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## THE 2024 CANADIAN FEDERAL BUDGET AND REAL ESTATE – GOOD, BAD AND EVERYTHING IN-BETWEEN

The Government of Canada's 2024 Federal Budget (the “**2024 Budget**”) was revealed by Minister of Finance, Chrystia Freeland on April 16, 2024. The 2024 Budget includes several updates and changes that will have a tangible effect on the real estate industry in Canada and indicates that there are more substantial changes on the horizon.

### Increase of Capital Gains Inclusion Rate

This change will take effect on June 25, 2024, and has arguably been one the most widely discussed topics since the 2024 Budget was revealed. The current capital gains inclusion rate is 50%. The 2024 Budget proposes an increase in the capital gains inclusion rate to 66.7% for corporations and trusts selling properties, and for individuals selling properties (to the extent that they have annual capital gains exceeding \$250,000). The 2024 Budget maintains the exemption for capital gains from the sale of a principal residence but does not include any other exemptions and does not mention grandfathering rules for accrued gains prior to June 25, 2024.

### Accelerated Capital Cost Allowance for Purpose-Built Rental Housing

The 2024 Budget proposes to temporarily increase the current capital cost allowance (“CCA”) rate from 4% to 10% for new eligible purpose-built rental projects that begin construction on or after April 16, 2024, and

before January 1, 2031, provided that the projects are made available for use before January 1, 2036. Purpose-built rental housing can be defined as housing built specifically for long-term rental accommodation. This increase is intended to incentivize builders by moving projects from unfeasible to feasible, through increased after-tax returns on investment.

This change will not alter the total amount of depreciation expenses being deducted over time; it simply accelerates it. This will allow homebuilders to deduct certain depreciation expenses over a shorter period, which will allow them to recover more of their costs faster, enabling further investment of their money back into new housing projects.

### Possible Restrictions on Corporate Investors

The 2024 Budget announces that the Government of Canada intends to restrict the purchase and acquisition of existing single-family homes by very large, corporate investors. This proposal is in the very early stages as the government will hold consultations in the coming months and provide further details in the 2024 Fall Economic Statement.

### Alternative Financing Products

The 2024 Budget announced that the Government of Canada is exploring new measures to expand access to alternative financing products, like halal mortgages.

This could include changes in the tax treatment of these products or a new regulatory sandbox for financial service providers, while ensuring adequate consumer protections are in place. The purpose of this change is to enable Muslim Canadians, and other diverse communities, to further participate in the housing market.

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