



December 2023 Update

Some highlights of 2023 Fall Economic Statements

Federal government is projecting a budget deficit at \$38.4 billion for 2024-2025. The deficit can increase to \$51.2 billion in worse-case scenario for the same period. The budgetary deficit is projected to continue beyond 2028-2029 (\$18.4 billion)

Budget deficits can lead to a higher level of borrowing by the government resulting in higher interest payment, and low re-investments. Let's hope for the best. Below are some new initiatives proposed during 2023 Fall Economic Statement by the Federal Government:

- The government is accelerating its work to build more homes, faster, and make housing more affordable
- The Government is also helping more households make the switch to electric heat pumps
- Create a new Canadian Mortgage Charter to ensure Canadians at financial risk can access the tailored mortgage relief they can expect from their bank to help them make their payments and stay in their homes
- UHT return - on October 31, 2023, the Minister of National Revenue announced this relief would be extended for an additional six months, giving owners until April 30, 2024, to file their 2022 UHT returns
- UHT returns for the 2023 calendar year will also need to be filed by the normal deadline of April 30, 2024
- Effective for 2022 and subsequent calendar years, government is proposing to reduce the minimum penalty for owners who fail to file a UHT return by the filing deadline
- Cracking Down on Non-Compliant Short-Term Rentals to address long term rental unit shortages. The 2023 Fall Economic Statement announces that the federal government intends to deny income tax deductions for expenses incurred to earn short-term rental income, including interest expenses, in provinces and municipalities that have prohibited short-term rentals.
- Sometimes we have no choice but to replace old items with new ones (e.g., phone, electronics, appliances etc.) because manufacturers do not always provide proper repair options. In support of Canadians' right to repair, the federal government will also amend the Competition Act to prevent

manufacturers from refusing to provide the means of repair of devices and products in an anti-competitive manner.

- Amending the Competition Act through Bill C-56, the Affordable Housing and Groceries Act to enhance competition in the grocery sector, which will help bring down costs and ensure Canadians have more choice in where they buy their groceries.
- The Canadian Radio-television and Telecommunications Commission will conduct a prompt investigation of international mobile roaming charges and will provide an update and concrete next steps in 2024.
- The 2023 Fall Economic Statement also proposes to exempt professional services rendered by psychotherapists and counselling therapists from the GST/HST.



Company Incorporation Expenses

You can deduct company incorporation expenses up to \$3,000 per incorporation. The deduction is allowed to a corporation incorporated after 2016. Incorporation expenses over \$3,000 should be capitalized under class 14.1. For example, if incorporation expense is \$4,200; you can write off \$3,000 as deduction under line 418 of schedule 1 of corporate tax return and the balance \$1,200 should be capitalized under class 14.1



Foreign Broadcasting Expenses (non-Canadian Advertising Expenses)

Foreign advertising expenses are deductible if majority customers are overseas and a company is trying to attract foreign customers. However, there is a special rule that allow CRA to deny advertising expenses deduction if a company is using foreign radio, non- Canadian newspaper, and/or television broadcasting primarily for Canadian market. Additionally, 50% of advertising expenses will be denied, if a company advertises in periodicals which have less than 80% Canadian content. Non –deductible foreign advertising expenses will be added back to corporate income for tax purposes. We would recommend having conversation with a CPA before committing any foreign advertising to avoid any surprises.



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