

# Pandemic Federal Budget 2022- Commentary from a Canadian CFP

*Canadians challenged by pandemic face new tax innovations*

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## Federal Budget Possibilities for 2022

□ Devastating Capital Gains Inclusion Rate Increase During a Pandemic?



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*Mehul Gandhi, CFP CLU TEP*

- "Anti-flipping" Tax on Your Principal Residence; Will it Cool Things Off?
- National Dental Care Program

Vancouver, B.C. Canada

## CAPITAL GAINS INCLUSION RATE INCREASE DURING A PANDEMIC?

The Canadian tax and finance communities have been warning about devastating increases to the capital gains

inclusion rate for years, but could this be the year, at the end of a pandemic and beginning of a potential recession? Currently, the inclusion rate for all realized (or deemed realized) capital gains is 50%. It is being speculated that this rate could increase to historic levels of 67% or even 75%.

What does this mean for the average Canadian taxpayer? If you sell capital property (rental

property, stock market portfolio, shares in a private company etc.) for a gain, currently, only 50% of the gain is included in your taxable income for the year. If the inclusion rate increases, so much more of the gain would be included in your taxable income for the year that you'd be left with significantly less cash in your pocket. Is this the year we see capital gains inclusion rates soar? Is this how we will pay for the pandemic?

#### "ANTI-FLIPPING" TAX ON YOUR PRINCIPAL RESIDENCE

Canadians are quite familiar with the fact that if you sell your principal residence, you are typically exempt from paying any capital gains tax. With the surge in real estate prices in the major cities of Canada in the last decade, individuals began buying homes, living in them, and selling them within a short period of time, allowing them to profit from the gains tax-free.

The Liberal Party has already been vocal on wanting to introduce an "anti-flipping" tax for principal residences sold within 12 months of being acquired. There is a good chance this that proposed change will be in the budget. How much tax would this actually raise though? Will it make a difference to cooling the hot real estate markets or is it for show?

#### NATIONAL DENTAL CARE PROGRAM

Thanks to the new alliance between the Liberal Party and the NDP Party, there could be a new national dental care program for Canadians. The proposed program would protect Canadians with an annual income under \$90,000 presumably who don't have dental benefits thru their employer. The program is set to roll out in 2022 for eligible children under 12 and be fully implemented by 2025. Dental health is linked to heart attack avoidance and longer life expectancy, so this is a big deal.

One question Canadians may have: how much is this program going to cost us? Well, it certainly won't be cheap. In 2020, it was estimated that a program like this could cost \$4.3 billion in the first year. That said, an incredible 6.5 million Canadians (17.5%) would benefit from the national program. Long term savings and quality of life impacts should be considered as well.

☐ We'll be available for comments this afternoon after the budget has been published

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"They Say Money Talks. Want to Learn the Language? Ask Us Anything."

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Westmount Wealth Management Inc. is a B.C.-based specialist investment management and financial planning firm helping business owners and families achieve their financial goals through pension style investing.

Mehul Gandhi, CFP®, CLU®, TEP is an award winning Certified Financial Planner with Westmount Wealth Planning. He specializes in advanced tax and estate planning for business owners and high net worth families. He also has expertise in creating unique insurance planning solutions for incorporated individuals.

Mehul is the 2018 recipient of the Leslie W. Dunstall Award.

"I joined the financial industry and an advisor in 2008, just weeks before the financial crisis of the same year. I very quickly realized that what clients need the most is a trusted professional who is proactive in their work and communication; that is what makes them feel safe.

Host, The Mind Your Biz Podcast, interviewing local entrepreneurs and advisors, sharing valuable business advice.

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