

Capital gains increase concerns Chamber following Federal budget

Since its presentation on April 16, the Federal Government's 2024 Budget has received mixed reviews from community organizations.

As a recent poll suggests Canadians almost equally divided on whether the financial blueprint for the year ahead is good or bad, the Aurora Chamber of Commerce has raised some concerns on behalf of members.

The recent Canadian budget's adjustment to capital gains inclusion rates has sparked concerns among businesses and investors regarding the potential effect it may have on business, said Sandra Ferri, President & CEO of the Aurora Chamber of Commerce. By increasing the inclusion rate from 50 per cent to 66.67 per cent, the government aims to generate additional revenue but risks dampening investment enthusiasm and entrepreneurial activity.

Higher taxes on capital gains could disincentivize risk-taking and long-term investments, potentially stifling economic growth and innovation. Furthermore, this move might deter foreign investment and talent, impacting Canada's competitiveness on the global stage.

Balancing fiscal goals with fostering a conducive business environment will be crucial for Canada's economic resilience in the post-pandemic era. The fact that the Canadian debt is growing faster than the economy is also a concern for businesses. To ensure a sustainable future, Canada needs innovation and increased productivity to grow the economy, and to do this we need Canadian and foreign investments to grow business opportunities. Canada must be seen on the global stage as a country with a welcoming business environment.

In response, Aurora-Oak Ridges-Richmond Hill MP Leah Taylor Roy, a member of the Liberal government, said the matter of capital gains is the biggest source of confusion and concern right now.

As most business owners know, one of the most important things right now is ensuring that inflation stays down so interest rates can come down, said MP Taylor Roy. That meant we needed to find revenue to offset some of the expenses in this budget in general for some of these really strong programs that promote growth and also fairness. This is really a budget about fairness and asking people who are able and making big profits off of the sale of businesses or secondary homes, or stocks and bonds or whatever investments they have, whatever capital gains, to pay a little bit more.

For the average person, most people don't incur more than \$250,000 of capital gains in a year. That's rare. When they do, there will be a small increase. One example was a couple who owns a cottage. If they sell it for a \$500,000 profit, there is no extra capital gains. If they sell it for a \$1 million profit, there is about a \$35,000 to \$37,000 increase in capital gains on a million-dollar profit. It is something, but I don't think when people see the numbers going from 50 to 60 per cent, I don't think it is quite as impactful, perhaps, when some people are seeing those numbers.

Canada, she says, is one of the few countries that doesn't tax gains on primary residences and that's not the direction the government is going.

When you look at the overall tax picture for even a small and medium business owner and compare it with other places they could live both having a home and having a business they are still better off.

Addressing the issue of the deficit, MP Taylor Roy said most countries have debt and deficits, but it is all in how they are addressed.

There's the old theory that the Conservatives subscribe [to, the approach] that we should have no deficit and we should be bringing down the debt constantly. You have to be fiscally prudent and that is why we put in that increase in capital gains because we have to keep our numbers in line with what credit rating agencies are looking for and what our central bank is looking for, and what

multinational bodies like the IMF is looking for. When you look at those three parameters, we are one of the only countries to still have a Triple A credit rating. Our government's cost to borrowing is less than the United States and our debt to GDP ratio is still lower and the lowest of the G7.

?Like any company, you invest in things that are going to give you a good return and we're investing in things that make sense. We need to be building more homes for Canadians. We get a lot of tax revenue when these homes are being built, it creates jobs, people have places to live so they can stay in the country close to where they want to work?. That generates revenue as well. We're investing in child care and that's a huge one. If you look at some of the studies that were done that shows a return on our investment, which is what is important ? it is not just that you're spending money, it's that you're going to get a good return for your investment. The childcare program was estimated by I think it was RBC? you're getting back at least \$2 for every dollar invested from increased productivity and other measures?. We're investing because we believe in the future of this country. We believe in Canadians and we know that we have everything we needed in this country to do really well in the future if we make the right investments. Businesses don't always have the same big picture that the government does.?

While taxes and debt have garnered a lot of attention since the Budget was first introduced, there are other items and investments MP Taylor Roy says will be a boon to communities like Aurora, such as the investment in the Futurepreneur Canada program which will help 6,000 young entrepreneurs start and scale up businesses, as well as the School Food Program, which will help level the playing field for students, the national Dental Plan, and 30-year mortgages for first-time home-buyers.

?They are going to bring down those monthly costs and allow people to perhaps buy a home where before they couldn't,? she said. ?On that same home?there is also allowing people who have been renting to use their rental record to count towards their credit score for their mortgage application. I think that is going to help numerous people who need that.

?We had in place already the Child Care program, but I think for young families in Aurora, it has made an immense difference and that is continued to be financed through this budget. We put a lot of money into creating new spaces because the demand is so high. That is going to help people. For a lot of young families I've spoken with, their monthly expenses have come down \$600 - \$800 a month. That is huge and if you have more than one child it is even bigger than that. I think families are looking at it now and thinking, they may be able to afford another child, if they want, or they may be able to put that money into buying a home.?

By Brock WeirEditorLocal Journalism Initiative Reporter