MARCH 19, 2019

2019 FEDERAL BUDGET

Finance Minister Bill Morneau tabled the 2019 federal budget on March 19. This budget, the final one before the federal election scheduled for the fall, introduced several key measures affecting the bottom line of both businesses and individuals.

Highlights of the 2019 federal budget include:

- Skills training
- National pharmacare
- Affordable housing
- Canadian competitiveness

STATE OF THE DEFICIT

The federal government expects a deficit of $14.9 billion for the 2018-19 fiscal year, down from the original projection of $18.1 billion in last year's budget, and $19.8 billion for the 2019-20 fiscal year, which includes a $3 billion contingency reserve. The deficit is then expected to decline to $9.8 billion for the 2023-24 fiscal year. Finance Minister Morneau did not include a timeline for balancing the budget.

Skills training

What the budget said: The federal government introduced the Canada Training Benefit. This benefit has two components: 1) a new, non-taxable Canada Training Credit to help with the costs of training throughout an individual's career; and 2) a new Employment Insurance Training Support Benefit to provide income support when an individual takes time off work. The Canada Training Benefit would not be tied to a specific employer, giving workers maximum flexibility and mobility. The budget also contained measures to improve the Canada Student Loans Program, and enhance support for apprenticeships in the skilled trades.

What it means: Canadian business owners and their employees face historic changes in the skills they need to get the job done. Schools are turning out top tech graduates to launch their careers in Canada's burgeoning tech sector. However, more needs to be done to support mid-career workers who lose their jobs to automation and other workforce shifts. While the budget proposals are designed to help upgrade skills, employers will be required to allow their employees to take time away from work for training that may not be aligned to the employer's needs.

National pharmacare

What the budget said: The federal government introduced the Canadian Drug Agency, with a mandate to assess the effectiveness of new prescription drugs, negotiate drug prices on behalf of Canada's drug plans and recommend which drugs represent the best value-for-money for Canadians. This follows on the interim report of the government's advisory council on the implementation of national pharmacare, released in early March. That report highlighted the gaps in coverage and urged government to create a national agency to manage prescription drugs.

What it means: About 20% of Canadians reportedly have insufficient or no coverage for pharmaceuticals and must pay out of pocket. The budget proposal is the first step in a national pharmacare strategy, with the goal of closing that coverage gap and addressing the rising cost of prescription drugs.

Affordable housing

What the budget said: The federal government enhanced the current Home Buyers' Plan and introduced the First-Time Home Buyer Incentive, which will provide qualifying new home buyers access to an interest-free loan to reduce the amount of money required from an insured mortgage, without increasing their down payment.

What it means: Rising housing prices around the country have blocked the road to home ownership for many younger Canadians. Delays in purchasing a home could also generate wider societal harm, with some Canadians putting off starting a family.

In the weeks leading up to the budget, Finance Minister Morneau had signaled the government would introduce measures to help millennials access the housing market. Along similar lines, the Canada Mortgage and Housing Corporation revealed an ambitious goal: affordable housing for all Canadians by 2030.

The budget measures could increase housing starts and help Canada's real estate industry. That being said, these proposals address only the demand side of the housing equation. Supply challenges will require further action. The budget did contain proposals to make long-term investments and collaborate with key partners to boost housing supply, focused on lower income and middle-class Canadians.

Canadian competitiveness

What the budget said: The federal government proposed no new policies specifically geared to helping Canadian companies compete on the world stage. However, its Fall Economic Statement did introduce new accelerated write-offs for capital investments in Canadian businesses, particularly for manufacturers and processors.

What it means: For much of 2018 and 2019, Canadian business owners and leaders considered their response — and in many cases took action — on U.S. tax reform. This set of landmark changes, which mostly came into effect in early 2018, generally helped U.S. businesses by lowering the federal corporate income tax rate and introducing immediate write-offs on capital spending.

Tax reform lowered barriers for Canadian companies expanding to the U.S. But it added a competitive disadvantage for Canadian business owners operating north of the border. Many in the business community had hoped the federal budget would introduce a made-in-Canada version of tax reform to help Canadian businesses compete.

The following is a summary of the more important items of interest to our clients.

PERSONAL TAX MEASURES

Canada Training Benefit

The budget proposes to introduce the Canada Training Benefit (CTB) to address barriers to professional development for working Canadians. The CTB includes two key components — a new non-taxable Canada Training Credit (CTC) to help with the cost of training fees, and a new Employment Insurance (EI) Training Support Benefit to provide income support for individuals that are required to take time off work. The government also proposes to consult with provinces and territories on changes to labour legislation to support new leave provisions to protect workers.

Canada Training Credit — The new CTC is a refundable tax credit 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 provided that the individual:

- files a tax return for the year;
- is between ages 25 and 64 (at the end of the year);
- is resident in Canada throughout the year;
- has earnings of $10,000 or more in the year; and
- has net income for the year that does not exceed the top of the third tax bracket ($147,667 in 2019).

Individuals will be able to apply their accumulated CTC balance against up to half the cost of eligible fees. This includes eligible fees at university, college or other educational institutions providing courses at a post-secondary level or an institution providing occupational-skills courses that is certified by the Minister of Employment and Social Development. As well, individuals will be able to accumulate a lifetime limit of $5,000 and any unused balance will expire at the end of the year in which an individual turns 65. This measure will apply to 2019 and subsequent taxation years. 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. Earnings and income thresholds under the CTC will be subject to annual indexation.

EI Training Support Benefit — The EI Training Support Benefit will be available through the EI program and will provide up to four weeks of income support every four years. The EI support benefit will be paid at 55% of a person's average weekly earnings (subject to EI limits) and is designed to cover living expenses while the person is on training without their regular paycheque. This new benefit is expected to be launched in late 2020. To support small businesses, the government also proposes to introduce an EI Small Business Premium Rebate to offset the upward pressure on EI premiums resulting from the new benefit.

Support for first-time home buyers

Home Buyers' Plan — The budget proposes to increase the Home Buyers' Plan (HBP) withdrawal limit to $35,000 from $25,000 to provide first-time home buyers with greater access to their Registered Retirement Savings Plan (RRSP) to purchase or build a home. As a result, a couple will potentially be able to withdraw $70,000 from their RRSPs to purchase a home. This increase in the HBP withdrawal limit will apply in respect of withdrawals made after March 19, 2019. The budget 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. This measure will apply to HBP withdrawals made after 2019.

First-Time Home Buyer Incentive — The budget proposes to introduce a First-Time Home Buyer Incentive, which is a an interest-free shared equity mortgage that would provide eligible first-time home buyers with the ability to lower their borrowing costs by sharing the cost of buying a home with Canada Mortgage and Housing Corporation (CMHC). 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%

shared equity mortgage for a newly constructed home or a 5% shared equity mortgage for an existing home, thereby reducing the monthly payments required to purchase a home. The buyer would repay the incentive at re-sale. The incentive would be available to first-time home buyers with household incomes under $120,000 per year. The buyers' insured mortgage and the incentive amount cannot be greater than four times the buyers' annual household incomes.

Change in use rules for multi-unit residential properties

For tax purposes, a taxpayer is deemed to dispose of, and reacquire, 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. This 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, but currently, 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 for 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.

Flexibility in managing pensions and retirement savings

The budget proposed two new measures that will provide retirees with more options for managing their retirement savings. These measures include introducing Advanced Life Deferred Annuities (ALDA) and Variable Payment Life Annuities (VPLA). The proposals will apply to the 2020 and subsequent taxation years.

- ***Advanced Life Deferred Annuities*** — This measure will allow retirees to purchase a life annuity from a registered plan after age 71. In general, under the current rules, life annuities can only be purchased from a registered plan prior to the end of the year in which the annuitant reaches age 71. An ALDA purchase will be allowed to be made from a registered plan prior to the end of the year in which the annuitant reaches age 85.

  An ALDA will be a qualifying annuity purchase under an RRSP, registered retirement income fund (RRIF), deferred profit sharing plan (DPSP), pooled registered pension plan (PRPP) and defined contribution registered pension plan (RPP). There will be a restriction in that each individual will be subject to a lifetime ALDA limit of 25% of a defined amount in qualifying plans and such a lifetime limit is capped at a maximum of $150,000 per individual. The lifetime ALDA dollar limit will be indexed to inflation for taxation years after 2020 and rounded to the nearest $10,000.

- ***Variable Payment Life Annuities*** — 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. This proposed measure will allow PRPPs and defined contribution RPPs to provide a VPLA to members directly from the plan. Under the current rules, it is generally required that retirement benefits from a PRPP or defined contribution RPP must first be transferred to an RRSP or RRIF prior to the purchase of an annuity.

Registered Disability Savings Plans

Registered Disability Savings Plans (RDSPs) can only be established for a beneficiary who is eligible for the disability tax credit (DTC), which is based on an annual test. Under current rules, an RDSP must be closed by the end of the year following the first full year throughout which the beneficiary is not eligible for the DTC. Where the nature of the beneficiary's condition makes it likely that the beneficiary will be eligible for the DTC in the foreseeable future, an election is available to extend the date by which the plan must be closed by up to four years. When a plan is closed, an amount equivalent to the total of un-repaid Canada Disability Savings Grants and Canada Disability Savings Bonds received by the RDSP in the preceding 10 years (assistance holdback amount) must be repaid to the government. This can cause financial hardship to the beneficiary.

The budget proposes to remove the requirement that an RDSP be closed if the beneficiary does not qualify for the DTC. In addition, the assistance holdback amount will decline once the beneficiary reaches age 51, such that by age 60, the assistance holdback requirement is reduced to nil. This proposed measure will apply after 2020, except that an RDSP issuer will not be required to close an RDSP on or after March 19, 2019 solely because the RDSP beneficiary is no longer eligible for the DTC.

Employee stock options

Employee stock options are a compensation tool used by many businesses to provide employees with the right to acquire shares of their employers at a designated price. As long as certain conditions are met, the tax rules provide preferential tax treatment in the form of a stock option deduction, which results in any benefits realized on the exercise of the options being taxed at a rate equal to one-half of the normal rate of personal taxation, being the same rate that would apply to a capital gain. The government believes that the tax benefits of this deduction disproportionately accrue to a very small number of high-income individuals. To address this, the government announced that it will move toward aligning Canada's stock option tax rules with those in the U.S. by applying a $200,000 annual cap on the favourable tax treatment for stock options granted (based on the fair market value of the underlying shares). The government believes that under this approach, the vast majority of employees who have stock option benefits will be unaffected.

Further details will be released before the summer of 2019. Any changes will 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 this change.

Mutual funds: Allocation to redeemers methodology

If a mutual fund trust's capital gains or ordinary income for the year is allocated to its unitholders, the mutual fund trust is entitled to a deduction for such allocated amounts in computing its income. When a mutual fund trust disposes of investments to fund a redemption of its units, any accrued gain on the investments is realized by the trust and is subject to tax. However, this accrued gain is also reflected in the redemption price, and may be taxed again in the unitholder's hands. To address this "double taxation", mutual fund trusts have access to a capital gains refund mechanism. However it doesn't always fully relieve the issue.

To more effectively match capital gains, the "allocation to redeemers methodology", used by many mutual fund trusts, allows a mutual fund trust to allocate capital gains realized by it to a redeeming unitholder and claim a corresponding deduction. The allocated capital gains are included in computing the redeeming unitholder's income but its redemption proceeds are reduced by that amount. However, this methodology can result in a deferral of the taxation of any excess capital gains realized to fund the redemptions for the remaining unitholders. The budget proposes to introduce a rule that would deny a deduction by a mutual fund trust 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 where certain conditions are met. This measure will apply to taxation years of mutual fund trusts that begin on or after March 19, 2019.

Mutual fund trusts can also use the allocation to redeemers methodology in a way that allows the mutual fund trust to convert the returns on an investment that would have the character of ordinary income to capital gains for their remaining unitholders. As a result, the government proposes to introduce a rule that will deny a mutual fund trust a deduction in respect of an allocation made to a unitholder on a redemption if (1) the allocated amount is ordinary income; and (2) 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.

Other personal measures

Individual Pension Plans — An anti-avoidance rule was proposed that applies to transfers to an Individual Pension Plan (IPP) from a defined benefit registered pension plan that arose in a plan of an employer other than the IPP's participating employer (or predecessor employer). An IPP will not be able to provide retirement benefits in respect of such employment. Any assets transferred from such a plan to an IPP will be taxable to the plan member in the year of transfer. This measure applies to pensionable service credited under an IPP on or after March 19, 2019.

Student loan programs — Interest paid on a student loan is eligible for a non-refundable tax credit on a student's tax return, either in the year it is paid, or in the next 5 years if it has not previously been claimed. Although no change to this mechanism was announced, the budget proposed that the interest rate on Canada Student Loans be lowered from prime plus 2.5% on floating interest loans to prime, and from prime plus 5% on fixed rate loans to prime plus 2% starting in 2019-20. In addition, the budget proposes to amend the *Canada Student Financial Assistance Act*, so that student loans will not accumulate any interest during the six-month grace period after a student leaves school.

Kinship care providers — The budget proposes to amend the *Income Tax Act* (ITA) to clarify that an individual may be considered 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. The budget also proposes 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. Both of these proposed measures will apply for the 2009 and subsequent taxation years.

Carrying on business in a Tax-Free Savings Account — A Tax-Free Savings Account (TFSA) is liable to pay tax, at the top personal tax rate, on income from a business carried on by the TFSA, or from non-qualified investments. Under existing rules, the trustee of a TFSA, such as a bank, is jointly and severally liable with the TFSA for this 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. In making this change, a corresponding change will reduce the joint and several liability of a trustee in respect of business income earned by a TFSA. This measure will apply to the 2019 and subsequent taxation years.

Donation of cultural property — The budget proposes to amend the ITA 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 — As of October 17, 2018, access to cannabis is subject to the *Cannabis Regulations*, under the *Cannabis Act*. The budget proposes to amend the ITA to reflect the current regulations for accessing cannabis for medical purposes.

Tax compliance in the real estate sector — The budget proposes to provide the Canada Revenue Agency (CRA) with $50 million over five years, starting in 2019–20, to create four new dedicated residential and commercial real estate audit teams in high-risk regions, notably in British Columbia and Ontario. These teams will work to ensure that tax provisions regarding real estate are being followed.

Electronic delivery of requirements for information — The government proposes to allow the CRA to send requirements for information electronically to banks and credit unions on or after January 1, 2020. This would only happen if the bank or credit union notifies the CRA that it consents to this method of service. If they do not consent, such requests would continue to be sent by mail.

BUSINESS TAX MEASURES

Support for Canadian journalism

The budget introduces three new tax measures to support Canadian journalism. Qualified Canadian Journalism Organization (QCJO) status needs to be attained in order to benefit from the three new measures. A QCJO is a corporation, partnership or trust primarily engaged in the production of original news content primarily focused on matters of general interest and reports of current events.

The three measures are:

- Allowing journalism organizations to register as qualified donees as of January 1, 2020 — registered journalism organizations will be required to have purposes that exclusively relate to journalism;
- A 25% refundable labour tax credit for qualifying journalism organizations applicable to salary or wages earned on or after January 1, 2019. This credit will be subject to a maximum labour cost of $55,000 per eligible newsroom employee per year, or a maximum tax credit in respect of eligible labour costs per individual per year of $13,750; and
- A 15% non-refundable tax credit for subscriptions to Canadian digital news paid by individuals. Up to $500 in costs paid towards eligible digital subscriptions in a taxation year will qualify for a maximum tax credit of $75. Eligible digital subscriptions are those that entitle a taxpayer to access content provided in a digital form by a QCJO, and include the cost of a stand-alone digital subscription that forms part of a combined digital and print subscription. This credit will be available in respect of eligible amounts paid after 2019 and before 2025.

Business investment in zero-emission vehicles

The budget proposes to provide a temporary enhanced first-year capital cost allowance (CCA) rate of 100% for 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.

For Class 54 vehicles, a limit of $55,000 (plus sales taxes) per zero-emission passenger vehicle will apply. This proposal targets vehicles that are fully electric, plug-in hybrids with a battery capacity of at least 15 kWh or vehicles fully powered by hydrogen. It is proposed that there will also generally be an increase in the amount of GST/HST that businesses can recover on zero-emission passenger vehicles, subject to certain limits.

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.

Small business deduction — Farming and fishing

The small business deduction (SBD) allows a reduced rate of tax on income from an active business carried on in Canada by a Canadian-controlled private corporation (CCPC), up to a threshold of $500,000. There are various rules in place to prevent the inappropriate multiplication of the SBD, including rules that may disqualify “specified corporate income” from eligibility for the deduction. This income includes certain amounts earned by a CCPC from sales to a private corporation in which the CCPC, or certain specified persons, holds a direct or indirect interest. An exclusion applies for certain income of a CCPC’s farming or fishing business that arises from sales to a farming or fishing cooperative corporation allowing such income to remain eligible for the SBD. The budget proposes to eliminate the requirement that sales be to a farming or fishing cooperative to be eligible for exclusion. As a result, 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 will not be included in specified corporate income. However, amounts allocated to a CCPC as patronage payments from a purchaser corporation will not qualify for this exclusion. This proposed change will apply retroactively to taxation years that begin after March 21, 2016, which coincides with the implementation of the specified corporate income rules.

Scientific Research and Experimental Development Program

The Scientific Research and Experimental Development (SR&ED) incentive program includes a fully refundable enhanced tax credit for CCPCs at a rate of 35% on up to $3 million of qualifying SR&ED expenditures annually. The expenditure limit for a taxation year is phased out based on two factors — taxable income and taxable capital employed in Canada in the previous tax year. Both factors apply on the basis of an associated group. For purposes of the fully refundable enhanced tax credit, the budget proposes to repeal the use of taxable income as a factor in determining a CCPC's annual expenditure limit. As a result of this change, the expenditure limit will be reduced only where taxable capital employed in Canada for the previous taxation year is between $10 million and $50 million, effective for taxation years that end on or after March 19, 2019.

Character conversion transactions

Character conversion transactions are financial arrangements entered into by taxpayers that use derivative contracts to convert the character of ordinary income to capital gains in order to reduce tax. In response to certain planning, the government introduced rules in 2013 that treat any gain arising from a "derivative forward agreement" as ordinary income rather than a capital gain. A derivative forward agreement is specifically defined in the rules and an exception applies to exclude certain commercial transactions. Due to attempts to misuse this exception, the government is proposing to tighten the rules by introducing an additional qualification for the exception as it applies to purchase agreements. This measure will apply to transactions entered into on or after March 19, 2019, with grandfathering rules for certain transactions entered into before March 19, 2019.

INTERNATIONAL TAX MEASURES

Transfer pricing

The budget proposes the following two measures concerning the relationship between the transfer pricing rules and other provisions of the ITA:

- The ITA will be amended to clarify that the transfer pricing rules in Part XVI.1 of the ITA apply in priority to the application of the provisions in other parts of the ITA, including the provisions relating to income computation in Part I. This measure will apply to taxation years that begin on or after March 19, 2019. Note that 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.
- The transfer pricing rules include an expanded definition of "transaction" in order to apply to a broad range of situations that may arise in the context of a multinational enterprise's operations. However, the expanded definition does not currently apply to the extended three-year reassessment period that is intended to apply in the transfer pricing context. The ITA will be amended to provide that the definition of transaction used in the transfer pricing rules will 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

The foreign affiliate dumping rules are in place to counter erosion of the tax base resulting from transactions in which a corporation resident in Canada (CRIC) that is controlled by a non-resident buys or otherwise invests in a foreign affiliate using borrowed, or surplus funds. In order to better meet the policy objectives of these rules, the government proposes to extend the application of the 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. The group may comprise any combination of non-resident corporations, non-resident individuals and non-resident trusts. As part of the measure, the proposals include an extended meaning of "related" that applies for the purposes 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 March 19, 2019.

Cross-border share lending arrangements

Planning has been undertaken by certain non-residents to avoid Canadian dividend withholding tax on dividend compensation payments made to them in respect of shares of Canadian resident corporations. In response to such planning, the following is proposed:

- 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 subject to Canadian dividend withholding tax.
- An amendment to extend the characterization rules to apply to a "specified securities lending arrangement".
- Complementary amendments to ensure that the securities lending arrangement rules cannot be used to obtain other unintended withholding tax benefits.

The proposed amendments will generally apply to compensation payments that are made on or after March 19, 2019. If the securities loan was in place before this date, the amendments will apply to compensation payments made after September 2019.

In addition to the above, the existing characterization rules may inappropriately subject dividend compensation payments in respect of lent shares issued by non-resident corporations to Canadian dividend withholding tax. To address this issue, an amendment is proposed to broaden an existing exemption from Canadian dividend withholding tax under certain conditions. This change 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. The following measures will apply to supplies made after March 19, 2019.

Human ova and in vitro embryos — It is proposed that supplies and imports of human ova be relieved of the GST/HST, and that imports of human in vitro embryos be relieved of the GST/HST.

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 written order supplies of foot care devices are zero-rated.

Multidisciplinary health care services — The budget proposes to exempt from the GST/HST the supply of 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. The exemption will apply provided that all or substantially all — generally 90% or more — of the service is rendered by such health professionals acting within the scope of their profession.

Cannabis taxation

The budget proposes that edible cannabis, cannabis extracts (including cannabis oils) 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 primary psychoactive compound in cannabis, contained in a final product. 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 (e.g., a provincial wholesaler, retailer or individual consumer).

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