



Di Iorio Family Wealth of RBC Dominion Securities

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Federal Budget 2021

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The 2021 Federal Budget was released last week, the main focus of which is on helping the economy along the path to recovery from the ongoing pandemic. We wanted to take the opportunity to share some highlights of what was (and what was not) included in this year's budget:

Various pandemic-specific measures & updates were included such as:

- Extension of programs relating to wage subsidies, rent subsidies, and lockdown support for businesses
- Increase in number of weeks of support available under the Canada Recovery Benefit and the Canada Recovery Caregiving Benefit
- Introduction of a new Canada Recovery Hiring Program to support rehiring and new position creation
- Increased support for tourism and hospitality sectors

Several other personal measures were introduced, including:

- Increased Old Age Security for ages 75 and over
- A rebate on the GST paid when purchasing new housing priced up to \$350,000
- A planned Canadawide early learning and child care system
- Planned legislation to increase the federal minimum wage to \$15 / hour
- Expanded access to the Disability Tax Credit
- Interestfree loans for green home renovations

Finally, a few new government revenue-generating measures were put forward:

- Taxes on vacant residential property owned by nonresidents
- A new tax on luxury goods (applies to vehicles & aircraft priced over \$100,000, boats priced over \$250,000)
- Restrictions on stock option deductions for highincome workers
- A digital services tax of 3% to start in 2022

The most important aspect of this budget from an investing perspective is what was not included (despite heavy speculation that some or all of these would be introduced):

- There are no proposed changes to the capital gains inclusion rate
- There are no proposed changes to the top personal tax rate
- There are no proposed changes to corporate tax rates

We had many clients concerned about these potential changes, particularly with respect to the capital gains inclusion rate. We fielded plenty of questions regarding the idea of “locking-in” all the gains prior to the budget being released, something that we generally did not recommend unless there was additional motivation to make such a move (ex. increasing CDA room).

Though a lack of movement on these areas this year does not guarantee no changes in the future, we refer back to Principle #4 from our previous blog: Always make decisions based on facts.

If you have any questions relating to the budget, or anything else, please feel free to reach out to us anytime.

Sincerely,
Di Iorio Family Wealth

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