

# Making sure it's the real deal

## Clarity on intergenerational transfers

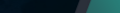
In response to challenges with intergenerational transfers and Bill C-206, Budget 2023 provides long-awaited clarity. But it may not be a relief for all. Canadians looking to transfer their corporate business will need to determine whether they are eligible under the proposed new rules. Budget 2023 outlines new conditions to ensure intended tax benefits only apply to genuine intergenerational transfers.

Read on to learn more >>



## 2 ways to transfer

In order to obtain a tax-efficient intergenerational transfer, Budget 2023 proposes two transfer options for taxpayers undertaking a genuine transfer to the next generation.



### Immediate

up to 36-month transfer



### Gradual

up to 120-month transfer

## 5 new conditions to qualify

For an intergenerational share transfer to qualify as genuine, Budget 2023 proposes specific new conditions.

1. Transfer of control
2. Transfer of economic interests
3. Child retains control
4. Child works in business

## Immediately before sale

Taxpayer, spouse and/or common-law partner (and no one else) controls the transferred company.



- Transferor (taxpayer)**  
An individual.
- Transferee (purchaser)**  
A corporation controlled by children who are 18 or older.



### Transferred company

A qualified small business corporation or a family farm or fishing corporation.



### Children

Includes grandchildren, stepchildren, children-in-law, nieces, nephews, grandnieces and grandnephews.

## At time of sale

Criteria to qualify:



- 1st condition**  
Taxpayer must give up remaining voting control of the business.



### 2nd condition

Taxpayer must give up remaining common growth shares.



### 3rd condition

Taxpayer must transfer management of business to children within a reasonable time frame\*



### 4th condition

Children must retain legal (not factual) control throughout the 36 months



### 5th condition

At least one child must be actively involved in the business throughout the 36 months

## Immediately after sale

Taxpayer to permanently give up control of the business, including majority of voting shares. Immediate sale = legal and factual control; gradual = only legal control.



- 1st condition**  
Taxpayer permanently gives up majority of growth common shares of the business.



### 2nd condition

Taxpayer must give up remaining common growth shares.



### 3rd condition

Parents must transfer management of the business within a reasonable time\*



### 4th condition

Children must maintain legal (not factual) control for the greater of 60 months or until the business transfer is completed



### 5th condition

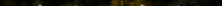
At least one child must be actively involved in the business for the greater of 60 months or until the business transfer is completed

## Within 36 months

Criteria to qualify:



- 1st condition**  
Taxpayer must give up remaining voting control of the business.



### 2nd condition

Taxpayer must give up remaining common growth shares.



### 3rd condition

Taxpayer must transfer management of business to children within a reasonable time frame\*



### 4th condition

Children must retain legal (not factual) control throughout the 36 months



### 5th condition

At least one child must be actively involved in the business throughout the 36 months

## Within 60 months

Parents must transfer management of the business within a reasonable time\*



- 3rd condition**  
Parents must transfer management of the business within a reasonable time\*



### 4th condition

Children must maintain legal (not factual) control for the greater of 60 months or until the business transfer is completed



### 5th condition

At least one child must be actively involved in the business for the greater of 60 months or until the business transfer is completed

## Within 120 months

Children must maintain legal (not factual) control for the greater of 60 months or until the business transfer is completed



- 4th condition**  
Children must maintain legal (not factual) control for the greater of 60 months or until the business transfer is completed



### 5th condition

At least one child must be actively involved in the business for the greater of 60 months or until the business transfer is completed

## Rules take effect Jan. 1, 2024



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