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David Rosenberg predicts a 'tax grab budget' that won't bode well for the TSX or loonie

By Pamela Heaven

Capital gains, stock options, the Liberals' budget promises to be a tax grab that would have made the likes of Herb Gray proud, says Gluskin...

You might want to avoid going long on the TSX or the Canadian dollar heading into what promises to be a "tax grab budget" from the Liberals March 22, says economist David Rosenberg.

Gluskin-Sheff's chief economist predicts Canada's capital gains inclusion rate could go back up to 75 per cent in the upcoming Federal budget.

"Capital gains taxes ostensibly are a key source of revenue generation for the Liberal Party - it's a given," said Rosenberg in his morning note Monday entitled "Like father, like son."

The economist reminds investors that the government of Justin Trudeau's father Pierre was the first to initiate capital gains taxes in 1972. The inclusion rate was raised to 75 per cent in 1990, but then later dropped to 67 per cent and then 50 per cent under former Prime Minister Stephen Harper.

Rosenberg said he is also hearing of possible changes in the favourable treatment of stock options.

There is also talk of "trial balloons" over the treatment of complete tax free capital gains on the sale of a principal residence and Canada Revenue Agency has apparently been told to increase scrutiny of sales where part of the home is used for business, he said.

The fact that Ottawa last October made reporting the sale of your permanent residence mandatory is an early sign that changes are coming, Rosenberg said.

"This promises to be a tax-grab budget that would have made the likes of Herb Gray very proud if he was still alive," he said.