

Canada Income Tax Law and Policy

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TORONTO, ONTARIO M1T 3V4
PUBLISHED MONTHLY — LETTERMAIL NUMBER 1682169

RELEASE NO. 835 – March 26, 2018

HIGHLIGHTS OF THIS RELEASE

One new and one updated Income Tax Circular are included in this release:

- IC 97-2R17 — Voluntary Disclosures Program
- IC 18-1 — Tax-Free Savings Accounts

The following updated Income Tax Forms are included in this release:

- NR603 — Remittance of Non-Resident Tax on Income from Film or Video Acting Services
- RC199 — Voluntary Disclosures Program (VDP) Application
- RC201 — Working Income Tax Benefit Advance Payments Application for 2018
- T2 Sch 380 — Manitoba Research and Development Tax Credit (2017 and later tax years)
- T2 Sch 381 — Manitoba Manufacturing Investment Tax Credit (2017 and later tax years)
- T215 Segment
- T215 Summ — Summary of Past Service Pension Adjustments (PSPAs) Exempt from Certification
- T215 — Past Service Pension Adjustment (PSPA) Exempt from Certification
- T657 — Calculation of Capital Gains Deduction for 2017

- T666 — British Columbia (BC) Scientific Research and Experimental Development Tax Credit
- T1189 — Application to Register a Canadian Amateur Athletic Association under the Income Tax Act
- T1240 — Registered Charity Adjustment Request
- T1243 — Deemed Disposition of Property by an Emigrant of Canada
- T1244 — Election, Under Subsection 220(4.5) of the *Income Tax Act*, to Defer the Payment of Tax on Income Relating to the Deemed Disposition of Property
- T1255 — Designation of a Property as a Principal Residence by the Legal Representative of a Deceased Individual
- T1261 — Application for a Canada Revenue Agency Individual Tax Number (ITN) for Non-Residents
- T1262 — Part XIII.2 Tax Return for Non-Resident's Investments in Canadian Mutual Funds
- T2058 — Election on Disposition of Property by a Partnership to a Taxable Canadian Corporation

LEGISLATION UPDATES

Notice of Ways and Means Motion to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures

On March 22, 2018, Finance Canada tabled a Notice of Ways and Means Motion (*Budget Implementation Act, 2018, No. 1*) to implement certain Budget 2018 tax measures. The *Budget Implementation Act, 2018, No. 1* amends the *Income Tax Act*, the *Excise Tax Act*, the *Excise Act, 2001* and other related legislation.

NEWS

Parliamentary Budget Officer Report: Income Sprinkling Using Private Corporations

On March 8, 2018, the Office of the Parliamentary Budget Officer released the report *Income Sprinkling Using Private Corporations*. In July 2017, the Minister of Finance announced consultations on tax planning strategies involving the use of private corporations. This report analyzes potential changes to the taxation of dividends paid to family members of

the owners of a Canadian-controlled private corporation (CCPC), one of the policy proposals put forth as part of the consultations and confirmed in Budget 2018. It also reflects clarifications provided by the Minister in December 2017.

Canada Revenue Agency: Minister Lebouthillier highlights efforts to help vulnerable Canadians access benefits they are entitled to

(Source: Canada Revenue Agency News Release, March 19, 2018)

On March 19, 2018, the Honourable Diane Lebouthillier, Minister of National Revenue, met with a number of community organizations that provide assistance to vulnerable people in Montréal. During the discussions, participants presented solutions that the CRA could consider to make the services it offers more fair, more helpful and easier for Canadians to access. The Minister highlighted initiatives such as the Volunteer Program, as the Community Volunteer Income Tax Program (CVITP) is known in Quebec, the simplification of communications products and forms distributed to taxpayers and the launch of the File my Return automated phone service. The Minister also took the opportunity to present the findings of the first ethnographic study conducted by the CRA on the experiences of homeless and housing-insecure Canadians

Minister Lebouthillier also visited Accueil Bonneau, a shelter that has served Montréal's homeless population for more than 140 years. She also held a roundtable with volunteers from Projet changement and other community organizations that prepare federal and provincial tax returns for eligible individuals through the Volunteer Program. The CVITP is an essential program where volunteers across the country help hundreds of thousands of Canadians with their taxes. Budget 2018 proposes to double the size of this program to help even more Canadians get the benefits they are entitled to.

The CVITP completes income tax returns for taxpayers with modest incomes and simple tax solutions. In Quebec, the program is jointly administered by the CRA and Revenue Québec.

Canada Revenue Agency: The Automated Benefits Application service in the Northwest Territories will make applying for benefits for newborns easier

(Source: Canada Revenue Agency News Release, March 21, 2018)

On March 21, 2018, the Honourable Diane Lebouthillier, Minister of National Revenue, and the Honourable Glen Abernethy, Minister of Health and Social Services, Government of the Northwest Territories, announced that residents of the Northwest Territories can now apply for the Canada child benefit (CCB) and other child benefits with the Automated Benefits Application service for the registration of a newborn. In January 2018 alone, the CCB supported 7,780 children in the Northwest Territories with payments totalling \$2,596,000.

As of now, parents of newborns can apply for benefits by simply providing their consent on the birth registration form available in health care facilities throughout the Northwest Territories. This information will be sent to the Canada Revenue Agency through a secure network. The CRA will process the application and determine eligibility for benefits such as the Canada child benefit, the Northwest Territories child benefit, and the child portion of the GST/HST credit.

Those without access to the Automated Benefits Application service can apply for Canada child benefits through the CRA's My Account or by completing Form RC66, *Canada Child Benefits Application*. In order to maintain the integrity of the tax and benefit system, in some cases, the CRA will review eligibility for Canada child benefits. The CRA may request proof that the applicant is primarily responsible for the care and upbringing of the child. This is not needed when applying, but may be requested later. Applicants must keep all their tax documents for at least six years. The six-year period starts at the end of the last tax year to which the records relate.

As of July 2018, the Canada child benefit will be enhanced to keep up with the increased cost of living. For a single parent of two children earning \$35,000 annually, a strengthened CCB will contribute \$560 in the 2019–20 benefit year toward the cost of raising their children.

Interest Rates for Second Calendar Quarter 2018

On March 22, 2018, the Canada Revenue Agency announced the prescribed annual interest rates that will apply to any amounts owed to the CRA and to any amounts the CRA owes to individuals and corporations. These rates will be in effect from **April 1, 2018, to June 30, 2018**.

Income tax:

- The interest rate charged on overdue taxes, Canada Pension Plan contributions, and employment insurance premiums will be 6%.
- The interest rate to be paid on corporate taxpayer overpayments will be 2%.
- The interest rate to be paid on non-corporate taxpayer overpayments will be 4%.
- The interest rate used to calculate taxable benefits for employees and shareholders from interest free and low-interest loans will be 2%.
- The interest rate for corporate taxpayers' pertinent loans or indebtedness will be 5.18%.

Other taxes, duties, or charges:

Interest rates on overdue and overpaid remittances will be as follows:

Tax, duty, or other charges	Overdue remittances	Overpaid remittances — Corporate taxpayers	Overpaid remittances — Non-corporate taxpayers
Goods and services tax (GST)	6%	2%	4%
Harmonized sales tax (HST)	6%	2%	4%
Air travellers security charge	6%	2%	4%
Excise tax (non-GST/HST)	6%	2%	4%
Excise duty except brewer licensees (amounts due after June 30, 2003)	6%	2%	4%
Excise duty except brewer licensees (amounts due before July 1, 2003)	4%	N/A	N/A
Excise duty (brewer licensees)	4%	N/A	N/A
Softwood lumber products export charge	6%	2%	4%

The **overdue remittance rate** is the rate of interest the taxpayer must pay on amounts due to the CRA.

The **overpaid remittance rate** is the rate of interest the CRA must pay on amounts due to the taxpayer.

For information on the prescribed interest rates for other calendar quarters, go to www.cra.gc.ca/interestrates.

