

# SPECIAL REPORT

## The Federal Budget

Prepared for  
CPHR Canada  
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### Overview

In the midst of Opposition actions to delay the budget speech, Finance Minister Bill Morneau managed to rise in the House of Commons at 4 pm today and tabled his fourth and last budget today—an election budget that will please many of the government’s target audience of youth, seniors and indigenous Canadians.

Those tracking the fiscal fundamentals are less pleased. The budget projects a deficit of \$14.9 billion for 2018–19 and \$19.8 billion for 2019–20, declining to \$9.8 billion by 2023–24. These compare to estimates of \$18.1 and \$17.5 respectively in last year’s budget. There is no current estimate of when federal finances will return to balance. The following highlights budget announcements of interest to CPHR Canada.

### Specific measures

#### **Training, Skills and Youth**

The budget proposes a new refundable personal tax credit that can be claimed in connection with tuition fees and associated costs paid to an eligible educational institution in Canada.

This credit is paired with a proposed EI Training Support Benefit that will provide four weeks of income support (at 55 per cent of average weekly earnings) every four years. Small businesses will benefit from an EI Small Business Premium Rebate starting in 2020 to offset the costs of employees taking advantage of this benefit.

The government pledged to increased funding to Skills Canada by \$40 million over four years and \$10 million ongoing. The government also announced an investment of \$6 million over two years to create a national campaign to promote the skilled trades as a first-choice career for young people.

Continuing on the training front, \$60 million over two years will be spent to support CanCode's ongoing work and help younger Canadians gain digital skills.

The government will launch a modernized Youth Employment Strategy at a cost of \$49.5 million over five years.

Budget 2019 proposes to make the Global Talent Stream permanent—a program that gives Canadian business expedited, predictable access to top global talent when Canadian workers are unavailable.

### **Pharmacare**

The budget confirms the government's intent to move forward with measures proposed in the interim report of the Advisory Committee on Implementation of National Pharmacare, although these measures are largely structural pre-positioning, without a commitment to the ultimate form of any expanded drug benefit regime. These include the creation of the Canadian Drug Agency, development of a nationally consistent formulary, and of a national strategy for high-cost drugs for rare diseases.

### **Seniors**

Effective July 2020, older working Canadians, including the self-employed, will be able to earn more—up to \$15,000 annually and up to \$10,000 for a spouse—before the Guaranteed Income Supplement or Allowance would begin to be clawed back.

Individuals will automatically begin receiving CPP upon age 70, rather than having to explicitly apply for such benefits.

### **RRSPs and the Home Buyers' Plan**

As part of a broader housing initiative, the existing Home Buyers' Plan loan regime will be enhanced to allow an additional \$10,000—for a total for \$35,000—to be withdrawn from an individual's RRSPs to finance the acquisition of a first home. The loan continues to be repayable to the RRSP over a fifteen-year period.

### **Disability Measures**

At present, if an individual who is the beneficiary under a Registered Disability Savings Plan ceases to be eligible for the Disability Tax Credit, the RDSP must be wound down, unless a medical practitioner certifies that DTC eligibility is likely to resume within a foreseeable period. The budget proposes to remove this requirement, permitting the RDSP to remain in effect indefinitely.

### **The Medical Expense Tax Credit and GST on health services and supplies**

The list of goods and services eligible for the Medical Expense Tax Credit will be updated to include cannabis products purchased for a patient for medicinal purposes.

## **Reaction**

The government's budget narrative continues to be about investing in the middle class—it will be the one consistent message Canadians will hear in the coming weeks ... albeit the next election.

Toronto Star columnist, Chantal Hébert sums it up best by describing the budget as 100 Band-Aids but no structural changes.

The CFIB finds the budget offers little relief from rising small business taxes. The Canadian Chamber of Commerce find the budget puts businesses on the sidelines and missed the chance to fix fundamental flaws in the economy. CPA Canada questions if the first time home buyers measures will actually improve access to homes. The Canadian Labour Congress said the budget missed an opportunity to immediately provide pension protection and address pensioners needs during employer bankruptcy but supports progress made on the pharmacare. And the municipalities are pleased with a budget commitment of \$2.2 billion for infrastructure.

As always, we are available to answer any questions you may have.