

Mackenzie tax & estate planning:

# Budget Bulletin

## 2020 Fall Federal Economic Update

On November 30, 2020 Finance Minister Chrystia Freeland presented a Fall Economic Update. This update provides additional support to Canadians and their families during the global pandemic. It also contains proposals, which will be further defined and clarified in Federal Budget 2021.

The Federal Budget deficit is projected to reach \$383 billion for the period 2020-21. It is then expected to decline to \$121 billion in 2021-22 and subsequently \$51 billion in 2022-23.

Here is a summary of what advisors and investors need to know regarding the proposed measures.

### Personal Measures

#### Canada wide Early Learning and Child Care System

The government is proposing to provide \$20 billion over 5 years to implement a new Canada-wide child-care system in partnership with the provinces, territories and Indigenous peoples. Budget 2021 will provide details on accessible, affordable, inclusive and high-quality child-care that will be available across the country. Included in this will be more support for before and after care for older children.

The government is proposing to invest \$70 billion over 5 years beginning in 2021-22 and \$15 billion ongoing to support the existing federal Indigenous Early Learning and Child Care Secretariat.

#### Temporary Enhancements to Canada Child Benefit (CCB)

The government proposed temporary support of up to \$1,200 in 2021 for children under 6 in low and middle income families, who are entitled to the CCB. This would be provided to families automatically and would provide four tax-free payments of \$300 to eligible families with a family net income of \$120,000 or less. For families who are eligible for the CCB but have a family net income above \$120,000, the enhancement will provide \$150 per child under the age of 6.

The first payment will be made once the legislation is passed, the additional payments will be made in April, July and October 2021.

These additional payments will also apply to children who receive a Children's Special Allowance.

## **Canada Student Loans and Canada Apprentice Loans**

The government proposes to eliminate interest on repayment of the federal portion of the Canada Student Loans and Canada Apprentice Loans for 2021-2022.

## **The First-Time Home Buyer Incentive**

For first time home buyers in Toronto, Vancouver and Victoria the government proposes to allow these individuals to purchase a home up to 4.5 times their household income which is an increase from the current limit of 4. The eligible buyer's income threshold is proposed to increase from current level of \$120,00 to \$150,00. These changes are proposed to come into effect in spring 2021.

These changes will raise the maximum house price for eligible first-time home buyers in these markets to approximately \$722,000 from the current maximum of \$505,000

## **Home Energy Retrofits**

The government proposes to provide up to 700,000 grants of up to \$5,000 to help homeowners improve the energy efficiency of their homes. Additional information will be provided at a later date, however the program will be retroactive to December 1, 2020.

## **GST/HST E-commerce**

Currently foreign based vendors who do not have a physical presence in Canada are not required to charge GST/HST on sales of digital products and services. This puts them at an unfair advantage over Canadian vendors. The government proposed that foreign vendors will be required to register for, collect and remit the GST/HST on the taxable sales they make to Canadian consumers. This will also be required of digital marketplace platforms ("app stores") and vendors who use Canada fulfillment warehouses.

The government also proposes to have GST/HST apply to all platform based short-term rental accommodation supplied in Canada. GST/HST will need to be collected and remitted by either the property owner, or the digital accommodation platform.

These changes are proposed to be effective July 1, 2021.

## **Employee Stock Options**

The government is proposing to introduce a \$200,000 annual limit that will apply on employee stock option grants that can qualify for the employee stock option deduction. The new limit will not apply to employee stock options granted by Canadian controlled private corporations (CCPCs) in order to reduce any impact on Canadian start-ups. The new limit will also not apply to non-CCPC employers with annual gross revenues of \$500 million or less, in recognition of the fact that they could be start-ups, emerging or scale-up companies.

Where an employee exercises employee stock options in excess of the \$200,000 limit the difference between the fair market value of the shares at the time the option is exercised and the amount the employee paid to acquire the share will be a taxable employee benefit. The full amount of the employee benefit is taxable income to the employee.

The new rules will apply to employee stock options granted on or after July 1, 2021.

## **Home Office Expense Deduction**

The government proposes to simplify the process for claiming expenses incurred while working from home. For 2020, taxpayers who are working from home due to COVID-19 can claim home office expenses to deduct up to \$400 based on the amount of time they spent working from home. Generally, there won't be a need to track detailed expenses or have a need to get a signed form from their employer. Additional information will be provided by CRA in the coming weeks.

## **Corporate Measures**

### **Extension of the Canada Emergency Wage Subsidy (CEWS)**

CEWS was established to allow business owners to keep employees on the job in times of lower revenues due to the pandemic. The Government proposes to raise the subsidy from 65% of eligible wages to 75% beginning December 20, 2020. The CEWS program is being extended from December 19, 2020 to March 31, 2021.

### **Extension of the Canada Emergency Rent Subsidy and Lockdown Support**

Since launching on September 27, 2020, this program provides rent and mortgage support for businesses experiencing decreased revenues and having difficulty paying their rent or mortgage. The current support offers a subsidy of up to 65% of mortgage or rent payments until December 19, 2020. The Government is now proposing to extend the current subsidy until March 31, 2021.

There is also an additional 25% support available for businesses subject to lockdown. This support is also extended to March 31, 2021.

### **Extension of the Canada Emergency Business Account (CEBA)**

CEBA initially provided loans of up to \$40,000 to businesses to cover operating costs, with up to \$10,000 forgivable. The CEBA program will be expanded, allowing qualifying businesses to access an additional loan amount of \$20,000 with another \$10,000 forgivable, if the loan is repaid in full by December 31, 2022.

The deadline to apply for CEBA has been extended to March 31, 2021.

### **Supply-Managed Farm Support**

In addition to the \$250 million Dairy Farm Investment Program and the \$345 million delivered through direct payments, the Government announced \$1.4 billion in support to dairy farmers over a 3-year period beginning in 2020-21, which includes a payment of \$468 million in 2020.

The Government is also announcing \$691 million over 10 years to support supply-managed chicken, egg, broiler hatching egg and turkey farmers.

## **Summary**

These measures are proposals currently. Further details will be provided by the Government under Budget 2021.

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