

---

## Hugessen Update on Taxation of Options (November 20, 2015) *A welcome clarification and window of opportunity?*

On November 20, during the new Liberal government's first economic and fiscal update, Minister of Finance Bill Morneau stated during the Q&A that the government has not yet made any final decisions with respect to the taxation of stock options. However, he also indicated that, once a decision is made (which should be "in the next few months"), the new taxation rules will apply to options issued from that date forward and will not apply to options issued prior to that date.

Considering these statements, there seems to be no need to plan for early exercise of currently outstanding options, as gains from these options will continue to benefit from the 50% tax deduction. In addition, compensation committees and boards may want to consider the timing of their 2016 option grants to increase the chances that these new grants are issued before the official announcement of the new taxation (to be considered in the context of typical year-end decisions). It would appear that doing so might allow these grants to continue to benefit from the 50% deduction on option gains.

While the government's latest statements are welcome news to holders of significant option gains, we do caution that they are merely statements and the government's thinking and position could evolve in the near term. At this time, it is difficult to predict when the decision date (effective date) will occur.

More to follow as additional information becomes available.