

BBOT ISSUE UPDATE

2018 Federal Budget Summary

Budget 2018 Features Laudable Support for Women in Business and Clarity on Small Business Tax but Continues Deficits and Ignores Tax Competitiveness

February 27, 2018 --- Today, Minister of Finance Bill Morneau released the 2018-19 federal budget which features few new, major funding announcements or priorities, but provides significant policy support for women, and clarity on the new taxation of passive income in private corporations. The \$338.5 billion federal budget also features an \$18.1 billion deficit for the coming fiscal year.

The Burnaby Board of Trade, as part of our mandate to provide our membership with insight on key business issues, has reviewed the federal budget and has summarized some of the key highlights below, along with further Budget 2018 resources.

Fiscal Policy and Budget Deficit

The federal budget projects a deficit of \$18.1 billion and does not include a return to balanced budgets within the five-year fiscal projection. In fact, Budget 2018 projects accumulated deficits of \$78.6 billion over the next five years. With the economy performing strongly on most measures, with 3.2% average economic growth and the lowest unemployment in over forty years, the Burnaby Board of Trade is frustrated that there is not a plan or projection to return the federal budget to balance. In addition, Budget 2018 unfortunately does not address tax competitiveness in Canada, especially in light of substantial tax reforms in the United States.

Supports for Women in Business

The Burnaby Board of Trade applauds the government's focus on women's issues, particularly supporting women entrepreneurs. Supporting women in business will serve to strengthen the business community, while encouraging more women to return to the workforce or increase their workforce participation will drive economic growth and help address the labour shortages currently facing businesses.

Of significant interest to the Burnaby Board of Trade's *Women's Business Success Network (WBSN)*, is Budget 2018's changes to parental leave policy. A new "parental sharing benefit" will see a bonus five weeks of benefits provided when both parents share parental leave at the birth of a child. An issue the WBSN has been exploring itself, this policy may help encourage more equal distribution of family and home responsibilities between men and women, as well as providing greater flexibility for women return to work sooner or stay more connected to the workplace following the birth of a child.

Other similar measures in Budget 2018 include a new Apprenticeship Incentive Grant for women to enter male-dominated trades, \$100 million for women-in-business programs, efforts to support pay equity in the federal government and in federally-regulated industries, and \$1.4 billion (over 3 years) for financing women entrepreneurs and women-owned businesses.

Tax Changes for Small Business & Private Corporations

The Burnaby Board of Trade was a leader in voicing concern with the proposed changes to the taxation of private corporations when they were introduced last year, and Budget 2018 reveals the new taxation regime for businesses which hold passive investments.

In essence, Budget 2018 treats passive investment income above \$50,000 as regular business income and will tax it accordingly. Businesses which hold passive income will be able to earn up to \$50,000 in passive investment income going forward without facing any additional taxation. Returns over and above \$50,000 will trigger a reduction in the small business deduction of \$5 for every \$1 of additional passive investment income. At \$150,000 of passive investment income the small business rate will no longer apply and the corporation, regardless of size, will be taxed at the full corporate tax rate.

This proposed tax system appears to be easier and cheaper to administer for government, and simpler for business to comply with. The Burnaby Board of Trade will monitor the implementation of this tax and investigate if further changes or exemptions need to be advocated for.

Other Highlights

Budget 2018 announced the creation of an *Advisory Council on the Implementation of National Pharmacare* to lead a national dialogue on potentially implementing a national pharmacare program for drugs and medications. The Burnaby Board of Trade will work with our members and consult closely with this group as it explores this issue.

Budget 2018 has a significant focus on research, and contains \$1.7 billion (over five years) in funding to Canada's granting councils and research institutes, and \$1.3 billion (over five years) for investments in laboratories, equipment and research infrastructure.

Other highlights include increasing placements through the Canada Summer Jobs Program (which many small businesses and non-profits utilize), modernizing government purchasing to make it easier for small businesses to participate, and streamlining the services offered to businesses by Innovation Canada.

More Budget 2018 Materials:

[Government of Canada Budget 2018 Site](#)

[Full Budget 2018 Document](#)

[Canadian Chamber of Commerce Budget 2018 Statement](#)

[BBOT Member KPMG's TaxNewsFlash on Budget 2018](#)