

Budget 2019:

Investing in the Middle Class

Rapid Policy Update

March 19, 2019

On March 19, the Government of Canada presented its 2019 Federal Budget entitled *Investing in the Middle Class*, which provides an update on the government's finances and makes several policy announcements and spending commitments to that will impact Canadian businesses and the economy.

SKILLS AND IMMIGRATION

The government announced plans to:

- Establish a new Canada Training Benefit by investing \$1.7 billion over five years and \$586.5 million per year afterwards. This will be a personalized, portable training benefit to help people plan for and get the training they need to succeed in a changing economy. The Canada Training Benefit includes two key components:
 - A new, non-taxable Canada Training Credit to help with the cost of training fees. Canadians aged 25-64 will accumulate \$250 per year, up to a lifetime limit of \$5,000, that can be applied against fees for occupational skills training.
 - A new Employment Insurance (EI) Training Support Benefit to provide income support when an individual requires time off work. This benefit will provide up to four weeks of paid leave, at 55% of average weekly earnings, that will be offset for small businesses paying less than \$20,000 in employer EI premiums by a tax rebate.
- Within 10 years, ensure that every young Canadian that wants a work-integrated learning opportunity should get one. These investments include:
 - Expand the Student Work Placement Program to give students in fields outside STEM – such as the arts, humanities and social sciences – access to work-integrated learning opportunities.
 - \$631.2 million over five years to support up to 20,000 new work placements per year for post-secondary students across Canada in all disciplines.
 - Provide Employment and Social Development Canada with an additional \$150 million over four years to create partnerships with innovative businesses to create a further 20,000 work-integrated learning opportunities per year.
 - Provide the Business/Higher Education Roundtable with up to \$17 million over three years, where BHER will match the number of new work placements and help forge partnerships.
- Enhance apprenticeship investments that support a skilled, mobile and certified trades workforce. This announcement includes:

- \$40 million over four years (and \$10 million per year afterwards) to enable Skills Canada to support a coordinated approach to promoting skilled trades and technologies to young people through skills competitions and resources.
- \$6 million over two years to promote the skilled trades as a first-choice career for young people.
- An Apprenticeship Strategy to address the barriers to entry and progression for those who want to work in the skilled trades and employers who face challenges in hiring and retaining apprentices.
- \$35.2 million over five years, with \$7.4 million per year ongoing, to make the Global Talent Stream pilot a permanent program.

Canadian Chamber response:

The Canadian Chamber welcomes the announcements that will promote work-integrated learning, reskilling and upskilling. Specifically, the Canadian Chamber has been advocating for the expansion of work-integrated learning outside of STEM fields and greater funding for apprenticeship programs. However, we are concerned about the government changing labour legislation to support new leave provisions and believe that time off for skills training should continue to be negotiated between the employer and employee. The Canadian Chamber would like to see the Global Talent Stream program bring a wider range of skilled immigrants to rural communities, where they are often most needed.

NATIONAL PHARMACARE

The government announced plans to:

- Work with provinces, territories and stakeholders to create the Canada Drug Agency, including \$35 million over four years to establish a transition office in the development of this vision.
- Up to \$1 billion over two years, with up to \$500 million ongoing, to help Canadians with rare diseases access the drugs they need.

Canadian Chamber response:

The Canadian Chamber welcomes the creation of a drug agency to improve health outcomes. To ensure continued access to life-saving medicines for rare diseases, we believe national pharmacare should leverage the private-public system to provide a pooling mechanism for high-cost drugs. We will continue to advocate for a fiscally responsible approach to national pharmacare that fills in the gaps in the existing system with a focus on the uninsured and underinsured. We expect to see an announcement on this decision in the Advisory Council on the Implementation of National Pharmacare's final report later this Spring.

TAXES

The government announced plans to:

- \$150.8 million over five years for CRA to target non-compliance associated with cryptocurrency transactions and the digital economy, proper reporting of income by non-residents, and combating offshore non-compliance.
- \$65.8 million over five years to improve CRA's information technology systems so that infrastructure used to fight tax avoidance continues to evolve.

- \$34 million over five years for CRA to hire additional staff to process adjustments to T1 returns post-filing.
- \$16 million over five years to make permanent the dedicated telephone support line for tax service providers.
- Aligning Canada's employee stock option tax treatment with the United States by applying a \$200,000 annual cap on stock options that may receive tax-preferred treatment for employees of large, long-established, mature firms.
- Elimination of the income threshold to access the enhanced 35% refundable Scientific Research and Experimental Development (SR&ED) tax credit.

Canadian Chamber response:

The Canadian Chamber is disappointed that the tax measures announced in the Budget will further complicate Canada's tax system and increase the cost of compliance for all taxpayers. It is clear from the latest GDP and investment numbers that the accelerated capital allowance measures in the Fall Economic Statement did not go far enough on tax competitiveness. Today's tax announcements, or lack thereof, miss the urgency of Canada's economic situation. We immediately need a Royal Commission based on the principles of competitiveness, simplicity, neutrality and fairness to kick-start investment and ease the burden of our tax system.

REGULATION

The government announced plans to:

- The introduction of three Regulatory Roadmaps to modernize regulatory frameworks in agri-food and aquaculture, health and bio-sciences, and transportation and infrastructure to specifically address stakeholder issues and irritants in these sectors. This includes:
 - Providing Canada Food Inspection Agency, Health Canada, and Transport Canada with up to \$219.1 million over five years to move forward on the Roadmaps.
 - \$67.8 million over five years for Justice Canada resources to strengthen the Government's capacity to draft the legislative and regulatory changes needed to facilitate a new approach to regulation in these sectors and others.
 - In the coming weeks, a release of the full Regulatory Roadmaps for each of the reviews, as well timelines for enacting each of the initiatives.
- \$3.1 million per year in ongoing funding for the Treasury Board Secretariat to support regulatory cooperation and harmonization.

Canadian Chamber response:

While the Canadian Chamber welcomed the Fall Economic Statement announcement of significant initiatives to reduce the regulatory burden in Canada, such as legislating economic competitiveness into regulatory mandates, we are concerned about the slow movement and progress in setting up these instruments. The focus of the Regulatory Roadmaps on creating a more user-friendly system and the use of regulatory sandboxes in specific sectors is welcome, but regulatory cooperation and harmonization in all sectors is urgently needed. We will continue to advocate for reducing the regulatory burden and promoting leadership in inter-provincial trade, including the need to get our natural resources to world markets. It is imperative that the government completes the consultation process quickly and efficiently to ensure that the Trans Mountain Expansion project is completed as soon as possible.

TRADE

The government has announced plans to:

- Following the ratifications of CETA and CPTPP, up to \$3.9 billion is being proposed to support supply-managed farmers, including:
 - Up to \$2.4 billion to support the incomes of eligible dairy, poultry, and egg farmers (\$250 million has already been provided to support dairy farmers as a result of CETA).
 - \$1.5 billion set aside for a Quota Value Guarantee Program that will protect against reduction in quota value when the quota is sold.

Canadian Chamber response:

While the Canadian Chamber was pleased to see an accelerated investment of the National Trade Corridors Fund in the Fall Economic Statement, as well as a serious focus on trade diversification, we are troubled by the lack of announcements to facilitate trade in the Budget. We will continue our efforts in advocating for greater assistance to increase SME exports and build trade-enabling infrastructure, including helping our struggling oil and gas industry get its resources to world markets.

INNOVATION

The government has announced plans to:

- Commitment in which 95% of Canadian homes and businesses will have access to internet speeds of at least 50/10 Mbps by 2026 and 100% by 2030, no matter where they are located in the country.
- Up to \$1.7 billion in new targeted initiatives that will support universal high-speed internet in rural, remote and northern communities, including:
 - Up to \$1.7 billion over 13 years to establish a new national high-speed internet program, the Universal Broadband Fund, to extend “backbone” infrastructure to underserved communities and support “last-mile” connections for the most difficult-to-reach communities.
 - Included in the Universal Broadband Fund commitment, top up the Connect to Innovate program and secure advanced satellite capacity to bring reliable high-speed internet to the most challenging rural and remote homes and communities.
- The Canada Infrastructure Bank will seek to invest \$1 billion over the next ten years and leverage at least \$2 billion in additional private sector investment to increase broadband access for Canadians.

Canadian Chamber response:

The Canadian Chamber has been calling for broadband expansion and is pleased to see these measures announced in the Budget. These announcements will help bring new

economic opportunities and critical infrastructure for the development of Canada's rural communities.

FISCAL POSITION

- The federal deficit is projected to continuously decline from \$19.8 billion in 2019-20 to \$9.8 billion by 2023-24.
- The federal debt-to-GDP ratio is expected to gradually decline from 30.7% in 2019-20 to 28.6% by 2023-24.

Canadian Chamber response:

The Canadian Chamber is pleased to see continued reductions in budget deficits starting in 2020-21. However, we continue to call on the federal government to provide a detailed plan for getting the books back to balance. Our members continue to press the government on its fiscal flexibility to pursue stimulus spending should the economy face headwinds.

OTHER ISSUES

The government has announced plans to:

- Canada Mortgage and Housing Corporation will provide up to \$1.25 billion over three years for the First Time Home Buyer Incentive, where first time home buyers can apply to finance a portion of their home purchase through a shared equity mortgage with CMHC.
- An additional \$10 billion over nine years in financing through the Rental Construction Financing Initiative to support 42,500 new units across Canada, particularly in areas of low rental supply.
- \$2.2 billion one-time transfer through the Federal Gas Tax Fund to address infrastructure deficits and short-term priorities in municipalities and First Nations communities.