

## January 2025 Government Update

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### Summary

On January 6, Prime Minister Trudeau announced his resignation as leader of the Liberal Party and Prime Minister, effective once a new leader is elected. At Trudeau's request, the Governor General prorogued Parliament until March 24. The leadership contest will conclude on March 9.

On January 24, Ontario Premier Doug Ford announced that he would call an election for February 27. The legislature was not expected to return until March 3.

For the last couple of months, U.S. President Donald Trump has threatened a 25 percent tariff on Canada, with the latest implementation date of February 1. It is still unclear whether he will implement the tariffs and what they might include.

### Federal Update on Capital Gains

With Parliament prorogued, the legislative session stops immediately. Any bills under consideration are terminated and must be brought back in a subsequent session. Included in the termination is a Notice of Ways and Means Motion to introduce a bill entitled An Act to Amend the Income Tax Act and the Income Tax Regulations, which outlined changes to capital gains taxes. The legislation did not pass before Parliament was prorogued.

Parliamentary convention dictates that taxation proposals are effective as soon as the government tables a notice of ways and means motion. Ultimately, if no bill is passed in the House of Commons, and the government signals its intent to not proceed with the proposed measures, the CRA would cease to administer them. Presently, the CRA is still collecting the capital gains increases. There is no certainty that they will stop collecting the capital gains at the increased inclusion rate until a Throne Speech, Budget, or Fall Economic Statement indicates that the inclusion rate increase is not a policy that the sitting government will implement. If a sitting government were to announce that it will revert back to the previous capital gains inclusion rate, they would have to indicate whether they would return or keep the gains that were collected after June 25, 2024.

On January 16, federal Conservative leader Pierre Poilievre announced that, if elected, his government would eliminate the capital gains tax increase.

### **Federal Liberal Leadership Race**

The following people have announced that they are running for leadership:

- Mark Carney, former Governor of the Bank of Canada
- Chrystia Freeland, former Finance Minister and Deputy Prime Minister
- Karina Gould, leader of the Government in the House of Commons
- Jaime Battiste, Nova Scotia MP
- Ruby Dhalla, former Ontario Liberal MP
- Frank Baylis, former Quebec Liberal MP

An early poll from Leger indicated that 27 per cent of respondents preferred Carney with Freeland at 21 per cent.

### **American Tariffs on Canada**

The Americans are currently considering new tariffs on Canadian goods, which could have an effect on the Canadian economy, including the tech sector. Communitech hosted a [community town hall](#) with experts from [Capitol Counsel](#) on January 17 to hear concerns from founders, what we might expect, and what companies can do to navigate the situation. Communitech will continue to keep on top of any changes and inform you of how changes will affect the Canadian tech ecosystem through emails and future webinars, including one on [February 4](#).

### **Provincial Election Watch**

The election period is 29 days, with election day on February 27. The Premier is allowed to call an election at any time and has been hinting at the possibility of this election for a few months.

### **Federal Election Watch**

The minimum period for an election is [36 days](#) and the maximum period is 50 days. A vote of no-confidence in the House of Commons would require the Prime Minister to request that the Governor General dissolve Parliament and call an election. Opposition parties have indicated that they would vote non-confidence in the Liberal government at their earliest opportunity. Notably, a Throne Speech, which would be the first order of business upon Parliament's return, would face a vote of confidence. Any other votes with fiscal components would also be considered confidence votes.

Two likely scenarios would trigger an election:

- 1) The new Liberal leader is sworn in as PM and immediately calls an election.
- 2) Unless one of the NDP or Bloc changes their mind, opposition parties defeat the government on a confidence motion, triggering an election.

In either scenario, an election would likely be held on a non-holiday Monday in May.

## Key Dates

- January 29 – Beginning of the Ontario election campaign
- February 1 – Potential start of American tariffs on Canada under President Trump
- February 3 – KW Chamber event: [Ontario Liberal leader, Bonnie Crombie](#) (\$25–90 in-person at Crowne Plaza; free online)
- February 4 – [Webinar: Navigating the Storm – Preparing Canadian Companies for U.S. Tariffs](#) (free)
- February 11 – KW Chamber event: [Ontario NDP leader Marit Stiles](#) (\$25–90 in-person at Crowne Plaza; free online)
- February 13 – KW Chamber event: [Ontario PC leader Doug Ford](#) (\$25–90 in-person at Bingemans; free online)
- February 27 – Ontario election day
- March 9 – New federal Liberal leader and Prime Minister chosen by party members
- Late March/early April – likely start of the federal election campaign
- Early May – likely federal election day

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## For more information

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