Federal Government Announces Delay in Changes to Employee Stock Option Regime

December 23, 2019

Budget 2019 highlighted the Federal Government's intention to limit the preferential treatment of employee stock options under tax legislation to restrict benefits currently available to mature companies. On June 17, 2019, the Minister of Finance tabled a Notice of Ways and Means motion to amend the *Income Tax Act*. Under the proposed legislation, new rules capping the preferential treatment of stock options would come into effect as of January 1, 2020. However, certain entities, including Canadian-Controlled Private Corporations (CCPCs), and companies which qualified as "start-ups, emerging, or scale-up companies" would be exempt from these rules. An industry consultation was launched to seek input regarding what companies should qualify as exempt and ended on September 16, 2019. More information regarding the original legislation can be found in our bulletin from June 27, 2019.

On December 19, 2019, the Ministry of Finance provided an update advising that it was still reviewing the input received during consultations. As a result, the proposed changes will not come into force as of January 1, 2020, as initially planned. According to the Ministry, more information will be provided in Budget 2020, including a new date on which legislation will come into force. This suggests that the issue of limiting preferential tax treatment of employee stock options is very much live, though it is unclear what aspects of the current draft legislation will be changed. It is likely that the Notice of Ways and Means will be reintroduced (subject to any changes) with a new effective date.

By

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