3 Changes in 2022 and the Possible Impacts on 3 Stocks

Description

Government policies and spending have a significant impact on companies and businesses. The policies determine funding, taxation, approvals, and other benefits or restrictions in conducting business operations. The Canadian government has announced several changes for the 2022 tax year. Among the many changes, I've identified three changes that could positively impact a few stocks:

- The end of public finance for oil and gas development and move it to renewable energy projects.
- The end to the rent freeze for Ontario residents.
- The extension of the temporary flat-rate work-from-home deduction to 2023.

Ending public finance for oil and gas development by 2022

Canada is cracking down on fossil fuel funding by signing the COP26 deal, along with 25 other countries. As part of the deal, the federal government will end public finance for coal, oil, and gas development by the end of this year. In simple words, no government nor any government agency will fund any fossil fuel projects. Instead, it will channel this funding to renewable energy projects.

Under the deal, the government can invest in projects where carbon emissions are "abated" and carbon-capture projects, like the $75 billion Oil Sands Pathways to Net Zero initiative. Canada's federal natural resources minister Jonathan Wilkinson said the deal could impact $1 billion in funding from Export Development Canada. The agency handles most of the funding for energy companies in Canada.

I believe the deal is positive for **Suncor Energy** (TSX:SU)(NYSE:SU). The oil company could secure funding for its carbon capture, which is not revenue generating. The investment reduction in oil and gas development could fuel an energy crisis and increase oil prices, as it did in 2020, when Texas wind turbines froze. Renewable energy production is dependent on weather conditions, and that is where oil and gas come to the rescue.

Even as the energy industry goes green, oil is here to stay. It will be used in jet fuel and as a backup energy source when renewables don't produce sufficient energy. Suncor stock is currently trading at its high. Wait for a dip to buy this dividend-generating stock.

Ending the rent freeze for Ontario residents effective January 1, 2022

The government temporarily froze rent increases in Ontario to help people with their rent bills. But this relaxation ended on January 1, 2022. The Ontario government has raised the maximum allowable rent increase to 1.2% in 2022, which is better than a 0% increase in 2021 but lower than a 2.2% increase in 2020. This rule applies to residential and commercial units.

The rent hike bodes well for **RioCan REIT** and **SmartCentres REIT**. Ontario is a hot property zone, and the two REITs have a significant portion of their properties (developed and developing) in the Greater Toronto Area. The two REITs have surged over 3% since December 20, 2021. REITs are a good investment to hedge your portfolio against inflation. Rent is a major expense in the inflation basket. Hence, an increase in rent pushes inflation upwards, and REITs benefit from higher rent.

Extending the temporary flat-rate work-from-home deduction

Another support the government provided Canadians during the pandemic is the home-office-expense tax deduction. This tax deduction was always in place but involved lengthy calculations and a lot of hassle. As a significant amount of the population started working from home during the pandemic, the Canada Revenue Agency (CRA) launched a temporary flat-rate method to claim a deduction of $2/day up to $400 in 2020.

But the pandemic waves continued with a series of lockdowns and work from home. Hence, the CRA has extended this temporary method for the 2021 and 2022 tax years. For these two years, you can claim up to $500 in-home office expense deduction. This bodes well for **Enghouse Systems**, which acquired a video-conferencing company before the pandemic.

Enghouse stock surged 27% in 2020, as the pandemic created a sudden surge in demand for video-conferencing solutions. This is one of the three verticals where the company actively acquired companies. However, the stock has been in a downtrend since October 2020, removing all the inflated expectations. The year 2022 could see some new acquisitions increase its revenue and fuel stock price growth.

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