

Tax Law

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Liberal Government Abandons Proposed Changes to Taxation of Employee Stock Options

On March 22, 2016, the Liberal government delivered its first budget (“**Budget 2016**”), which focuses on growing the middle class. Notably absent from Budget 2016 were anticipated changes to the tax treatment of employee stock option benefits, which formed part of the Liberal party’s 2015 election platform, as previously discussed in our earlier Updates on this topic (*Proposed Changes to Tax Treatment of Stock Options Under New Liberal Government* and *Government Clarifies Grandfathering of Existing Stock Options*, dated November 9, 2015 and November 20, 2015, respectively).

At a press conference held following the release of Budget 2016, Finance Minister Morneau explained that the tax measure was not included in Budget 2016 due to concerns raised during pre-budget consultations that the measure would hinder the growth of Canadian start-up companies and small firms in the technology sector, which regularly use stock options “as a legitimate form of compensation for their employees.” When asked whether the Liberal government might introduce the tax measure in the future, the Finance Minister simply stated “It’s not in our plan.”

For further information on the taxation of stock options, please contact any member of our Tax Group.