



## Capital Gains Inclusion Rate ~ Laurel Hickey & Garth Bluekens

### What's Capital Gains Inclusion Rate Got To Do With It?

In April the Federal Government released their 2024 budget. A main focus of the budget was housing, presenting new measures to help the issue of housing affordability through new home construction. There were many other programs announced by the government in the budget, but one area that has caused a lot of people to question the impact on their own balance sheets, was the increase in the capital gains inclusion rate for individuals and corporations.<sup>1</sup> Historically the capital gains inclusion rate has ranged from 50% to 66.67% to as high as 75% in the 1990s. The most recent change in 2001 from 75% to 50% has been the rate that most investors have got used to.<sup>2</sup> What the capital gains inclusion rate means, is for example you bought a stock for \$1,000 and then sold it for \$2,000. Of that \$1,000 gain \$500 (or 50%) would be included in your taxable income. In the 2024 budget, they announced a change from 50% to 66.67% or from one-half to two-thirds. This does not apply to all investors or all capital gains. For individual investors, the 66.67% only applies to capital gains greater than \$250,000. This would mean that your cumulative realized gains for the year would have to be larger than \$250,000. For the average investor, this amount might be larger than the value of all their investments combined. The new capital gains inclusion is different for businesses, this \$250,000 minimum does not apply, and all capital gains will be subject to a 66.67% inclusion rate after June 25<sup>th</sup>.

Some examples of individual investors that could be affected by the change, is those who do have a large gain on their investment portfolio or if they have a second property that is not exempt under the principal residence exemption. It is important to know that the capital gains inclusion only comes into affect if either

of these items are sold. If you sit on a second property and never sell it in your lifetime, the realized gain will only occur when settling your estate.<sup>3</sup>

Some individual investors that do have capital gains greater than \$250,000 are wondering if they should be triggering these gains before the changes to the inclusion rate go into effect on June 25<sup>th</sup>. It is important to consider the break-even that you would need for a return on your investment to be indifferent to realizing the gain at a 50% versus a 66.67% inclusion rate. For example, if an individual in the 38% tax bracket has a capital gain of \$300,000, their after-tax proceeds would be \$243,000 at a 50% inclusion rate. At a 66.67% inclusion rate their after-tax proceeds would be \$239,833. It is important to note that the 66.67% is only above \$250,000, so only \$50,000 of the \$300,000 gain is taxed at the new inclusion rate. The return that one would need to receive to make up for not triggering the gain before June 25<sup>th</sup> is only around 1.40%. When triggering the gain, unless there is a use for the funds, they will likely be reinvested leading to additional capital gains in the future.

We can easily pull unrealized gain information for your accounts. We can review scenarios if your individual account is above the \$250,000 threshold for capital gains or if you have a corporate account and want to review all capital gains. We can help to make an informed decision on if triggering a taxable gain is worth it when looking at your portfolio from a long-term perspective.

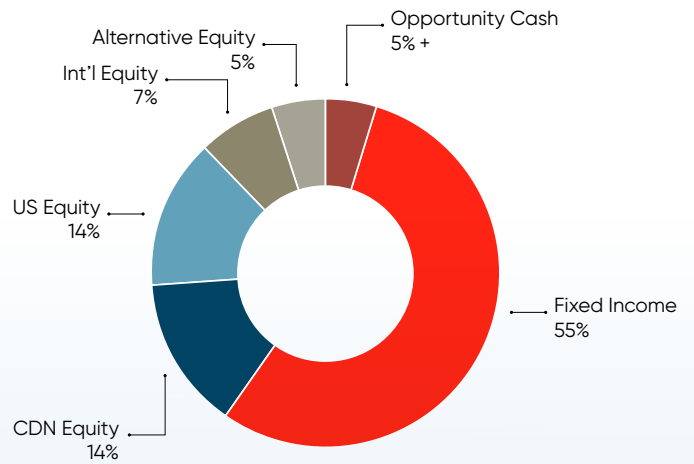
<sup>1</sup> [Federal 2024 Budget - Bigger, costlier government trains focus on housing crisis \(nbc.ca\)](#)

<sup>2</sup> [Inclusion rates for previous years - Canada.ca](#)

<sup>3</sup> [Canada's 2024 Federal Budget Highlights | National Bank \(nbc.ca\)](#)

## Conservative+ Investment Model Sleeve

**Your Investment Policy CONSERVATIVE+:** On the whole, you want fixed income investments. Although you can tolerate limited changes in the market value to ensure that your assets will grow, you prefer fixed income investments for reasons of stability. If you feel that your risk tolerance is shifting, please let us know



Source: This information is for illustration purposes and subject to change. Your portfolio may not hold all of these positions. We enhance the composition of your portfolio with additional equity solutions that are not illustrated. The weightings change with market fluctuations and model rebalancing.



**Laurel Marie Hickey, CFP®, CIM®, FCSI®**  
Wealth Advisor & Portfolio Manager  
239 8<sup>th</sup> Avenue SW, Calgary, Alberta T2P 1B9



**Garth Bluekens, CPA, CA, PFP®, CIM®**  
Senior Wealth Advisor & Portfolio Manager  
404 6<sup>th</sup> Street S, Lethbridge, Alberta T1J 2C9

Tel.: 403-531-8429 | Toll Free: 1-877-506-7900 | Email: laurel.hickey@nbc.ca



National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). The information contained herein has been prepared by Laurel Hickey a Wealth Advisor and Portfolio Manager at NBF. I have prepared this report to the best of my judgment and professional experience to give you my thoughts on various financial aspects and considerations. The opinions expressed herein, which represent my informed opinions rather than research analyses, may not reflect the views of NBF. The particulars contained herein were obtained from sources we believe to be reliable but are not guaranteed by us and may be incomplete. The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your Wealth Advisor to verify whether the security or sector is suitable for you and to obtain complete information, including the main risk factors. Some of the securities or sectors mentioned may not be followed by the analysts of NBF. Unit Values and returns will fluctuate, and past performance is not necessarily indicative of future performance. The present document may not be reproduced either wholly or in part. It must not be distributed or published or be mentioned in any way whatsoever. No mention of the information, opinions and conclusions it contains may be made without the express written pre-approval of NBF for each instance. NBF is not a tax advisor and clients should seek professional advice on tax-related matters, including their personal situation. Please note that comments included in this letter are for information purposes only and are not intended to provide legal, tax or accounting advice.