2016-2017 Federal Budget Review
Greater Moncton Chamber of Commerce
Saint John Region Chamber of Commerce
Fredericton Chamber of Commerce

The new federal Liberal government unveiled its first budget on March 22, 2016 after its October election. Members of our chambers were particularly interested in measures that might provide a jolt to our economy, help better match our workforce to available jobs and the costs of doing business. We are providing a brief summary of areas most relevant to the business community of the Canadian 2016-17 federal budget.

Key Numbers

Deficit & Debt - There had been much speculation leading up to budget day about the size of the deficit, which the government had previously conceded would be larger than $10 billion as presented in their election materials. The projected deficit is now $29.4 billion for 2016-17, with subsequent years expected to be $29 billion in 2017-18, $22.8 billion in 2018-19, $17.7 billion in 2019-2020, and $14.3 billion in 2020-21. There is no stated time frame for balancing the budget in the future, although Finance Minister Bill Morneau has subsequently stated he expects the budget to be balanced in "about" five years. Our federal debt currently stands at almost $620 billion, although Canada does have the best debt-to-GDP ratio amongst G7 countries which is expected to move from 31% to 32% and back to 31% through the course of this five-year projection.

It is notable that the size of the budget appears to have more to do with increased program spending growth - 7.6% in 2016-17 and 4.5% in 2017-18 - than increased infrastructure spending as anticipated. After 2017-18, program spending growth is projected to average 2% per year - closer to the rate of inflation.

Taxes and other costs - In the 2015-16 federal budget, the small business tax rate was set to be lowered by 0.5% per year for four years (from 11% to 9%) and the first installment was implemented in that budget. However, further decreases have been indefinitely shelved and as a consequence the rate remains at 10.5%. Investment income has also now been excluded from the small business tax rate.

Personal income tax rates for those earning more than $200,000 per year are increasing from 29% to 33%; while those in the second-highest bracket see their rates fall from 22% to 20.5% Tax-free savings account limits were also put back to pre-2015 levels, dropping from $10,000 back down to $5,500 per year.

The Employment Insurance system was expanded to reverse many of the changes implemented by the previous government. This (along with a weakened economy) led to the EI payroll tax not being lowered as much as expected - the rate went from 1.88 to 1.61 - a positive measure to be sure - however, there was a previously planned reduction to 1.49, which we believe would have been seen as a better stimulus for potential business growth. The reduction will mean that employers save $3.78 for every $1000 of wages paid through their payroll.

Members should also keep in mind that the federal government has also signalled that it intends to 'enhance' the Canada Pension Plan this year in cooperation with the provinces. What form that enhancement may take is unknown but will very likely mean an increase in the amount that employers pay. The rate is currently set at 4.95%, which costs employers up to $2,544.30 per year per employee.

Infrastructure

The Liberal government has promised an additional $60 billion of infrastructure spending over 10 years - in addition to the previously announced $60 billion as part of the Build Canada Fund. The first $11.9 billion (over five years) was rolled out in this budget targeted to public transit, green infrastructure, social infrastructure.

The government announced infrastructure funding of up to $2 billion over three years in a new Post-Secondary Institutions Strategic Investment Fund to modernize on-campus research, commercialization and training facilities. The government plans to roll out its full innovation agenda later in 2016. While not in the budget speech, Government House Leader Dominic LeBlanc soon after made comments that the federal government recognizes that some jurisdictions like New Brunswick will require flexibility in infrastructure funding based on the Province's and its municipalities ability to pay.

Skills Training

The country's skills gap (or skills mismatches) has been a priority for chambers across the country for several years. The budget includes an extra $125 million for the various Labour Market Development Agreements between the federal and provincial governments - this funding is tied to EI claims. It also included an additional $50 million for the Canada Job Grant, which is available more broadly to assist with training and upskilling. This program currently requires a ⅓ contribution from employers for training. Finally, the budget unveiled $85.4 million for union-based apprenticeship training. Employers can apply for Canada Job Grant funding through New Brunswick's Department of Post-Secondary Education, Training and Labour.

Tourism

The government announced an additional $50 million investment in Destination Canada (formerly the Canadian Tourism Commission) over the next two years to improve the marketing of Canada as a tourist destination in targeted jurisdictions. No doubt this is welcomed news across the country and with nearly 3000 tourism-focused businesses employing nearly 10% of the provincial workforce, tourism is a critical part of New Brunswick’s economic present and future.

The Greater Moncton, Saint John Region and Fredericton Chambers of Commerce together have nearly 3,000 members. We are also active members of the Atlantic and Canadian Chambers of Commerce as part of the largest business network in the country.