

# 2015 Federal Budget predictions

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By now, most of us know that the ruling Conservatives [announced](#) they will release the Federal Budget (calling it Economic Action Plan 2015 – the “Budget”) on April 21, 2015. Once again, I will be in attendance in Ottawa representing [CPA Canada](#) and our firm.

What do I predict will be contained in the Budget? Well, it’s anyone’s guess. My favorite management writer, [Peter Drucker](#), once wrote: *“Trying to predict the future is like trying to drive down a country road at night with no lights while looking out the back window.”* In addition, the ancient Chinese philosopher, [Lao Tzu](#), stated: *“Those who have knowledge, don’t predict. Those who predict, don’t have knowledge.”*

Well, I think Peter Drucker and Lao Tzu were both right. But, I’m willing to take a shot at what we might see in the Budget. Here’s my best guess.

## 1. An update on the consultation on Eligible Capital Property

In the 2014 Budget, the Department of Finance announced that it was studying whether or not the Eligible Capital Property regime for businesses would be replaced by a new capital cost allowance class (“CCA”) for such expenditures. It discussed how the system would generally work on a go forward basis and discussed some transitioning proposals. However, little has been heard from the Department on this initiative since it was announced.

My prediction is that the Department of Finance will announce an update on this consultation initiative. While the contents of the initiative are interesting, the devil is in the details and, again, I’m guessing that we’ll find out either how such details will be dealt with, assuming the change occurs, or an announcement that the consultation has resulted in no change to the current Eligible Capital Property regime.

## 2. International tax evasion/avoidance measures

The last few Budgets have been plentiful with new international tax changes. It’s also no coincidence that the OECD has been having a hard look at how multi-national companies handle their international tax affairs vis-à-vis their BEPS initiative (which we recently wrote about and can be viewed [here](#)).

Given the above, I don’t think I’m going too far out on a limb to predict that the 2015 Budget will contain an update with respect to Canada’s involvement with BEPS, and might also contain more legislative proposals to increase the transparency of targeted persons’ international affairs. Could this be by way of additional reportings for certain transactions? Sure. Could Canada’s new [whistleblower program](#) be expanded? Not sure... I guess it could depend on how the new initiative (announced in the 2013 Budget) has succeeded. Perhaps we will get an update regarding its success.

Watch for more initiatives involving this topic to be contained in the 2015 Budget.

### 3. Oil patch assistance

Canada's oil patch has taken a huge hit given the large decline in world oil prices. Both large and small companies are being affected. While I don't foresee any direct financial assistance being provided to the oil patch, I do see certain targeted tax measures being introduced. For example, the easy thing for the Department of Finance to do is to continue to tinker with the CCA regime to incentivize certain companies to continue to make targeted capital investments during the economic decline.

Many small businesses in Alberta have been significantly impacted by the decline in activity in the oil patch. Given such, the Conservatives may be inclined to adjust the "business limit" with respect to the small business deduction. At the moment, Canadian controlled private corporations ("CCPCs"), together with associated corporations of the CCPC, are able to benefit from a low rate of corporate tax (currently, the combined federal and Alberta provincial rate is 14%) on the first \$500,000 of profits generated from an active business carried on in Canada. Would it surprise me to see a phased-in increase of the business limit to say \$750,000? No, it would not. What a great election goodie that would be for the Conservatives. Watch for that.

Other measures to assist the oil patch might be a reduction in Employment Insurance premiums (or even a temporary holiday?). Investment tax credits for certain capital purchases might also be a possibility.

In any event, I suspect we will see some targeted measures to assist companies affected by the oil patch decline. Such targeted measures might also be nice election goodies given the pending federal election in the fall.

### 4. Additional personal tax credits

Speaking of goodies, the Conservatives seem to be addicted to the introduction of new personal tax credits. I have been a vocal critic of the continued introduction of personal tax credits and recently [wrote](#) about it. Notwithstanding my views, do I think we may see some additional personal tax credits introduced in the 2015 Budget? Yes – unfortunately. What I don't know, however, is what kind of additional credits will be introduced. I'm kind of hoping there may be a credit introduced for middle-aged, grumpy, and balding tax advisors. There are other good ideas for personal tax credits at the popular news source – The Onion. Admittedly, The Onion is a US news source, but a recent [article](#) of theirs discussed some common overlooked tax credits. I thought some of them were great! My personal favorite was the "good idea" tax credit, which "applies to taxpayers who had a pretty good idea for a business."

Seriously, though, I'm hoping that the 2015 Budget does not contain any new personal tax credits, but my educated guess is that I will be wrong. It would be nice, however, to see continued improvements to the charitable tax credit regime... I'll be looking for that.

### 5. An update on the new graduated rate estate rules

The 2014 Budget announced the government's intention to eliminate graduated tax rates for testamentary trusts with certain exceptions. The draft legislation to affect such intention was released on August 29, 2014 and contained some significant surprises. It was passed into law on December 17, 2014 and is now scheduled to take effect January 1, 2016. Our firm has been very active with the new law and some of the nasty surprises that it contains. I wrote about some of the issues [here](#). Suffice it to

say, I am hopeful and cautiously optimistic that we may see some positive changes to the surprises.

Will the 2015 Budget contain an update with respect to any proposed changes to these new rules? Not sure. I hope so, but it's really too difficult to predict. However, interested practitioners should specifically look at the Budget documents when they are released to see if there are any updates. We will be!

## **Concluding comments**

As the well-known English author, [Warren Ellis](#), once stated: *"I try not to get involved in the business of prediction. It's a quick way to look like an idiot."*

Well, here's risking looking like an idiot!