

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.

IN OTHER NEWS

Daoust Vukovich LLP Welcomes Nico Jones as an Associate



Daoust Vukovich is pleased to announce that [Nico Jones](#) has joined Daoust Vukovich LLP as an associate in our Commercial Real Estate Group.

Nico has a wealth of experience in delivering legal services to various entities involved in real estate transactions across Canada, including developers, REITs, landlords, tenants, investors, government, and non-profit organizations. Some of these achievements include various large scale and complex acquisitions and disposition of properties with transactions in the \$5 million to \$228 million range, for large retail commercial to healthcare, residential and joint ventures partners with curated portfolios of 20+ properties. Nico's experience also extends to providing legal services on both lender and borrower sides of commercial debt financing and refinancing of various classes of properties ranging from \$1 million to \$290 million.

With a wide and impressive portfolio of experience, Nico joined Daoust Vukovich after practicing for several years at a prominent full-service law firm in Halifax, Nova Scotia. He is a graduate of the Schulich School of Law at Dalhousie University and admitted to both the Nova Scotia and Ontario Bars in 2019 and 2024, respectively.

To learn more about Nico, visit our [website](#) or connect with him on [LinkedIn](#).

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.

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