

HARMONIZATION WITH FEDERAL TAX MEASURES INTRODUCED BY BILL C-2 AND WITH THE AUTOMOBILE TAX PARAMETERS FOR 2022

This information bulletin outlines the Ministère des Finances' position on the changes to the federal tax system introduced by Bill C-2, An Act to provide further support in response to COVID-19. These changes relate to the Canada Emergency Wage Subsidy, the Canada Emergency Rent Subsidy, the Canada Recovery Hiring Program and the new Canada Worker Lockdown Benefit.

It also announces the deduction limits for automobile expenses and the rates for calculating the value of the taxable benefit from the use of an automobile for 2022, as well as the Ministère des Finances' position with respect to the increase, starting in 2022, in the capital cost ceilings for passenger vehicles for the purposes of capital cost allowances announced by the federal government.

To obtain information on the matters dealt with in this information bulletin, contact the Secteur du droit fiscal, de l'optimisation des revenus et des politiques locales et autochtones at secteurdroitfiscalitdelafiscalite@finances.gouv.qc.ca.

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1. HARMONIZATION WITH MEASURES INTRODUCED BY BILL C-2 OF THE GOVERNMENT OF CANADA

On December 17, 2021, Bill C-2, An Act to provide further support in response to COVID-19, received Royal Assent.¹ Parts 1 and 2 of the Bill make changes to the federal tax system.

Part 1 of the Bill amends the *Income Tax Act* and the *Income Tax Regulations* to extend the Canada Emergency Wage Subsidy, the Canada Emergency Rent Subsidy and the Canada Recovery Hiring Program until May 7, 2022.

Part 2 of the Bill enacts the *Canada Worker Lockdown Benefit Act*. This Act provides a framework for the payment of a new lockdown benefit to workers in regions where a lockdown is imposed for reasons related to COVID-19. In addition to provisions relating to the implementation of this new benefit, the Act includes provisions specifying the tax treatment of the benefit. The consequential amendments to the *Income Tax Act* and the *Income Tax Regulations* are deemed to have come into force on October 24, 2021.

Specifically, the federal tax legislation is amended to, among other things, provide for the taxation of the Canada Worker Lockdown Benefit by including it in the calculation of a recipient's income.² Also, the federal tax regulations are amended to specify that a payment made under the *Canada Recovery Benefits Act* or the *Canada Worker Lockdown Benefit Act* is subject to federal withholding tax at the rate applicable to a lump sum payment.³

Since Québec's tax legislation and regulations are generally harmonized with the federal tax legislation and regulations with respect to the tax treatment of COVID-19 benefits, the above-mentioned amendments to the federal tax system introduced by Part 2 of Bill C-2 will be adopted for the purposes of the Québec tax system, with adaptations on the basis of their general principles. In addition, the changes made to the Québec tax system will apply on the same date as the changes to the federal tax system with which they are harmonized.

The measures provided for in Part 1 of Bill C-2 will not be retained, since the Québec tax system does not provide for similar provisions.

¹ S.C. 2021, c. 26.

² Subsection 6(1) of Bill C-2 amends subparagraph 56(1)(r)(iv.1) of the *Income Tax Act* to add Division D.1 relating to the *Canada Worker Lockdown Benefit Act*.

³ Subsection 8(1) of Bill C-2 replaces paragraph 103(6)(h) of the *Income Tax Regulations* to provide, in subparagraphs (i) and (ii) respectively, for a payment under the *Canada Recovery Benefits Act* and a payment under the *Canada Worker Lockdown Benefit Act*.

2. HARMONIZATION WITH THE DECEMBER 23, 2021 DEPARTMENT OF FINANCE CANADA NEWS RELEASE

□ Limits and rates governing the use of an automobile for 2022

On December 23, 2021, the Department of Finance Canada announced, by way of a news release, the limits governing the deductibility of automobile expenses and the rates used to calculate the value of the taxable benefits relating to the use of an automobile that will apply for 2022.⁴

In keeping with the principle of substantial harmonization of tax legislation regarding automobiles, the various limits and rates governing the deductibility of automobile expenses and the calculation of the value of taxable benefits relating to the use of an automobile contained in Québec's tax legislation and regulations will be, for 2022, the same as those applicable under the federal tax system. These limits and rates are presented in an appendix.

□ Capital cost ceilings as from 2022 for passenger vehicles for the purposes of capital cost allowances

The Department of Finance Canada also announced, in the December 23, 2021 news release,⁵ changes to the capital cost ceilings for passenger vehicles, for the purposes of capital cost allowances, such that:

- the \$55 000 ceiling for zero-emission passenger vehicles will be increased to \$59 000 where such a vehicle is acquired after 2021;
- the \$30 000 ceiling for passenger vehicles will be increased to \$34 000 where such a vehicle is acquired after 2021.

Since the Québec tax system is generally harmonized with the federal tax system with respect to capital cost allowance measures, the Québec tax legislation and regulations will be amended to incorporate, by adapting them in accordance with their general principles, the amendments made to the federal tax legislation and regulations in this regard.

Moreover, the amendments to the Québec tax system will be adopted only after the assent of any federal legislation or the adoption of any federal regulation giving effect to the proposed amendments, bearing in mind the technical amendments that may be made prior to the assent or adoption. In addition, they will be applicable on the same date as that used for the application of the amendments to the federal tax system with which they are harmonized.

⁴ DEPARTMENT OF FINANCE CANADA, *Government announces the 2022 automobile deduction limits and expense benefit rates for businesses*, [online], December 23, 2021, [<https://www.canada.ca/en/department-finance/news/2021/12/government-announces-the-2022-automobile-deduction-limits-and-expense-benefit-rates-for-businesses.html>].

⁵ *Ibid.*

APPENDIX

Limits governing the deductibility of automobile expenses and rates for benefits relating to the use of an automobile for 2022

Automobile expenses or value of certain taxable benefits	Limit or rate
Amount deductible from allowances paid by an employer to an employee according to distance travelled with the employee's automobile	
– For the first 5 000 kilometres:	as of January 1, 2022, the limit will increase from \$0.59/km to \$0.61/km ⁽¹⁾
– For additional kilometres:	as of January 1, 2022, the limit will increase from \$0.53/km to \$0.55/km ⁽¹⁾
Value of the benefit relating to operating expenses of an automobile that an employee uses for personal purposes, where the automobile is supplied by the employer	
– If the job consists mainly in selling or leasing automobiles during the taxation year:	as of January 1, 2022, the rate will increase from \$0.24/km to \$0.26/km
– In other cases:	as of January 1, 2022, the rate will increase from \$0.27/km to \$0.29/km
Maximum capital cost of non zero-emission passenger vehicles for the purposes of the capital cost allowance:	for vehicles acquired after 2021, the maximum capital cost will increase from \$30 000 to \$34 000 ⁽²⁾
Maximum capital cost of zero-emission passenger vehicles ⁽³⁾ for the purposes of the capital cost allowance:	for vehicles acquired after 2021, the maximum capital cost will increase from \$55 000 to \$59 000 ⁽²⁾
Interest expenses eligible as a deduction:	for vehicles acquired after 2021, the limit will remain at \$300/month
Leasing charges eligible as a deduction:	for leases entered after 2021, the limit will increase from \$800/month to \$900/month ⁽²⁾

(1) The limit will continue to be 4 cents higher per kilometre in Yukon, the Northwest Territories, and Nunavut, to reflect the higher cost of maintaining and operating a vehicle in those territories. Accordingly, it will remain at \$0.65 per kilometre for the first 5 000 kilometres and at \$0.59 for each additional kilometre.

(2) This is the cost before applicable sales taxes are taken into account.

(3) Zero-emission passenger vehicles include plug-in hybrids with a battery capacity of at least 7 kWh and vehicles that are fully electric or fully powered by hydrogen.