

AFTER THE ELECTION

WHAT A LIBERAL MINORITY GOVERNMENT MIGHT MEAN FOR CANADIANS GOING FORWARD

The 44th Canadian federal election was held on September 20, 2021 to elect members to the 44th Canadian Parliament. After two terms as governing party, the Liberal party won the election with minority status with results that were mostly unchanged from the 2019 federal election where the Liberals had also formed a minority government. With minority status, the Liberals will require support from other parties to pass their mandates. Below is a summary of the seat count won by each party¹. The Liberals won 159 seats, falling short of the 170 needed to form a majority government.

	Total seats ²	Vote share	Vote total
Liberal	159	32.6%	5,556,491
Conservative	119	33.7%	5,742,605
Bloc Québécois	33	7.6%	1,301,831
New Democrat	25	17.8%	3,036,030
Green	2	2.3%	398,775
People's Party	0	5.0%	844,122
Other	0	0.9%	156,446
Totals	338	100%	17,036,300

²338 ridings, 170 seats to majority.

WITH THE ELECTION COMPLETE, NOW IS A GOOD TIME TO:

- Revisit campaign promises made by the Liberal party to get a feel for what might be coming in the areas of investment, tax, retirement and estate planning legislation;
- Look back at the 2021 federal budget for a reminder of which budget measures did not pass in advance of the election, requiring a re-tabling once Parliament resumes;
- Look at notable measures from other parties to get a sense for what those parties may require in exchange for their support knowing that the Liberals will require support from other parties to pass their mandates.

¹Source – CBC News: <https://newsinteractives.cbc.ca/elections/federal/2021/results/>, current to September 27, 2021

Note, while campaign platforms contain a number of different revenue and spending measures, the comments below discuss only those that are investment, tax, retirement or estate planning in nature and is not an exhaustive list.

LIBERAL CAMPAIGN PROMISES

Taxation

- A new minimum tax to ensure that top earners (those earning more than \$216,511 in 2021) pay at least 15% tax per year, preventing excessive use of deductions and credits;
- Extend the Home Expense Deduction for an additional 2 years, through the 2022 tax year, and increase the deductible amount to \$500 (from \$400);
- Raise the corporate income tax rate for banks from 15% to 18% on all earnings above \$1 billion and impose a temporary “Canada Recovery Dividend” that these companies will be required to pay;
- Increase CRA resources by up to \$1 billion per year to combat “aggressive tax planning and tax avoidance” and close the tax gap.

Housing

- Double the First-Time Home Buyers Tax Credit from \$5,000 to \$10,000;
- Introduce a “First Home Savings Account” to enable Canadians under 40 to save up to \$40,000 toward their first home, with no tax on contributions or withdrawals;
- Introduce an “anti-flipping tax” on the speculation of residential homes, requiring property to be held for at least 12 months;
- Double the Home Accessibility Tax Credit to \$20,000.

Seniors

- Implement a “Career Extension Tax Credit” to allow working seniors over 65 who earn at least \$5,000 at their jobs to eliminate tax payable on a portion of their income and receive a tax credit of up to \$1,650;

- Introduce a “Multigenerational Home Renovation Tax Credit” to help families add a secondary unit to their home for an immediate or extended family member. Families will be able to claim a 15% tax credit for up to \$50,000 in renovation and construction costs;
- Increase the Guaranteed Income Supplement (GIS) by \$500 for single seniors and \$750 for couples starting at age 65

BUDGET 2021 – ANNOUNCED MEASURES THAT HAVE NOT YET PASSED

- Implement a tax on luxury cars, boats and planes. The tax would apply on the sale of new luxury cars and personal aircraft with a retail price of more than \$100,000, and new boats that cost more than \$250,000. The tax would be calculated at the lesser of 20% of the value above the thresholds or 10% of the full value of the asset.
- Impose an annual 1% national tax on non-resident, non-Canadian owners of vacant or underused housing (and vacant land within urban areas which was added to the proposal);
- Allow privately owned, Canadian-controlled businesses to expense up to \$1.5 million of “growth-enhancing investments” (i.e., software, patents and machinery);
- Increase Old Age Security (OAS) by 10% in 2022 for seniors 75 and older;
- Introduce a “Canada Disability Benefit”, a direct monthly payment for low-income Canadians with disabilities aged 18 to 64;
- Review the Disability Tax Credit (DTC) and other federal benefits and programs to make sure they’re accessible to those experiencing mental health challenges.

SUPPORT NEEDED

Given the minority status won by the Liberals in this election, support from other parties will be required to pass their mandates. The support is likely to come from either the New

Democratic Party (NDP) or Bloc Québécois given each party's political orientation and number of seats won in the House of Commons. Below are campaign measures from both the NDP and Bloc Québécois which may be used by each party in negotiations with the Liberals in exchange for their support.

NDP MEASURES

- Raise the top marginal tax rate from 33% to 35% (applicable to income over ~ \$216,000);
- Increase the capital gains inclusion rate from 50% to 75%;
- Impose an annual 1% wealth tax on Canadian families with over \$10 million in wealth;
- Increase the corporate tax rate from 15% to 18%;
- Introduce a temporary Covid-19 excess profit tax that puts an additional 15% tax on large corporate profits during the pandemic;
- Introduce a 20% foreign buyer's tax on homes;
- Expand income security programs to ensure Canadians living with a disability have a guaranteed livable income and provide a guaranteed livable income for seniors;
- Create a Pension Advisory Committee to develop a long-term plan to enhance the OAS, raise the GIS and bolster the Canadian Pension Plan.

BLOC QUÉBÉCOIS MEASURES

- Reform employment insurance to better support all workers, including seasonal and gig workers;
- Boost Old Age Security benefits by \$110 a month for those aged 65 and up;
- Provide a one-time \$500 payment to seniors under the age of 75;
- Provide more government assistance for small businesses, including those in Quebec's tourism and hospitality sector badly hurt by the pandemic;

- Promote a strategy to support local purchasing and help small businesses make the digital shift;
- Raise the federal minimum wage.

THE PATH FORWARD – WILL THE PARTIES GET ALONG?

During the history of Canadian politics, including the recently elected minority government, there have been fourteen minority governments at the federal level since the first was elected in 1921³. Because of support needed from other parties to pass mandates, minority governments enjoy less stability than majority situations, and most minority governments have lasted less than two years.

Time will tell how well members of the 44th Canadian Parliament will work together to introduce legislation and govern. The duration of this minority government will depend on their ability to do so.

³Source – The Canadian Encyclopedia: <https://www.thecanadianencyclopedia.ca/en/article/minority-government>

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