

Federal Budget 2021: “Finishing the Fight” and Beyond



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WEALTH MANAGEMENT

Executive Summary

On Monday, April 19th the governing Liberals tabled the latest federal government budget. Overdue by two years, it has finally been tabled by Finance Minister, Chrystia Freeland, for debate in parliament.

The deficit is projected at \$354 Billion for fiscal 2021, down approximately \$30 Billion since the last update. Five major areas have been detailed:

1. Finishing the Fight Against COVID-19
2. Creating Jobs and Growth
3. A Resilient and Inclusive Recovery
4. Fair and Responsible Government
5. Annexes describing financial details and supporting measures

Full details are contained in the [Budget Document in Full](#). As the sections of the published budget proposal describe, the government is committed to bringing the country medically, financially, and fully to the end of the pandemic, and then positioning Canada for the future.

Unlike previous government financial statements which contained a series of often disjointed actions designed to propel the ruling party's objectives forward, this document integrates public health measures, government stimulus, and social programs more than most budgets.

The proposed end of many programs is tied to the timing of the vaccination program, which is scheduled to conclude by the end of summer 2021.

What You Need to Know

Beyond battling and recovering from the pandemic, the federal Liberals have proposed their centerpiece at a cost of \$30 billion over the next five years (and \$8.3 Billion each year after). They intend to launch a national \$10/day child-care program, which will require significant negotiations with provincial and territorial governments.

This summary focuses on the most current measures in the first sections of the budget, “Finishing the Fight Against COVID-19,” that continue or enhance existing measures to combat the pandemic. The two areas that attack the effects of the pandemic are:

1. Keeping Canadians Safe and Healthy, and
 2. Seeing Canadians and Businesses Through to Recovery.
- Keeping Canadians Safe and Healthy
 - Providing Access to Vaccines
 - Nearly 10 million doses have been received as of March 31st, a further 180 million doses of approved vaccines have been negotiated. An emergency

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- \$1 Billion has been tabled to supply the provinces and territories with the resources to administer doses.
- Protecting Our Seniors
 - \$3 Billion over the next 5 years has been earmarked to improve long-term care and make permanent changes to keep seniors safe and improve their quality of life. \$41 million has been proposed to Statistics Canada to improve data infrastructure and collection in this area.
 - \$90 million has been set aside in the budget to facilitate a new “Age Well at Home” initiative to assist community-based organizations with practical support for low-income and vulnerable seniors.
- Strengthening Our Health System
 - In addition to the \$43 Billion in health transfers to provinces and territories, the budget proposes an additional \$4 Billion one-time top-up. Additionally, a Territorial Health Investment Fund of \$54 Million would support Nunavut, the Yukon, and the Northwest Territories.
- Supporting Mental Health
 - The more integrated approach displayed in the budget is demonstrated in the approach to addressing mental health measures to include direct treatment and indirect solutions.
 - \$45 million is proposed to allow the national health agencies to collaborate with the provinces and territories to establish mental health service standards.
 - A further \$212 Million will provide mental health interventions, support for post-traumatic stress disorder brought about by COVID-19, and tools to access mental health supports.
- Investing in Research and Science
 - \$2.2 Billion over seven years has been proposed to support bio-science development at post-secondary institutions and teaching hospitals, bio-medical research, company creation in life sciences, expand domestic vaccine development, and stem cell research.
- A Plan for the Safe Reopening of Our Borders
 - \$325 Million is proposed to support Transport Canada’s ability to administer COVID-19 tests and improve screening at 89 airports, acquire sanitation equipment, and provide employment support to offset costs associated with quarantining temporary foreign workers.
- Seeing Canadians and Businesses Through to Recovery
 - Protecting Jobs and Supporting Businesses
 - The wage subsidy is proposed to continue until September 25, 2021, with a tapering of benefits to begin in July.

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- Publicly-traded corporations that pay their executives more in 2021 than 2019 will have to repay the wage subsidies given to their workers.
- The rent subsidy will also continue, if approved, until September 2021, with the total cost estimated at \$1.9 Billion.
- The Canada Emergency Business Account (CEBA) that has provided interest-free loans to nearly one million small businesses will have the application deadline extended to June 30th.
- Indigenous businesses will have additional funding, \$80 Million, and time to apply to the Community Futures Network.
- Supporting Affected Workers
 - The suspension of the mandatory one-week waiting period for Employment Insurance claims has been extended into September.
 - The Canada Recovery Benefit of \$500/week, tapering to \$300/week in July, is proposed to continue to September.
 - The Canada Recovery Caregiving Benefit may be extended by four weeks to a maximum of forty-two weeks at \$500/week.
 - The measures, above, are expected to cost \$2.5 Billion.
 - \$3.9 Billion is proposed to increase the flexibility and accessibility of Employment Insurance by lowering qualifying levels, supporting multiple jobholders, paying recipients sooner, encouraging job-sharing.
 - \$3 Billion over five years is proposed to extend and enhance government sickness benefits.
 - \$100 Million may be set aside for seasonal workers over three years.
- An Economic Recovery that Includes Everyone
 - As Canada recovers from the COVID-19 pandemic, the Government of Canada is committed to building a more inclusive society that leaves no one behind. This includes providing programs and services that better respond to the unique needs of vulnerable people and improve quality of life for all Canadians.
 - Increasing Old Age Security for Canadians 75 and Over
 - During the pandemic, many seniors have faced economic challenges as they took on extra costs to stay safe. Additionally, many seniors are living longer and relying on monthly benefits to afford retirement. After a lifetime of hard work, they deserve a secure and dignified retirement. That is why the government is committed to increasing Old Age Security (OAS) benefits for seniors age 75 and older.
 - The government plans to implement this commitment in two steps.

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- Budget 2021 proposes to meet the immediate needs of this group of seniors by providing a one-time payment of \$500 in August 2021 to OAS pensioners who will be 75 or over as of June 2022.
- Budget 2021 then proposes to introduce legislation to increase regular OAS payments for pensioners 75 and over by 10 per cent on an ongoing basis as of July 2022. This would increase the benefits for approximately 3.3 million seniors, providing additional benefits of \$766 to full pensioners in the first year, and indexed to inflation going forward. This would give seniors more financial security later in life, particularly at the time when they face increased care expenses and greater risk of running out of savings.
- In total, these two measures represent \$12 billion over five years in additional financial support, beginning in 2021-22, and at least \$3 billion per year ongoing, to be delivered by Employment and Social Development Canada.
- Statutory funding authority would be sought to make the one-time payment. Changes to the Old Age Security Act would be made to implement the benefit increase as of July 2022, and to exempt the one-time payment from the definition of income for the Guaranteed Income Supplement.
- Digital Services Tax:
 - Rate of 3% beginning this fiscal year on revenue from digital services that rely on data and content contributions from Canadian users. The tax would apply to large businesses with gross revenue of 750 million or more.
- Luxury Tax on purchases of:
 - New cars at \$100K+; Planes at \$100K+; Boats at \$250K; The other major areas of the budget can be found online on the federal government’s website and the link has been shared in the Executive Summary of this document.
 - 1% Tax on Unproductive Use of Canadian Housing by Foreign Non-Resident Owners.
 - Tackling Tax Avoidance and Evasion.

Bottom Line

In order to recover from the pandemic and position Canadians for post-pandemic success the Liberals have proposed a \$354 Billion deficit. Interest on the deficit, which will eventually add to its cost, remains low, but this will not be the case indefinitely. Debate has already begun in the

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House of Commons to approve the budget, as well as in the popular press on the electioneering contained in the budget. Almost every geographical region and group, both specifically and generally, can recognize the direct benefits of the proposed budget. The measures contained in it will be paid for many years by Canadians.

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