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2019 FEDERAL BUDGET SUMMARY

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PERSONAL INCOME TAX MEASURES

Canada Training Benefit

The budget proposes to introduce the Canada Training Benefit to address barriers to professional development for working Canadians.

The Canada Training Benefit includes two key components: a new, non-taxable Canada Training Credit to help with the cost of training fees, and a new Employment Insurance (EI) Training Support Benefit to provide income support when an individual requires time to take off work.

Canada Training Credit

The Canada Training Credit is a refundable tax credit which is aimed at providing financial support to help cover up to half of eligible tuition and fees associated with training. Eligible individuals will accumulate $250 each year in a notional account which can be accessed for this purpose.

In order to accumulate the amount of $250 in respect of a year, an individual must:

- file a tax return for the year;
- be at least 25 years old and less than 65 years old at the end of the year;
- be resident in Canada throughout the year;
- have earnings of $10,000 or more in the year; and
- have individual net income for the year that does not exceed the top of the third tax bracket for the year ($147,667 in 2019).

The amount of a credit that can be claimed for a taxation year will be equal to:

- the lesser of half of the eligible tuition and fees paid in respect of the taxation year; and
- the individual's notional account balance for the taxation year (based on amounts used or accumulated in respect of previous years).

The amount claimed will offset, dollar for dollar, tax otherwise payable or will be refunded to the individual to the extent that the amount exceeds tax otherwise payable.

An individual who claims the credit for a given taxation year may still accumulate an entitlement to $250 in respect of that year.

The credit will be available to be claimed for a taxation year even if the individual's earnings or income preclude them from accumulating an amount in respect of that year.

Individuals will be able to accumulate up to a maximum amount of $5,000 over a lifetime. Any unused balance will expire at the end of the year in which an individual turn 65.

Eligible Tuition and Other Fees

Eligible fees will include:

- tuition fees;
- ancillary fees and charges (e.g., admission fees, exemption fees and charges for a certificate, diploma or degree); and
- examination fees.

The portion of the tuition fees refunded through the Canada Training Credit will not qualify as eligible expenses under the Tuition Tax Credit. The difference between the total eligible fees and the portion 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. Consequently, the annual accumulation to the notional account will start based on eligibility in respect of the 2019 taxation year and the credit will be available to be claimed for expenses in respect of the 2020 taxation year.

EI Training Support Benefit

This new benefit—expected to be launched in late 2020—would be available through the EI program and would provide up to four weeks of income support, every four years. This income support will be paid at 55 per cent of a person's average weekly earnings.

The new EI Training Support Benefit would provide workers with the flexibility to train when it works best for them, within a four-year period (for example, taking three weeks of paid leave in the first year, and the final week in the last year).

The Government proposes to introduce an EI Small Business Premium Rebate. Starting in 2020, any business that pays employer EI premiums equal to or less than $20,000 per year would be eligible for a rebate to offset the upward pressure on EI premiums resulting from the introduction of the new EI Training Support Benefit.

Making Canada Student Loans More Affordable

Lower Interest Rates

The budget proposes the following changes to Canada Student Loans and Canada Apprentice Loans:

- Lower the floating interest rate to prime, from its current rate of prime plus 2.5 percentage points, starting in 2019–20.
- Lower the fixed interest rate to prime plus 2.0 percentage points, from its current rate of prime plus 5.0 percentage points, starting in 2019–20.

New Interest-Free Grace Period

The budget proposes to amend the *Canada Student Financial Assistance Act*, so that student loans will not accumulate any interest during the six-month non-repayment period (the "grace period") after a student loan borrower leaves school.

Improving the Economic Security of Low-Income Seniors

To allow low-income older Canadians to take home more money while they work, the budget proposes to introduce legislation that would enhance the Guaranteed Income Supplement (GIS) earnings exemption beginning with the July 2020 to July 2021 benefit year. The enhancement would:

- Extend eligibility for the earnings exemption to self-employment income.
- Provide a full or partial exemption on up to $15,000 of annual employment and self-employment income for each GIS or Allowance recipient as well as their spouse, specifically by:
    - Increasing the amount of the full exemption from $3,500 to $5,000 per year for each GIS or Allowance recipient as well as their spouse;
    - Introducing a partial exemption of 50 per cent, to apply to up to $10,000 of annual employment and self-employment income beyond the initial $5,000 for each GIS or Allowance recipient as well as their spouse.

Introducing the First-Time Home Buyer Incentive

To help make homeownership more affordable for first-time home buyers, the budget proposes to introduce the First-Time Home Buyer Incentive.

The Canada Mortgage and Housing Corporation (CMHC) First-Time Home Buyer Incentive is a shared equity mortgage that would give eligible first-time home buyers the ability to lower their borrowing costs by sharing the cost of buying a home with CMHC. The Incentive would provide funding of 5 or 10 per cent of the home purchase price. No ongoing monthly payments are required. The buyer would repay the Incentive, for example at re-sale.

Eligible first-time home buyers who have the minimum down payment for an insured mortgage would apply to finance a portion of their home purchase through a shared equity mortgage with CMHC.

CMHC would offer qualified first-time home buyers a 10 per cent shared equity mortgage for a newly constructed home or a 5 per cent shared equity mortgage for an existing home.

The Incentive would be available to first-time home buyers with household incomes under

$120,000 per year. At the same time, participants' insured mortgage and the Incentive amount cannot be greater than four times the participants' annual household incomes

The Government will propose legislation that would enable CMHC to offer the First-Time Home Buyer Incentive and administer a fund for third-party shared equity mortgage providers.

The programs are expected to be operational by September 2019.

Savings in Mortgage Payments with the CMHC

First-Time Home Buyer Incentive

$228 per month / $2,736 per year

Insured Mortgage Model (No Incentive)	
House Price	$400,000
Down payment	$20,000 (5%)
Insured Mortgage	$380,000 (95%)
Monthly carrying cost*	$1,973
CMHC First-Time Home Buyer Incentive Model	
House Price	$400,000
Down payment	$20,000 (5%)
CMHC First-Time Home Buyer Incentive	$40,000 (10%)
Insured Mortgage	$340,000 (85%)
Monthly carrying cost*	$1,745

*Assumes an amortization period of 25 years and a mortgage rate of 3.5%.

Modernizing the Home Buyers' Plan

Withdrawal Limit

To provide first-time home buyers with greater access to their RRSPs to purchase or build a home, the budget proposes to increase the home buyers' plan (HBP) withdrawal limit to $35,000 from $25,000. As a result, a couple will potentially be able to withdraw $70,000 from their RRSPs to purchase a first home.

Special rules under the HBP apply to facilitate the acquisition of a home that is more accessible or better suited for the personal needs and care of an individual who is eligible for the disability tax credit, even if the first-time homebuyer requirement is not met. For these cases, the rules will also be modified to provide the same $35,000 withdrawal limit.

This increase in the HBP withdrawal limit will apply to the 2019 and subsequent calendar years in respect of withdrawals made after March 19, 2019.

Breakdown of a Marriage or Common- Law Partnership

The budget proposes to extend access to the HBP in order to help Canadians maintain homeownership after the breakdown of a marriage or common-law partnership.

An individual will not be prevented from participating in the HBP because they do not meet the first-time home buyer requirement, provided that the individual lives separate and apart from their spouse or common-law partner for a period of at least 90 days as a result of a breakdown in their marriage or common-law partnership. However, in the case where an individual's principal place of residence is a home owned and occupied by a new spouse or common-law partner, the individual will not be able to make an HBP withdrawal under these rules.

An individual will be required to dispose of their previous principal place of residence no later than two years after the end of the year in which the HBP withdrawal is made. The requirement to dispose of the previous principal place of residence will be waived for individuals buying out the share of the residence owned by the individual's spouse or common-law partner. The existing rule that individuals may not acquire the home more than 30 days before making the HBP withdrawal will also be waived in this circumstance.

Existing HBP rules will otherwise generally apply. For example, an individual's outstanding HBP balance must be nil at the beginning of the year in which the individual makes an HBP withdrawal.

This measure will apply to HBP withdrawals made after 2019.

Change in Use Rules for Multi-Unit Residential Properties

The *Income Tax Act* deems a taxpayer to have disposed of, and reacquired, a property when the taxpayer converts the property from an income-producing use to a personal use or vice versa. Where the use of an entire property is changed to an income-producing use, or an income-producing property becomes a principal residence, the taxpayer may elect that this deemed disposition not apply. As a consequence, the election can provide a deferral of the realization of any accrued capital gain on the property until it is realized on a future disposition.

The deemed disposition also occurs when the use of part of a property is changed. For example, this can occur where a taxpayer owns a multi-unit residential property, such as a duplex, and either starts renting or moves into one of the units. However, under the current rules, a taxpayer cannot elect out of the deemed disposition that arises on a change in use of part of a property.

To improve the consistency of the tax treatment of owners of multi-unit residential properties in comparison to owners of single-unit residential properties, the budget 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 March 19, 2019.

Permitting Additional Types of Annuities Under Registered Plans

The budget proposes to permit two new types of annuities under the tax rules for certain registered plans:

- advanced life deferred annuities will be permitted under a RRSP, RRIF, DPSP, PRPP, defined contribution RPP; and
- variable payment life annuities will be permitted under a PRPP and defined contribution RPP.

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

Advanced Life Deferred Annuities

The budget proposes to amend the tax rules to permit an advanced life deferred annuity (ALDA) to be a qualifying annuity purchase, or a qualified investment, under certain registered plans. An ALDA will be a life annuity the commencement of which may be deferred until the end of the year in which the annuitant attains 85 years of age.

Qualifying plans

The value of an ALDA will not be included for the purpose of calculating the minimum amount required to be withdrawn in a year from a RRIF, a PRPP member's account or a defined contribution RPP member's account, after the year in which the ALDA is purchased.

Limits

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. The lifetime ALDA dollar limit will be indexed to inflation for taxation years after 2020, rounded to the nearest $10,000.

Tax treatment on death

Annuity payments to the surviving spouse or common-law partner of a deceased annuitant under a joint-life contract will be included in the income of the surviving spouse or common-law partner for tax purposes.

If the beneficiary of a lump-sum death benefit is neither the deceased annuitant's surviving spouse or common-law partner nor a financially dependent child or grandchild of the deceased annuitant, the lump-sum death benefit paid to a beneficiary will be included in the income of the deceased annuitant for tax purposes in the year of death.

Variable Payment Life Annuities

The budget proposes to amend the tax rules to permit PRPPs and defined contribution RPPs to provide a variable payment life annuity (VPLA) to members directly from the plan.

Annuities fund

PRPP and defined contribution 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. Only transfers from a member's account will be permitted to be made to the annuities fund. Direct employee and employer contributions to the annuities fund will not be permitted.

Tax treatment on death

The tax treatment of VPLAs on the death of the annuitant will reflect the existing tax treatment of annuities purchased with PRPP and defined contribution RPP savings.

Employee Stock Options

The budget 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.

Specifically, the Government will apply 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.

Further details of this measure will be released before the summer of 2019.

The public policy rationale for preferential tax treatment of employee stock options is to support younger and growing Canadian businesses.

For start-ups and rapidly growing Canadian businesses, employee stock option benefits would remain uncapped.

Electronic Delivery of Requirements for Information

To improve the efficiency of the requirement-for- information process and to reduce administration and compliance costs, the budget proposes to allow the CRA to send requirements for information electronically to banks and credit unions.

This measure will change only the means by which the CRA can issue requirements for information and it will not expand the scope of information that can be requested by the CRA.

This measure will apply as of January 1, 2020.

Tax Measures for Kinship Care Providers

Canada Workers Benefit

The budget proposes to amend the *Income Tax Act* to clarify that an individual may be considered to be the parent of a child in their care for the purpose of the Canada Workers Benefit, regardless of whether they receive financial assistance from a government under a kinship care program.

This measure will apply for the 2009 and subsequent taxation years.

Tax Treatment of Financial Assistance Payments

The budget also proposes to amend the *Income Tax Act* to clarify that financial assistance payments received by care providers under a kinship care program are neither taxable, nor included in income for the purposes of determining entitlement to income-tested benefits and credits.

This measure will apply for the 2009 and subsequent taxation years.

Improvements to the Registered Disability Savings Plan

To open an RDSP, an individual must be eligible for the Disability Tax Credit (DTC). When a beneficiary no longer qualifies for the DTC, the RDSP rules can require that the plan be closed, and grants and bonds be repaid to the Government of Canada. To address concerns that this treatment does not appropriately recognize the financial impact that periods of severe, but episodic, disability can have on individuals, the budget proposes to eliminate the requirement to close an RDSP when a beneficiary no longer qualifies for the DTC. Doing so will allow grants and bonds otherwise required to be repaid to the Government to remain in the RDSP. To ensure fairness for DTC-eligible beneficiaries, some restrictions on access to these amounts will apply.

Moreover, unlike RRSPs, amounts held in RDSPs are not exempt from seizure by creditors in bankruptcy. To level the playing field, the budget also proposes to exempt RDSPs from seizure in bankruptcy, with the exception of contributions made in the 12 months before the filing.

Donations of Cultural Property

The Government of Canada provides certain enhanced tax incentives to encourage donations of cultural property to certain designated institutions and public authorities in Canada.

To qualify for the incentives, a donated property must be of “national importance” to such a degree that its loss to Canada would significantly diminish the national heritage.

The budget 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 order to qualify for the enhanced tax incentives for donations of cultural property.

This measure will apply in respect of donations made on or after March 19, 2019

Medical Expense Tax Credit

The budget proposes to amend the *Income Tax Act* to reflect the current regulations for accessing cannabis for medical purposes.

This measure will apply to expenses incurred on or after October 17, 2018.

Contributions to a Specified Multi- Employer Plan for Older Members

To bring the SMEP rules in line with the pension tax provisions that apply to other defined benefit RPPs, the budget proposes to amend the tax rules to prohibit contributions to a SMEP in respect of a member after the end of the year the member attains 71 years of age and to a defined benefit provision of a SMEP if the member is receiving a pension from the plan (except under a qualifying phased retirement program). The proposed changes will ensure that employers do not make pension contributions on behalf of older SMEP members in these situations from which they cannot benefit.

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 the agreement is entered into.

Pensionable Service Under an Individual Pension Plan

When an individual terminates membership in a defined benefit registered pension plan, the income tax rules allow for a tax-deferred transfer of all or a portion of the commuted value of the member's accrued benefits.

The budget proposes to prohibit IPPs from providing retirement benefits in respect of past years of employment that were pensionable service under a defined benefit plan of an employer other than the IPP's participating employer (or its predecessor employer).

Any assets transferred from a former employer's defined benefit plan 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.

This measure applies to pensionable service credited under an IPP on or after March 19, 2019.

Mutual Funds: Allocation to Redeemers Methodology

Deferral

The budget 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.

This measure will apply to taxation years of mutual fund trusts that begin on or after March 19, 2019.

Character Conversion

The budget 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.

This measure will apply to taxation years of mutual fund trusts that begin on or after March 19, 2019.

Carrying on Business in a Tax-Free Savings Account

Under the current rules, the trustee of a TFSA (i.e., a financial institution) is jointly and severally liable with the TFSA for Part I tax while the holder of the TFSA is not.

The budget proposes that the joint and several liability for tax owing on income from carrying on a business in a TFSA be extended to the TFSA holder.

Moreover, 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.

Making Zero-Emission Vehicles More Affordable

The budget proposes to introduce a new federal purchase incentive of up to $5,000 for electric battery or hydrogen fuel cell vehicles with a manufacturer's suggested retail price of less than $45,000.

Program details to follow.

Personal Income Tax Credit for Digital Subscriptions

The budget proposes a temporary, non- refundable 15-per-cent tax credit on amounts paid by individuals for eligible digital news subscriptions. 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.

Amounts paid to an organization will be eligible only if, at the time they are paid, the organization is a Qualified Canadian Journalism Organization (QCJO).

This credit will be available in respect of eligible amounts paid after 2019 and before 2025.

BUSINESS INCOME TAX MEASURES

Support for Canadian Journalism

The budget proposes to introduce three new tax measures to support Canadian journalism:

- allowing journalism organizations to register as qualified donees;
- a refundable labour tax credit for qualifying journalism organizations; and
- a non-refundable tax credit for subscriptions to Canadian digital news.

An independent panel will be established to recommend eligibility criteria for the purposes of these measures.

Qualified Canadian Journalism Organizations

QCJO status is a necessary condition for each of the three measures.

To qualify as a QCJO, an organization (a corporation, a partnership or a trust) will be primarily engaged in the production of original news content. It will need to operate in Canada and meet additional conditions, depending on how it is organized.

Qualified Donee Status

The budget proposes to add registered journalism organizations as a new category of tax-exempt qualified donee.

This measure will apply as of January 1, 2020.

Refundable Labour Tax Credit

The budget proposes to introduce a 25-per-cent refundable tax credit on salary or wages paid to eligible newsroom employees of qualifying QCJOs.

This will be subject to a cap on labour costs of $55,000 per eligible newsroom employee per year. A QCJO will not qualify for this credit in a taxation year if it receives funding from the Aid to Publishers component of the Canada Periodical Fund in that taxation year.

An eligible newsroom employee will generally be an employee of a QCJO who:

- works for a minimum of 26 hours per week, on average; and
- is employed by the QCJO for at least 40 consecutive weeks.

In addition, an eligible newsroom employee will be required to spend at least 75 per cent of their time engaged in the production of news content.

A registered journalism organization, which will be exempt from income tax, may also be entitled to this refundable tax credit in respect of its eligible expenses.

This measure will apply to salary or wages earned in respect of a period on or after January 1, 2019.

Business Investment in Zero- Emission Vehicles

The budget proposes to provide a temporary enhanced first-year CCA rate of 100 per cent in respect of eligible zero-emission vehicles. Two new CCA classes will be created:

- Class 54 for zero-emission vehicles that would otherwise be included in Class 10 or 10.1; and

- Class 55 for zero-emission vehicles that would otherwise be included in Class 16.

In the case of Class 54, there will be a limit of $55,000 (plus sales taxes) on the amount of CCA deductible in respect of each zero-emission passenger vehicle. This new $55,000 limit will be reviewed annually to ensure that it remains appropriate.

To be eligible for this first-year enhanced allowance, a vehicle must:

- be a motor vehicle;
- otherwise be included in Class 10, 10.1 or 16;
- be fully electric, a plug-in hybrid with a battery capacity of at least 15 kWh or fully powered by hydrogen; and
- not have been used, or acquired for use, for any purpose before it is acquired by the taxpayer.

The budget proposes to amend the GST/HST in order to increase the amount of GST/HST that businesses can recover in respect of zero- emission passenger vehicles, subject to limits similar to those under the income tax system.

Application and Phase-Out

This measure will apply to eligible zero-emission vehicles acquired on or after March 19, 2019, and that become available for use before 2028, subject to a phase-out for vehicles that become available for use after 2023.

Intergenerational Business Transfers

The Government will continue its outreach to farmers, fishers and other business owners throughout 2019 to develop new proposals to better accommodate intergenerational transfers of businesses while protecting the integrity and fairness of the tax system.

Small Business Deduction – Farming and Fishing

To provide greater flexibility to farming and fishing businesses, the budget proposes to eliminate the requirement that sales be to farming or fishing cooperative corporation in order to be excluded from specified corporate income. As such, this exclusion will apply to the income of a CCPC from sales of the farming products or fishing catches of its farming or fishing business to any arm's length purchaser corporation. However, consistent with the existing rules, amounts allocated to a CCPC as patronage payments from a purchaser corpo- ration will not qualify for this exclusion.

This measure will apply to taxation years that begin after March 21, 2016.

Scientific Research and Experimental Development Program

The budget 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. As a CCPC's taxable capital begins to exceed $10 million, this access will gradually be reduced.

This measure will apply to taxation years that end on or after March 19, 2019.

Canadian-Belgian Co-productions – Canadian Film or Video Production Tax Credit

The budget proposes to add the *Memorandum of Understanding between the Government of Canada and the Respective Governments of the Flemish, French and German-speaking Commu- nities of the Kingdom of Belgium concerning Audiovisual Coproduction* to the list of instruments under which a film or video production may be produced in order to qualify as a treaty co- production.

This measure will apply as of March 12, 2018

Character Conversion Transactions

The budget proposes an amendment that introduces an additional qualification for the commercial transaction exception in the definition “derivative forward agreement” as the exception applies to purchase agreements. 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 March 19, 2019. It will also apply after December 2019 to transactions that were entered into before March 19, 2019 including those that extended or renewed the terms of the agreement on or after.

INTERNATIONAL TAXATION

Transfer Pricing Measures

The budget proposes two measures concerning the relationship between the transfer pricing rules in Part XVI.1 and other provisions of the *Income Tax Act*.

Order of Application of the Transfer Pricing Rules

The Government proposes to introduce an ordering rule to ensure that the transfer pricing rules (i.e., rules that apply to certain international transactions) in the *Income Tax Act* apply before other provisions of the Act.

This measure will apply to taxation years that begin on or after March 19, 2019.

Applicable Reassessment Period

The transfer pricing rules include an expanded definition of “transaction”, which includes an arrangement or event. This allows the transfer pricing rules to apply to the broad range of situations that may arise in the context of a multinational enterprise’s operations.

The budget proposes to amend the *Income Tax Act* to provide that the definition “transaction

used in the transfer pricing rules also be used for the purposes of the extended reassessment period relating to transactions involving a taxpayer and a non-resident with whom the taxpayer does not deal at arm’s length.

This measure will apply to taxation years for which the normal reassessment period ends on or after March 19, 2019.

Foreign Affiliate Dumping

To better achieve the policy objectives of the foreign affiliate dumping rules, the budget 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.

This measure will apply to transactions and events that occur on or after March 19, 2019.

Cross-Border Share Lending Arrangements

Canadian Shares

The budget proposes an amendment to ensure that a dividend compensation payment made under a securities lending arrangement by a Canadian resident to a non-resident in respect of a Canadian share is always treated as a dividend under the characterization rules and, accordingly, always subject to Canadian dividend withholding tax.

It also proposes to introduce complementary amendments to ensure that the securities lending arrangement rules cannot be used to obtain other unintended withholding tax benefits. For instance, a rule will be introduced to ensure that the same withholding tax rate under a tax treaty applies to a dividend compensation payment made to a non-resident as to a dividend that would have been paid to that non- resident had it continued to hold the lent Canadian share.

These proposed amendments will apply to compensation payments that are made on or after March 19, 2019, unless the securities loan was in place before March 19, 2019, in which case the amendments will apply

Foreign Shares

The budget proposes an amendment to broaden an existing exemption from Canadian dividend withholding tax so that it includes any dividend compensation payment made by a Canadian resident to a non-resident under a securities lending arrangement if:

- the securities lending arrangement is "fully collateralized"; and
- the lent security is a foreign share.

This proposed amendment will apply to dividend compensation payments that are made on or after March 19, 2019.

SALES AND EXCISE TAX MEASURES

GST/HST Health Measures

The budget proposes to extend the application of the GST/HST relief to certain biologicals, medical devices and health care services to reflect the evolving nature of the health care sector.

Human Ova and *In vitro* Embryos

The budget proposes to provide GST/HST relief for human ova and *in vitro* embryos, similar to the relief provided for human sperm. It is proposed that supplies and imports of human ova be relieved of the GST/HST, and that imports of human *in vitro* embryos also be relieved of the GST/HST.

This measure will apply to supplies and imports of human ova made after March 19, 2019, and to imports of human *in vitro* embryos made after March 19, 2019.

Foot Care Devices Supplied on the Order of a Podiatrist or Chiropodist

The budget proposes to add licenced podiatrists and chiropodists to the list of practitioners on whose order supplies of foot care devices are zero-rated.

This measure will apply to supplies of these items made after March 19, 2019.

Multidisciplinary Health Care Services

The budget proposes to exempt from the GST/HST the supply of these multidisciplinary health services. The relief will apply to a service rendered by a team of health professionals, such as doctors, physiotherapists and occupational therapists, whose services are GST/HST- exempt when supplied separately.

This measure will apply to supplies of multidisci- plinary health services made after March 19, 2019.

Cannabis Taxation

New Classes of Cannabis Products

For most products, namely fresh and dried cannabis, and seeds and seedlings, there will be no changes to the current excise duty framework.

However, the budget proposes that edible cannabis, cannabis extracts and cannabis topicals be subject to excise duties imposed on cannabis licensees at a flat rate applied on the quantity of total tetrahydrocannabinol (THC). The THC-based duty will be imposed at the time of packaging of a product and become payable when it is delivered to a non-cannabis licensee.