

TOOLBOX SEMINAR HOT TOPIC

Presented by: Lorne Saltman
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Topics to Discuss

1. Federal Budget Changes
 - Limits on Interest Deductibility
2. International Tax Initiatives
 - Global Minimum Tax Rate of 15%



Federal Budget Tax Changes

- **Interest Deductibility Limits**
 - Starting in 2023 a corporation that is affiliated with a non-resident will be able to deduct only 40% of “tax EBITDA”
 - Namely, 40% of taxable income before taking into account interest expense, interest income and income tax, and deductions for depreciation and amortization
 - After 2023, the limit is reduced to 30%
 - Two important exclusions:
 - CCPC’s and their associated corporations having taxable capital of less than \$15 million, and
 - Groups of corporations and trusts whose aggregate net interest expense is \$250,000 or less



International Tax Initiatives

Global Minimum Tax of 15%

- OECD/G20 Framework on base erosion and profit shifting (“BEPS” project)
- Starting in 2023, a Multinational Corporation with annual sales of at least €750 million will be required to pay a minimum tax of 15% determined on a country-by-country basis
- There will be a formulaic substance carve-out that will exclude an amount of income that is at least 5% (in the transition period of five years, at least 7.5%) of the carrying value of tangible assets and payroll in a jurisdiction, and a *de minimis* exclusion





Questions?



Contact Us

Lorne Saltman



T 416.865.6689



E lsaltman@grllp.com



W grllp.com



@grllp

