April 21, 2020

The Honourable William Francis Morneau, P.C., M.P.
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa ON K1A 0G5

Dear Minister:

Recommended Tax Measures for 2020

The COVID-19 crisis has reduced the incomes and accumulated savings of ordinary, hard-working Canadians from widespread business lockdowns, the collapse of financial markets and much lower interest rates. Understandably, Canadians want to regain job security and income and rebuild their retirement savings to restore their lives and build a brighter financial future for their families.

The federal government has taken quick and decisive action in the past month or so to introduce several significant and timely spending programs to support the incomes of workers and businesses. In keeping with this proactive and measured approach, the government should similarly support ordinary Canadians lost retirement savings through temporary and modest adjustments to the treatment of capital losses. This interim tax measure would restore confidence for a better life and an optimistic future for middle class Canadians and their families.

First, the federal government could remove the superficial loss rule for 2020. A superficial loss is when an investor sells a security triggering a capital loss for tax purposes and repurchases the identical security within 30 days before or after the sale. The same is true, for example, if a person sells a stock and his/her spouse repurchases the same stock. The federal government should suspend the superficial loss provision for 2020 to allow Canadians to sell a security at a loss in a non-registered account, benefit from the capital loss, and then repurchase the identical security in a registered account. This would enable investors to reposition assets and rebuild their retirement savings plans. For Canadians who may need to sell investments to access cash, this would allow them to repurchase the investments in a RRSP or RRIF without being denied the capital loss which may result. At a time when Canadians are tight for investing dollars, particularly for retirement savings, this would provide a beneficial means to move money into registered retirement savings plans or other tax-advantaged plans.
Second, the federal government should allow a portion of net capital losses incurred in 2020 to be used to offset personal income, rather than just capital gains. The allowance to apply net capital losses against personal income should be limited to ensure it primarily helps average ordinary Canadians – for example, that no more than 50 per cent of personal taxable income can be offset in the current calendar year, with any net capital losses left over carried back up to three years or forward indefinitely to offset net capital gains. No more than $100,000 in total net capital losses in 2020 can be used to offset personal income.

These proposed tax measures would cushion retirement savings, bolster investor confidence, and provide underlying stability to share prices. The equity market support would indirectly improve the ability of businesses to access equity capital to finance expansion and investment in technology and equipment, and support economic recovery.

I would be pleased to discuss these issues further by teleconference at your convenience.

Yours sincerely,