts, Budget 2019 proposes to invest a further $50 million over five years, starting in 2019-20, in two key initiatives:

- Hiring additional staff to process income tax return adjustments, reducing delays and taxpayer frustration ($34 million); and
- Making permanent a pilot program that provides dedicated telephone support for tax professionals, staffed by experienced CRA officers ($16 million).

Previously Announced Measures

Budget 2019 confirms the Government's intention to proceed with the following previously announced tax and related measures, as modified to take into account consultations and deliberations since their release:

- Proposed cannabis duty regulations, released on September 17, 2018 largely relating to implementing the cannabis duty rates agreed to with the Provinces;
- Proposed GST/HST holding company rules released on July 27, 2018;
- Measures referenced in Budget 2018 to support employees who must reimburse a salary overpayment to their employers due to a system, administrative or clerical error;
- Income tax measures announced in Budget 2018 to implement enhanced reporting requirements for certain trusts to provide additional information on an annual basis;
- Income tax measures announced in Budget 2018 to facilitate the conversion of Health and Welfare Trusts to Employee Life and Health Trusts;
- Proposals confirmed in Budget 2016 relating to expanding the scope of the GST/HST joint venture election;
- Income tax measures announced in Budget 2016 expanding tax support for electric vehicle charging stations and electrical energy storage equipment; and
- Income tax measures announced in Budget 2016 on information-reporting requirements for certain dispositions of an interest in a life insurance policy.

Budget 2019 also reaffirms the Government's commitment to move forward as required with technical amendments to improve the certainty of the tax system.

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