

FEDERAL BUDGET 2021: HOW IT MAY IMPACT YOU

In April, the federal government released its first budget in more than two years. It was largely focused on supporting economic recovery as we continue the fight against Covid-19. It offered extensions to various Covid-19-related benefits, resulting in a record deficit and significantly higher projected debt for the foreseeable future. While there were no changes to personal or corporate income tax rates, here are five ways you may be impacted:*

Seniors — If you are age 75 years or older as of June, 2022, a one-time Old Age Security (OAS) payment of \$500 will be made by this August. For this same age group, monthly OAS payments will be increased by 10 percent, beginning in July, 2022. If you aren't in need of these funds, consider investing them.

Investors — Over the next five years, \$8.8 billion has been pledged to support green initiatives, including the intent to raise \$5 billion through a green bond launch planned for the 2021-2022 fiscal year. Proceeds will be used to finance a variety of green projects. According to the budget, these government-backed bonds may support more mature investors who are “looking for a green portfolio but also need to manage their investment risk.”¹ With a continuing focus on responsible investing, have you considered this as part of your own portfolio?

High-Net-Worth Spenders — If you're lucky enough to be purchasing a luxury vehicle in the near future, consider making a purchase by Dec. 31, 2021. As of January 1, 2022, sales of luxury cars and personal aircraft with a retail sales price of over \$100,000, as well as boats over \$250,000, will incur a new tax. It will be

calculated at the lesser of 20 percent of the value above those thresholds, or 10 percent of the full value of the vehicle.

Students — If you have a (grand)child with student loans in the form of Canada Student Loans or Canada Apprentice Loans, the budget extends the waiver of interest accruing on these loans to March 31, 2023. The budget also increased the threshold for this assistance from those earning \$25,000 per year to a level of \$40,000 per year. Remember: students may claim a tax credit for interest on qualifying student loans.

Business Owners — If you operate a Canadian-controlled private corporation, you will now be able to purchase up to \$1.5 million of certain capital assets and fully expense them in the year they become available for use. This includes eligible assets purchased on or after April 19, 2021 and before 2024. There may be tax benefits achieved by immediately expensing assets versus capitalizing a purchase; however, seek the advice of a tax professional relating to your situation.

For greater detail on all initiatives proposed, see the Government of Canada website: budget.gc.ca/2021/home-accueil-en.html

1. Budget 2021: A Recovery Plan for Jobs, Growth and Resilience, Government of Canada, page 166. *At the time of writing, the budget proposals had not been passed into law.

