



Media statement

For Immediate Release
March 19, 2019

GVBOT response to the 2019 Federal Budget

VANCOUVER, B.C. — In Ottawa today, the federal government unveiled its 2019 budget. This was the government's final budget in advance of a planned election this October.

Budget 2019 includes several new spending measures targeted at first-time home buyers, additional support for skills training for workers, and increased funding for economic development in Western Canada.

Increased revenues afforded the flexibility to continue to increase spending over the coming years, while not balancing the budget but reducing debt-to-GDP over the forecast. Although Canada's has outperformed many of its peers recently, the Greater Vancouver Board of Trade has encouraged the federal government to take a fiscally prudent approach in the face of increasing economic uncertainty.

The competitiveness of our businesses — small or large — has never been more important than it is in the current global climate and we continue to call for governments to enact measures to encourage private sector capital investment and job creation.

Below are some highlights of key measures included in Budget 2019. ([Read more](#))

Fiscal Prudence

Budget 2019 projects a **deficit of \$19.8 billion in 2019-2020** falling to \$9.8 billion by 2023-24. Real GDP growth is projected to be a relatively subdued 1.8 per cent falling to 1.6 per cent in 2020 and staying under 2.0 for the forecast.

Canada does continue to post a relatively low **debt-to-GDP ratio of 30.8 per cent**, which is expected to fall to 28.6 per cent by 2023-24. Total expenses for the 2019-20 fiscal year are projected to be \$355.6 billion with debt increasing by \$56.3 billion over the next four years.

Taxation and Competitiveness

Although there were no corporate, small business or personal tax changes, the GVBOT is pleased with the various initiatives that will have a positive impact on the businesses and industries in B.C. such as the changes to the SR&ED credits. The government also announced a range of regulatory changes which the GVBOT will continue to monitor as the government release more information in the coming months.



- Budget 2019 proposes changes to the **taxation of stock options** granted by large companies. Under the proposals, the tax-preferred treatment of stock options will be restricted by applying a \$200,000 annual cap on employee stock option grants (based on the fair market value of the underlying shares) that may receive tax-preferred treatment for employees of large, long-established, mature firms. For start-ups and rapidly growing Canadian businesses, employee stock option benefits would remain uncapped.
- For businesses, Budget 2019 proposes a full **tax write-off for zero-emission vehicles** in the year the vehicle is purchased.
- Budget 2019 eliminates taxable income as a factor in determining a Canadian Controlled Private Corporation's eligibility for the enhanced tax credit rate. This will make the SR&RD enhanced tax credit rate of 35 per cent open to more companies.

Human Capital

We are pleased that the federal government has heard our concerns pertaining to labour constraints and has, through Budget 2019, taken meaningful actions to address the gap. The GVBOT has advocated for a greater focus on skills training, trades, and spending in post-secondary research and STEM fields to ensure Canada has the workforce it needs. While initiatives introduced in Budget 2019 make training, education, and apprenticeships more accessible and affordable, we caution that the roll out of some initiatives, such as the EI training benefit and the associated leave provisions, may put undue pressures on businesses.

- **Canada Training Credit:** new and non-taxable credit to help cover the costs of training fees. Eligible workers between the ages of 25 and 64 would accumulate a credit balance at a rate of \$250 per year, up to a lifetime limit of \$5,000. The credit could be used to refund up to half the costs of taking a course or enrolling in a training program. \$710 million over five years, starting in 2019–20, and \$265 million per year ongoing.
- **Employment Insurance Training Support Benefit** provides workers, starting in 202, with up to four weeks of income support (paid at 55% of a person's average weekly earnings) every four years while on training. \$1.04 billion over five years, starting in 2019–20, and \$321.5 million per year ongoing. Notably, employers will fund much of this cost as the program will be funded by increased Employment Insurance (EI) premiums. Additionally, it is not clear that the four weeks of training needs to be connected to current employment.
- **EI Small Business Premium Rebate** to offset the upward pressure on the employer premium rate for small businesses resulting from the introduction of the new EI Training Support Benefit. Businesses that pay employer EI premiums of \$20,000 or less per year are eligible a rebate.
- **Work experience:** Make international work/study opportunities more accessible to Canadians and expanding Student Work Placement Program and work-integrated learning opportunities.
- \$60 million over two years, starting in 2019–20, to support CanCode's ongoing work and help one million more young Canadians gain new digital skills.

Housing

While there was some speculation that the government would make changes to the mortgage "stress tests" or increase the allowable amortization period to 30 years, the government chose to provide



targeted incentives for first-time home buyers and additional financing to support rental construction.

- **The CMHC First-Time Home Buyer Incentive:** up to \$1.25 billion over three years (starting in 2019–20) to eligible home buyers by sharing in the cost of a mortgage (shared equity mortgage). It enables home buyers to reduce the amount of money required from an insured mortgage without increasing the amount they must save for a down payment.
- **Modernizing the Home Buyers' Plan:** \$145 million over five years, starting in 2019–20
 - Increases limit: allows first-time home buyers to withdraw up to \$35,000 (up from \$25,000) from their Registered Retirement Savings Plan (RRSP) to purchase or build a home, without having to pay tax on the withdrawal. In effect as of March 19, 2019.
- An additional \$10 billion over nine years in financing through the **Rental Construction Financing Initiative**, extending the program until 2027–28. With this increase, the program would support 42,500 new units across Canada, particularly in areas of low rental supply. On an accrual basis, this represents an investment of \$829.5 million over 19 years, starting in 2019–20.
- Innovation with housing supply: \$300 million to launch a new **Housing Supply Challenge**.

Other announcements of note:

- \$100 million over three years for a **Western Canada Growth Strategy** to stimulate economic growth, incent innovation, increase the participation of under-represented groups and attract investment.
- Budget 2019 proposes a one-time transfer of \$2.2 billion through the federal **Gas Tax Fund** to address short-term infrastructure priorities in municipalities and First Nation communities.
- Enhancing the **Guaranteed Income Supplement Program** to allow seniors to earn more take-home pay for while maintaining benefits

-30-

About the Greater Vancouver Board of Trade:

Since its inception in 1887, the Greater Vancouver Board of Trade has been recognized as Pacific Canada's leading business association, engaging members to impact public policy at all levels of government and to succeed and prosper in the global economy. With a Membership whose employees comprise one-third of B.C.'s workforce, we are the largest business association between Victoria and Toronto. We leverage this collective strength, facilitating networking opportunities, and providing professional development through four unique Signature Programs. In addition, we operate one of the largest events programs in the country, providing a platform for national and international thought leaders to enlighten B.C.'s business leaders.

Media enquiries:

Greater Vancouver Board of Trade
604-640-5450 | media@boardoftrade.com