CIBC MELLON

Summary of Tax Highlights from the 2021 Federal Budget

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On April 19, 2021, Deputy Prime Minister and Finance Minister Chrystia Freeland delivered the Canadian Government's 2021 Federal Budget.

A few tax highlights may be relevant for CIBC Mellon clients. As always, we encourage you to contact your legal, tax and compliance advisors for specific advice or guidance with respect to how these and other budget items may impact your organizations.

Regarding Corporate Tax

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There are no changes to corporate tax rates, or capital cost allowance.

STARTING IN 2023, THE AMOUNT OF INTEREST THAT CERTAIN BUSINESSES CAN DEDUCT WILL BE LIMITED TO:

40% of earnings in first year of the measure

30% after first year

Regarding Operational Tax

Budget 2021 proposes to support the implementation of a publicly accessible corporate beneficial ownership registry by 2025.

It proposes to provide more flexibility to plan administrators of defined contribution pension plans to correct for both under-contributions and over-contributions. This measure would apply in respect of additional contributions made, and amounts of over-contributions refunded, in 2021 and subsequent taxation years.

It proposes some tax relief to a Registered Investment that holds a non-qualified investment.

It proposes to allow issuers of T4A and T5 information returns to provide them electronically without having to also issue a paper copy and without the taxpayer having to authorize the issuer to do so. This measure would apply in respect of information returns sent after 2021.

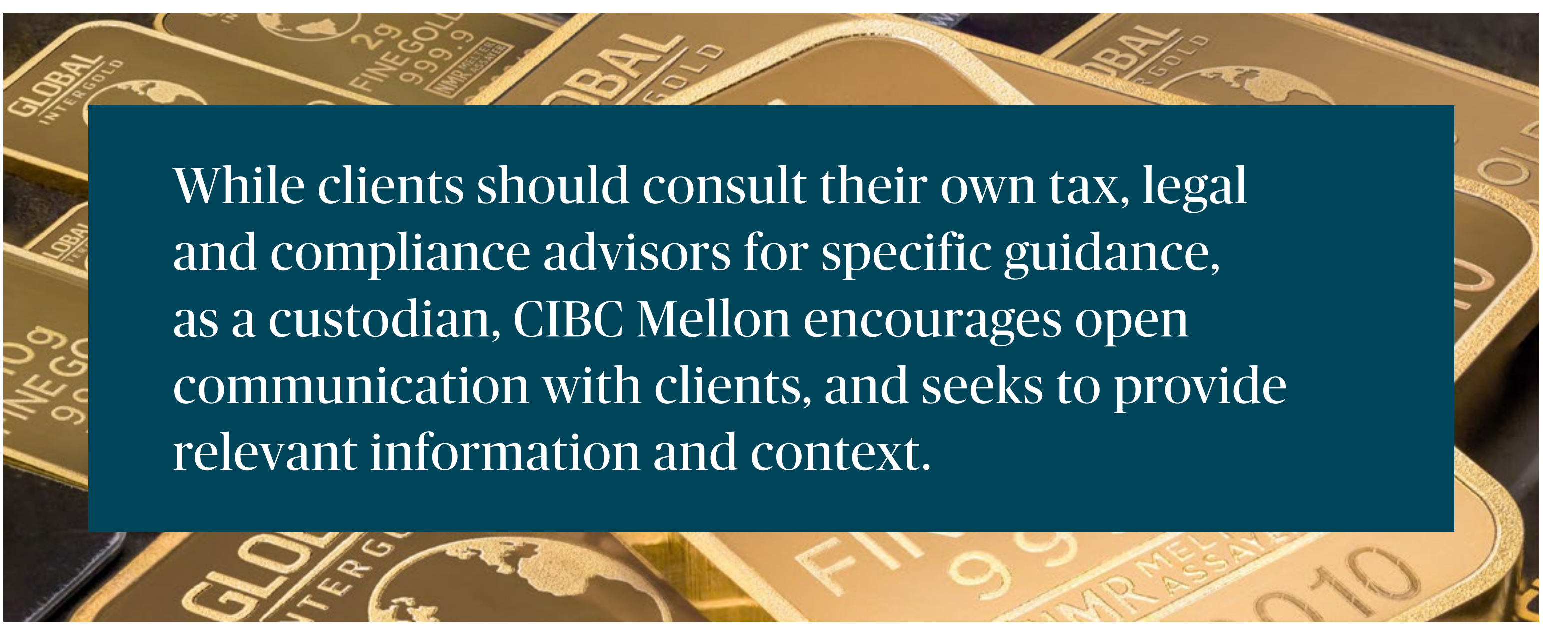
It proposes the threshold for mandatory electronic filing of income tax information returns (tax slips) for a calendar year be lowered from 50 to 5 returns, in respect of a particular type of information return. This measure would apply in respect of calendar years after 2021.

It eliminates the requirement that signatures be written on certain prescribed forms (i.e. T183, T183CORP, T2200, RC71 and RC72). This measure would come into force on Royal Assent of the enacting legislation.

The two dividend tax credit (DTC) rates and gross-up factors that generally apply to corporations would remain unchanged.

It confirms the government's intention to proceed with the following previously announced tax and related measures:

- Legislative proposals announced on November 27, 2020, to facilitate the conversion of Health and Welfare Trusts to Employee Life and Health Trusts.
- Regulatory proposals announced on July 2, 2020, providing relief for Deferred Salary Leave Plans and Registered Pension Plans during the COVID-19 pandemic.
- Legislative proposals released on July 30, 2019, to implement Budget 2019 income tax measures in respect of:
  - Character conversion transactions
  - Cross-border share lending arrangements



While clients should consult their own tax, legal and compliance advisors for specific guidance, as a custodian, CIBC Mellon encourages open communication with clients, and seeks to provide relevant information and context.

For more information

For additional information, we encourage you to visit the Government of Canada's website.

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