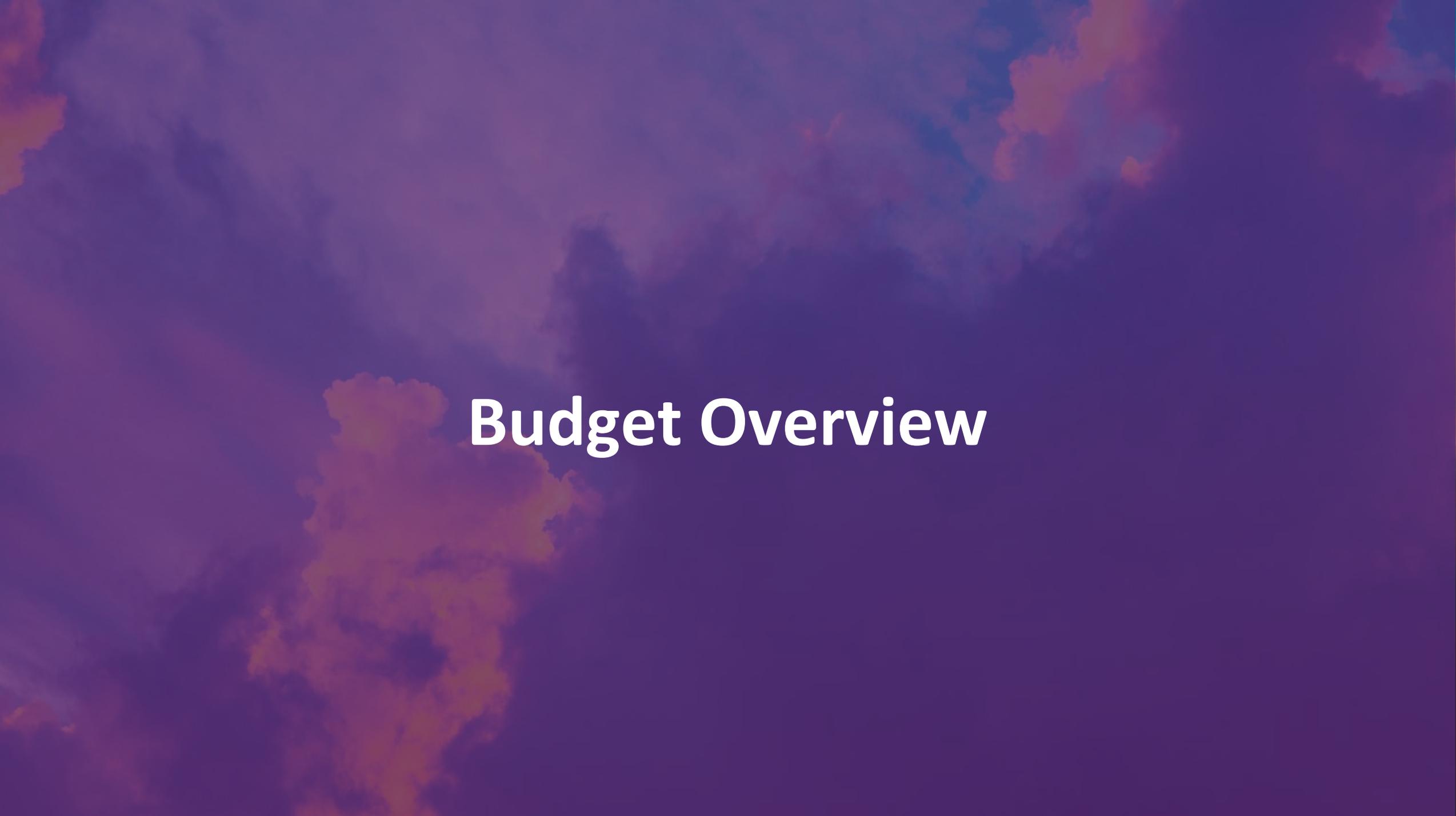




# 2019 Federal Budget Overview

March 19, 2019



# Budget Overview

# OVERVIEW

- **The Liberal budget, titled “Investing in the Middle Class”, continues to spend with targeted commitments for seniors and young voters, while posting deficits with no path back to fiscal balance.**
- **The government’s promise to bring the federal budget back into balance by 2019 goes unfulfilled, and there is no timeline provided for bringing the budget back into balance.**
- **Today’s budget projects a \$19.8 billion deficit in 2019-20, higher than the \$19.6 billion projected in the fall fiscal update.**
- **The Liberals announce \$22.8 billion over the next five years.**

# BUDGET IN BRIEF

- **Introducing a First-Time Homebuyers incentive, which will be a shared equity mortgage program provided by CMHC to lower mortgage payments on first-time homebuyers.**
- **A Canada Training Benefit, which will provide funding for training, income to support Canadians while they train.**
- **Creating the new Canadian Drug Agency to consolidate negotiation of drug costs, developing a national formulary for prescription drugs and creating a national strategy for high-cost drugs for rare diseases.**
- **\$2.2B in one-time funding through the Gas Tax Fund to support municipal infrastructure projects.**
- **Investments in energy upgrades for municipal buildings through the Federation of Canadian municipalities, money for municipalities to offer energy-saving upgrade rebates for homeowners and businesses, and a consumer incentive to purchase electric vehicles.**

# ITEMS OF INTEREST TO PHYSIOTHERAPISTS

The government plans to expand the list of GST/HST-exempt health care services to specifically include a multidisciplinary health care service, including healthcare services provided by physiotherapists as part of a multi-disciplinary healthcare team. Currently, services covered by each member of a multi-disciplinary healthcare team would be GST/HST exempt in isolation, but there is no specific provision that says they are exempt when combined to provide wrap-around services to a patient. This change would enshrine that provision in the tax code.

**This exemption goes into immediate effect.**

## OPPOSITION REACTION

*Justin Trudeau promised the budget would be balanced this year. It's not. Instead he's throwing around billions of dollar to distract from his corruption scandal cover-up. If he wins in October, Canadians will pay for it with higher taxes. #YourBudget2019 - **Leader of the Official Opposition Andrew Scheer, via Twitter March 19/19***

***NDP Leader Jagmeet Singh** said the budget does nothing to build much-needed affordable housing, and suggested the RRSP measure will be of little help since most millennials haven't stashed that much away. "How many millennials ... have enough in their RRSP to buy a home? It shows how disconnected Mr. Trudeau is with respect to what Canadians are going through," Singh said. - **CBC.ca March 19/19***

***Green Party Leader Elizabeth May** says the Liberal government's budget is "pathetic" in its approach to addressing climate change. "There's about \$1.4 billion over five years, compared to spending \$4.5 billion on a leaky pipeline," she said, referring to the Kinder Morgan project that the government nationalized last year. - **CTVNews.ca March 19/19***

# MEDIA COVERAGE

## News Coverage

**CTV: Liberals target key demographics, deficit projected at \$19.8 billion**

**Global News: No plan for balanced budgets even if Trudeau wins second majority**

**Maclean's: Morneau's 2019 federal budget comes with big-ticket surprises**

**La Presse: Federal Budget - Expenditures instead of fixing the deficit**

## Columnists & Commentary

**Andrew Coyne, National Post: The federal budget is a testament to the pleasures of endless growth. Forget productivity, tax cuts or investment.**

**Joyce Napier, CTV: "This is as much a political document as it is a fiscal blueprint".**

# FISCAL OUTLOOK

- **\$19.6B deficit projected (with \$3.0B reserve fund factored in), falling to \$11.4B by 2023-24**
- **Canada's federal debt-to-GDP ratio falls from 30.8% in 2018-19 to a projected 30.7% in 2019-20.**
- **GDP growth expects to slow down slightly from 1.9% in 2018 to 1.8% in 2019, landing at 1.6% in 2020.**
- **Budget 2019 builds in a \$3.0B buffer for risk, and plans for that buffer to be in its Budgets in the later years as well.**
- **Debt-to-GDP ratio is expected to hit 28.6% by 2023-24**
- **Total Expenses: \$355.6B**
- **New Spending: \$22.8B**
- **The Federal Debt is expected to be \$705.4B in 2019-20, rising to \$761.7B in 2023-24**



# Budget Highlights

# FIRST-TIME HOMEBUYERS

The government proposes to create the First-Time Homebuyers Incentive. It would:

- Allow first-time homebuyers with a minimum down payment who use CMHC to insure their mortgage to apply to finance a portion of their home purchase through a share equity mortgage with CMHC. The government expects up to 100,000 first-time homebuyers can expect to benefit from the program over the next 3 years.
- CMHC would offer a 10% shared equity mortgage toward a new build home or 5% toward a for an existing home.
- The incentive is available to first-time homebuyers with a household income of under \$120,000/year

The Federal government is also raising the Home Buyers' Plan (HBP) withdrawal limit. The plan currently allows you to withdraw \$25,000 tax-free from your RRSP for your first home purchase. The increase would bring the amount to \$35,000.

# IMMIGRATION

- **\$1.8 billion over five years starting in 2019-20, and \$55 million per year ongoing, to enhance border security and speed up processing of asylum claims.**
- **\$51.9 million over five years starting in 2019-20, and \$10.1 million per year ongoing, to improve oversight of immigration consultants and strengthen compliance/enforcement.**
- **Additional \$42.9 million over two years beginning in 2019-20 for Immigration, Refugees and Citizenship Canada (IRCC) to increase number of call centre agents.**

# PENSIONS

- The government plans to introduce legislative amendments to the *Companies' Creditors Arrangement Act*, the *Bankruptcy and Insolvency Act*, the *Canada Business Corporations Act* and the *Pension Benefits Standards Act, 1985* to better protect workplace pensions in the event of corporate insolvency. Among the proposed measures will be one to allow defined benefit plans to fully transfer the responsibility to provide pensions to a regulated life insurance company through the purchase of annuities.
- Budget 2019 proposes to permit annuitization of up to 25 percent (to a maximum of \$150,000, indexed to inflation after 2020) of defined contribution pension plan, RRSP, RRIF, DPSP and PRPP balances to provide an “advanced life deferred annuity” commencing no later than the end of the year in which the taxpayer attains age 85. Benefits will be payable on a single life or joint and survivor basis between spouses and common-law partners, and may be inflation indexed and/or provide for a reduction upon first death.
- Defined contribution pension plans will be able to offer variable payout life annuities, whereby investment and longevity risk are retained within the plan. This measure does not contemplate pooling of such risks between such plans, or the transfer of such risks to life insurance companies as administrators of pools would retain these risks.

# BENEFITS FOR SENIORS

The government will introduce legislation that would enhance the Guaranteed Income Supplement (GIS) earnings exemption beginning in 2020. The enhancement would:

- **Extend eligibility for the earnings exemption to self-employed income.**
- **Provide a full or partial exemption on up to \$15,000 of annual employment and self-employment income for each GIS or Allowance recipient as well as their spouse, specifically by:**
  - **Increasing the amount of the full exemption from \$3,500 to \$5,000 per year for each GIS or Allowance recipient as well as their spouse;**
  - **Introducing a partial exemption of 50 per cent, to apply to up to \$10,000 of annual employment and self-employment income beyond the initial \$5,000 for each GIS or Allowance recipient as well as their spouse.**

**Budget 2019 proposes to provide additional funding of \$100 million over five years for the New Horizons for Seniors Program. It will further invest \$35 million in 2019–20 to ensure the Assisted Living Program continues to help meet the needs of seniors and people with disabilities.**

**Finally, Public Health Agency of Canada will spend \$50 million over five years, starting in 2019–20, to support the implementation of Canada’s first National Dementia Strategy, which is expected to be publicly released this spring.**

# FINANCE

- **Legislative amendments to federal financial institutions statutes including the Insurance Companies Act, Bank Act & Trust and Loan Companies Act (and related legislation) that would ensure they meet the changing needs of Canadian consumers and businesses.**
- **Amendments will be proposed to: ensure the legislation remains clear and current; modernize the corporate governance framework for federally regulated financial institutions; and add further clarity on how investors, creditors and other participants may be compensated as a result of actions taken by financial sector authorities to sell, wind down or restore to viability a failing bank or financial market infrastructure.**
- **Government will complete its review of open banking and consider the best ways of moving ahead with opening banking with highest regard for consumer privacy, security and financial security.**

# PHARMACARE

The government made a commitment to explore a national pharmacare plan in the 2018 Budget. In Budget 2019, it has taken steps several steps, but has not brought in a universal option. The government is doing the following:

- **Creating a new Canadian Drug Agency to negotiate prescription drug prices on behalf of Canadians. The agency would also assess new prescription drugs and recommend which drugs represent the best value-for-money. It would work with provinces and territories to decide which drugs should be added to the national formulary.**
- **Developing a national formulary for prescription drugs that would form the basis for a consistent approach to formulary listing across the country.**
- **Develop a national strategy for high-cost drugs and rare diseases. The government proposes to invest up to \$1B over two years, starting in 2022-23, and provide up to \$500M per year after that.**

**For all of this, the government will spend \$1.035B over 5 years, mostly for the high-cost drug for rare diseases strategy.**

# SKILLS

The government will create the Canada Training Benefit, a personal training benefit that consists of two parts:

- The Canada Training Credit, which gives eligible workers \$250 a year toward the price of ongoing training, with a lifetime limit of \$5,000, to begin in 2020.
- An Employment Insurance Training Support Benefit, expected in late 2020, that would allow people who must go on leave for training.

The government also plans to consult with provinces and territories on changes to labour legislation that would support leave provisions for training purposes. The projected cost for the Canada Training benefit is \$2.024B over 5 years.

The government is also planning to both lower the interest rate on Canada Student Loans and provide a grace period of up to 6 months after graduation where student loans would not accrue interest.

Finally, to promote the skilled trades, the government is taking a host of measures, including a national campaign to entice young people into the skilled trades as a career path.

# INNOVATION

- **\$2.05 billion over 24 years to ensure the Canada continues to be a leader in space robotics and develop new technologies to be used and tested in lunar orbit (previously announced)**
- **\$251.3 million over three years starting in 2020-21 for Natural Resources Canada to extend existing diversification and innovation programs including the Forest Innovation Program; Investments in Forest Industry Transformation; Expanding Market Opportunities Program; and Indigenous Forestry Initiative.**
- **\$100 million over four years starting in 2019-20 for the Strategic Innovation Fund to leverage private sector co-investments to support the Clean Resource Innovation Fund.**
- **\$100 million over three years starting in 2019-20 to Western Economic Diversification Canada to increase programming in western Canada.**
- **\$38 million over five years starting in 2019-20 for Futurpreneur Canada - including \$3 million for indigenous entrepreneurs - to support the next generation of entrepreneurs.**
- **The Government proposes to eliminate the income threshold for accessing the Scientific Research and Experimental Development (SR&ED) Tax Incentive Program credit.**

## INNOVATION CONT'D

- **\$35.2 million over five years to make the Global Talent Stream a permanent program, providing Canadians with global access to talent when Canadians are unavailable.**
- **Elimination of the income threshold for accessing the enhanced the Scientific Research and Experimental Development tax incentive program. Capital threshold remains in place.**
- **\$195.9 million over five years starting in 2020-21 for TRIUMF physics laboratory**
- **Proposes to introduce legislation to make regulatory efficiency and economic growth a permanent part of regulators' mandates.**

# INDIGENOUS

- **\$4.5 billion over five years aimed at narrowing the socio-economic gap between Indigenous and non-Indigenous people, including:**
- **\$739 million over five years to keep up the promise of eliminating all drinking water advisories in First Nation communities.**
- **\$1.2 billion over three years for Indigenous child welfare services**
- **\$220 million over five years aimed at improving access to social and health services for Inuit children in remote communities**
- **\$333.7 million over five years to revitalize Indigenous languages (following legislation earlier this year)**

# TRADE

- **Up to \$3.9 billion in support for supply managed farmers to sustain the incomes of eligible dairy, poultry and egg farmers. This comes as a result of several trade deals where rules for importing dairy products from other countries have been relaxed.**
- **Removing federal barriers to interprovincial trade of alcohol by allowing alcohol to be sold across provincial boundaries to entities other than provincial liquor authorities. Provinces would still be able to enact laws restricting alcohol crossing their borders.**

# ENVIRONMENT

**Budget 2019 proposes to invest \$1.01B to increase efficiency in residential, commercial and multi-unit buildings. This funding will be delivered through the Canadian Federation of Municipalities' Green Municipal Fund in three ways:**

- **Funding to retrofit large community buildings and community pilot and demonstration projects through grants and financing.**
- **Funding for municipal initiatives to support home energy retrofits such as a high-efficiency furnace.**
- **Funding for affordable housing developments to do eco-friendly upgrades and renovations on aging buildings and support on-site energy generation (likely solar panels, geothermal heating, etc).**

**The government also proposes to support efforts to build new clean energy projects through the Canada Infrastructure Program, with a focus on small and remote communities.**

# INFRASTRUCTURE

- **A one-time top up of \$2.2B through the Federal Gas Tax Fund, doubling the government's commitment to municipalities in 2018-19.**
- **\$5B allocated to the Canada Infrastructure Bank to invest in green infrastructure. The Canada Infrastructure Bank has hydroelectricity and electrical connectivity infrastructure as an area it will look to support, especially in northern communities.**
- **\$400M over 8 years starting in 2021 for the National Trade Corridors Fund to Arctic and northern remote communities.**
- **\$60M for the Federation of Canadian Municipalities for its Municipal Asset Management Capacity Fund to help small communities learn about how to manage their municipal infrastructure and keep it in good repair.**

# TRANSPORTATION

- **Natural Resources Canada will spend \$130 million over five years, starting in 2019–20, to deploy new recharging and refueling stations in workplaces, public parking spots, commercial and multi-unit residential buildings, and remote locations. The Budget will also provide \$300M over three years, starting in 2019–20, to Transport Canada to introduce a new federal purchase incentive of up to \$5,000 for electric battery or hydrogen fuel cell vehicle that's MSRP does not exceed \$45,000.**
- **These vehicles would also be eligible for a full tax write-off in the first year they are put to use. Immediate expensing will come into effect on March 19, 2019. Capital costs will be deductible up to a limit of \$55,000 plus sales tax.**
- **Funding will also be provided to the Canadian Transportation Agency and Transport Canada in support of transitioning CATSA to an independent, not-for-profit entity. The Government intends to introduce legislation to establish this entity.**
- **\$46M over 5 years will be given to Transport Canada to create a regulatory roadmap to create a user-friendly regulatory system, reduce red tape and facilitate greater cooperation in the federal government.**
- **The government will procure two new ferries to operate between PEI, Quebec and Nova Scotia.**

# HEALTH

- **Providing \$103M over 5 years to Health Canada create a regulatory roadmap for a user-friendly regulatory system.**
- **\$65M one-time funding for new emergency helicopters for western Canada.**
- **\$36.6M over 5 years to develop a Canadian database for organ donation and transplantation.**
- **An additional \$30.5M over 5 years to support ongoing investments in ending the opioid crisis.**
- **\$18 million over three years starting in 2019-20 for the Stem Cell Network to translate stem cell research into clinical applications.**
- **\$40 million over two years starting in 2020-21 for the Brain Canada Foundation to improve health care for people with neurological injury or disease.**
- **Additional significant investments in the Terry Fox Research Institute, Ovarian Cancer Canada, Genome Canada and Let's Talk Science.**
- **The government plans to allow the purchase of certain foot care devices to be relieved of the GST/HST on the written order of licenced podiatrists and chiropractors.**

# GENDER EQUALITY

- **\$160 million over five years starting in 2019-20 to support the Department of Canadian Heritage's strengthened mandate and continue to advance gender equality in Canada.**
- **\$1.5 million over five years starting in 2019-20 for Treasury Board to work with departments receiving 2019 budget funding to ensure robust data collection for gender based analysis.**
- **\$1 million over two years starting in 2019-20 to improve the collection of data and strengthen reporting requirements to better support gender equality and diversity in funding allocations.**
- **The government also released its most extensive Gender-Based Analysis of how it spends its money to date - a whole extra book outlining the ways in which the government spends on men and women.**

# DIGITAL

- **\$1.7 billion in rural broadband funding over the next 13 years aimed at closing the gap between rural and urban Canada. Includes \$600 million for securing advanced, new, low-latency Low Orbit satellite capacity.**
- **Pledge targets having 95% of Canadian homes and businesses meet the CRTC basic service standard of 50/10 Mbps by 2026.**
- **\$60 million over two years beginning in 2019-20 to support CanCode help one million more Canadians gain new digital skills.**
- **Legislation to introduce a new critical cyber systems framework.**
- **\$144.9 million over five years to protect Canada's critical cyber systems including in the finance, telecommunications, energy and transport sectors.**

# CANNABIS

- **The Government is proposing that the excise duty framework for cannabis products be amended to more effectively apply the excise duty on these new classes of cannabis products, as well as to cannabis oils, which are already legally available for sale.**
- **Budget 2019 proposes to amend the Income Tax Act to reflect the current regulations for accessing cannabis for medical purposes.**

## CULTURE AND HERITAGE

- **\$58.5 million over two years starting in 2019-20 for the regional development agencies to create a Canadian Experiences Fund for businesses to create and expand infrastructure.**
- **\$20 million over two years starting in 2019-20 for the Canadian Music Fund to enhance its support for the production, promotion and distribution of Canadian music.**
- **\$16 million over two years starting in 2019-20 for the Canadian Arts Presentation Fund to support not-for-profit professional performing arts organizations including festivals and arts series’.**
- **\$24 million over two years starting in 2019-20 for the Building Communities Through Arts and Heritage Program and the Celebration and Commemoration Program.**
- **\$30 million over five years starting in 2019-20 with \$6 million per year ongoing to enable Canadian sports organizations to promote accessible, ethnical, equitable and safe sports.**
- **\$5 million for Destination Canada to develop a tourism marketing strategy to promote lesser known areas.**
- **New 25-percent refundable film production tax credit for Canadian-Belgian co-productions**
- **The \$595 million to support journalism announced in the 2018 Fall Economic Update will include 15% tax credit for digital news subscriptions.**

THANK YOU

IF YOU HAVE ANY QUESTIONS, PLEASE FEEL FREE  
TO REACH OUT TO OUR TEAM

## CONTACT

Greg MacEachern  
gmaceachern@getproof.com  
613 670 5812

**proof** ASK  
BETTER  
QUESTIONS™