



# TaxNewsFlash

Canada

## Intergenerational Transfers — New Tax Relief Now in Effect

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Small business owners, and owners of family farm or fishing corporations may benefit from new income tax relief for intergenerational transfers. This new legislation, which received Royal Assent on June 29, 2021, is intended to address certain intergenerational transfers of shares where parents could incur a significantly higher tax bill than they would have incurred if they sold those same shares to an arm's length party, and provides greater flexibility for restructuring family businesses involving siblings. Specifically, these changes include new exceptions to measures affecting the taxation of transfers of qualified small business corporation shares and family farm or fishing corporation shares. These rules are now effective as of June 29, 2021.

Generally, these rules provide that, where a taxpayer transfers shares of a qualified small business corporation or shares of a family farm or fishing corporation to a corporation controlled by their children or grandchildren who are at least 18 years of age, the transfer will not result in a deemed dividend to the taxpayer where certain conditions are met. Where the new exception applies, taxpayers that undertake these transfers may instead be able to realize capital gains and potentially utilize their lifetime capital gains exemption, which is equivalent to the tax treatment that would apply if they sold the shares to an arm's-length party. For full details of these new rules, see *TaxNewsFlash-Canada* 2021-36, "[Intergenerational Transfers — New Tax Relief Expected Soon](#)".

### Further changes possible

Finance has raised concerns with these new rules, noting that the legislation as drafted is too broad, and lacks the safeguards needed to ensure it only applies to genuine intergenerational transfers. It is not clear whether Finance may announce new legislation to address these issues or, if so, when it could be introduced.

## We can help

Your KPMG adviser can help you assess the effect of the new intergenerational transfer rules on your business and personal tax situations. For more details, contact your KPMG adviser.

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