



# GMS Flash Alert

Global Compensation Edition

2019-192 | December 20, 2019



## Canada – Delayed Implementation of Cap on Employee Stock Option Deduction

Canada's Department of Finance has announced it is pushing back the planned implementation date for new changes to the tax treatment of employee stock options, and says it will indicate how it intends to move forward with these rules – including the new coming-into-force date – as part of its 2020 budget.<sup>1</sup>

As a result, the proposed new changes to limit the preferential personal tax treatment of employee stock options are no longer coming into force on January 1, 2020.

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### WHY THIS MATTERS

The legislative proposals were to provide for a significant change in the tax treatment of stock options. (For prior coverage, see [GMS \*Flash Alert\* 2019-125](#), July 19, 2019.) Specifically, the proposals would potentially lead to an increase in the personal tax burden of certain executives, and provide a corporate tax deduction that has not previously been available to Canadian employers for stock-settled options.

The delayed coming-into-force date is intended to provide individuals and businesses time to review and adjust to the new employee stock option tax rules.

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### Background – in Brief

A few months back, the federal government had released new legislative proposals to institute a \$200,000 annual cap for certain employee stock options that qualify for the stock option deduction *granted on or after* January 1, 2020. (All dollar figures expressed are Canadian dollars.)

The Department of Finance also clarified that stock options granted by Canadian-controlled private corporations (CCPCs) and certain “highly innovative, fast-growing companies” were to be exempted from the new limit.

## Details

For more details on this latest development, see “[New Stock Option Rules Delayed](#),” in *TaxNewsFlash-Canada* (No. 2019-60, December 19, 2019), a publication of the KPMG International member firm in Canada.

## FOOTNOTE:

1 See the December 19, 2019 Department of Finance News Release (in English), “[Update on Proposed Changes to the Tax Treatment of Employee Stock Options](#).”

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## Contact us

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**The information contained in this newsletter was submitted by the KPMG International member firm in Canada.**

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