

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 of 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.

This publication is a general discussion of certain legal and related developments and should not be relied upon as legal advice. If you require legal advice, we would be pleased to discuss the issues in this publication with you, in the context of your particular circumstances.



Our secret for closing files lies as much in what is taken out as in what is put in. By eliminating exorbitant expenses and excess time, by shortening the process through practical application of our knowledge, and by efficiently working to implement the best course of action, we keep our clients' needs foremost in our minds. There is beauty in simplicity. We avoid clutter and invest in results.

Often a deal will change complexion in mid-stage. At this critical juncture, you will find us responsive, flexible and able to adjust to the changing situation very quickly and creatively. We turn a problem into an opportunity. That is because we are business minded lawyers who move deals forward. The energy our lawyers invest in the deal is palpable; it makes our clients' experience of the law invigorating.

DYLAN ARMSTRONG
416-597-5742
darmstrong@dv-law.com

JOSH AZIZA
416-591-3046
jaziza@dv-law.com

MARY ANN BADON
416-598-7056
mbadon@dv-law.com

FRANCINE BAKER-SIGAL
416-597-8755
francine@dv-law.com

KRISTINA BEZPROZVANNYKH
416-597-9306
kbezp@dv-law.com

LATISHA COHEN
416-301-9119
lcohen@dv-law.com

CANDACE COOPER
416-597-8578
ccooper@dv-law.com

DENNIS DAOUST
416-597-9339
dldaoust@dv-law.com

ALLISON FEHRMAN
416-304-9070
afchman@dv-law.com

GASPER GALATI
416-598-7050
ggalati@dv-law.com

PAUL HANCOCK
416-597-6824
phancock@dv-law.com

NICO JONES
416-479-4357
njones@dv-law.com

WOLFGANG KAUFMANN
416-597-3952
wolfgang@dv-law.com

LYNN LARMAN
416-598-7058
llarman@dv-law.com

MELISSA M. MCBAIN
416-598-7038
mmcbain@dv-law.com

PORTIA PANG
416-597-9384
ppang@dv-law.com

JAMIE PAQUIN
416-598-7059
jpaquin@dv-law.com

BRIAN PARKER
416-591-3036
bparker@dv-law.com

DINA PEAT
416-598-7055
dpeat@dv-law.com

JACK SARAIVA
416-597-1536
jsaraiva@dv-law.com

CHRISTINE SHAHVERDIAN
416-598-7049
cshahverdian@dv-law.com

LUCIA TEDESCO
416-597-8668
litedesco@dv-law.com

SARAH TEMOR
416-597-6647
stemor@dv-law.com

SHARIE THOMPSON
416-597-6648
sthompson@dv-law.com

RENE G. VARGAS
416-597-0830
rgvargas@dv-law.com

NATALIE VUKOVICH
416-597-8911
nvukovich@dv-law.com

DEBORAH WATKINS
416-598-7042
dwatkins@dv-law.com