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## Canadian and U.S. Tax Laws: A Review of 2020 and a Look Ahead to 2021

In our annual Tax Review and Outlook report, we outline significant tax developments that shaped the Canadian and U.S. tax landscapes over the past year and consider what to watch for in the year ahead.

### Key Canadian Developments in 2020

- The federal government deferred its annual budget in response to the pandemic, but adopted a raft of legislative support measures including a wage subsidy for employers; direct payments to eligible workers; interest-free, partially forgivable loans to small businesses; and commercial rent relief.
- The government released the Fall Economic Statement, a mini budget containing changes to the GST/HST rules as they relate to cross-border e-commerce and updates to previously announced changes to the taxation of employee stock options.
- The Supreme Court decided the *MacDonald* case regarding the tax treatment of derivative transactions.
- The Federal Court of Appeal issued rulings on treaty shopping, Canada's CFC rules and Canada's transfer-pricing recharacterization rule.

### Key U.S. Developments in 2020

- Congress passed legislation providing trillions of dollars of COVID-19 relief to taxpayers through corporate and small business loans, direct payments and changes to existing tax law.
- The IRS continued its multi-year project of providing regulatory guidance under the *Tax Cuts and Jobs Act of 2017*, and issued proposed and final regulations relating to passive foreign investment and the characterization of financial instruments as debt or equity.
- The Tax Court handed the IRS a victory in a case concerning the applicability of the comparable price method to a multinational corporation's transfer-pricing policies.
- States continued to expand their taxing jurisdiction in the wake of *Wayfair*, and some states adopted measures to provide relief for or to assert jurisdiction over remote workers and their employers.

For an in-depth review of these and other issues, read our analysis.

[Canadian Tax Review and Outlook](#)

[U.S. Tax Review and Outlook](#)

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