

Voters Reelect Conservative Government

by Steve Suarez

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COUNTRY DIGEST

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The Canadian federal election held on May 2 marked a return to power for the Conservative Party led by Prime Minister Stephen Harper. Taking 167 of 308 seats in the House of Commons, the Conservatives improved their standing and will now move from minority government status in the previous Parliament to form a majority government, able to pass legislation without the cooperation of any of the opposition parties.

Consequently, it seems almost certain that various tax initiatives proposed in Finance Minister Jim Flaherty's federal budget of March 22 will be introduced before the House of Commons and enacted into law.

These include rules to eliminate corporations' ability to defer the taxation of income earned through one or more partnerships that have fiscal year-ends different from the corporations' year-ends; significantly less generous tax treatment of some costs associated with Canada's oil sands to correspond with the tax treatment of similar costs relating to conventional oil and

gas properties; accelerated tax depreciation for some property; and the amendment or extension of various rules regarding flow-through shares. (For prior coverage, see *Tax Notes Int'l*, Apr. 11, 2011, p. 80, *Doc 2011-6076*, or *2011 WTD 57-2*.)

The May 2 election was historic for several reasons. The left-wing New Democratic Party, led by Jack Layton, achieved a major breakthrough, catapulting to official opposition status with 102 seats, more than double its previous high and far more than the 36 seats it held at the start of the election. This surge occurred at the expense of the Liberal Party, which sunk to a historic low of only 34 seats, and the decimated Bloc Quebecois, which fell from 47 seats to a mere four. Gilles Duceppe, leader of the Bloc Quebecois (whose platform calls for the province of Quebec to separate from Canada and form an independent country), has already tendered his resignation, as has Liberal leader Michael Ignatieff. The Green Party of Canada also won a seat in a federal election for the first time. ♦

♦ *Steve Suarez, partner, Osler, Hoskin & Harcourt LLP, Toronto*