

# BUDGET 2023

## Provincial & Federal Budget Updates



### FEDERAL BUDGET, MARCH 28, 2023

The Canadian government's Budget 2023 proposes several measures to support small businesses, entrepreneurs, and the tourism industry, along with other initiatives. The Aurora Chamber of Commerce has analyzed the budget as follows:

#### Small Businesses & Entrepreneurs:

- Lowering credit card transaction fees by Visa and Mastercard will save small businesses about \$1 billion over five years.
- Tax changes will facilitate the creation of Employee Ownership Trusts to support small business owners with succession planning.
- Tourism & Travel:
  - \$108 million over three years for Regional Development Agencies to support local projects and events.
  - \$50 million over three years to Destination Canada to attract international conventions and events.
  - \$50.8 million over four years to expand eligibility for the Electronic Travel Authorization Program.

#### Other Measures:

- Inflationary adjustment on the alcohol excise tax capped to 2 percent for one year.
- \$2.5 billion grocery rebate for targeted inflation relief for low- and modest-income Canadians.
- \$108.6 million over three years to expand the College and Community Innovation Program.
- \$368.4 million over three years to renew and update forest sector support.
- \$333 million over ten years for a Dairy Innovation and Investment Fund.
- \$13 million to Agriculture and Agri-Food Canada to increase the interest-free limit for loans under the Advance Payments Program.

#### Fiscal Outlook:

- \$497 billion earmarked for the next fiscal year alone to address various challenges.
- The government no longer provides a clear date or strategy for balancing the books.
- The budget deficit is projected to be \$43 billion this fiscal year, with deficits of \$40.1 billion in 2023-24 and \$14 billion by 2027-28.
- The budget forecasts the economy is projected to experience a shallow recession with real GDP estimated to contract by 0.4 percent however inflation is showing signs of cooling in response to higher interest rates.

#### Green Economy:

The Government's budget also includes significant new funding and incentives to drive investments in the green economy.

The following are some of the details of the incentives for the green economy:

- A 15% refundable tax credit for clean electricity investments, including non-emitting electricity generation systems, abated natural gas-fired electricity generation, stationary storage, and equipment for transmission of electricity between provinces and territories.
- A 30% refundable tax credit for investments in new machinery and equipment used to manufacture or process clean technologies, and extract, process, or recycle critical minerals.
- A 15-40% tax credit for investments in clean hydrogen, with the projects that produce the cleanest hydrogen receiving the highest levels of support.
- An extension of the reduced corporate income tax rate for zero-emission technologies by three years and an expansion in eligibility to include nuclear technologies.



## FEDERAL BUDGET, MARCH 28, 2023 - Continued

- \$520 million over five years to enhance the Investment Tax Credit for Carbon Capture, Utilization, and Storage.
- At least \$20 billion through the Canada Infrastructure Bank to support the building of major clean electricity and clean growth infrastructure projects.
- A commitment to release a concrete plan by the end of 2023 to improve the efficiency of the impact assessment and permitting processes for major projects, which will include clarifying and reducing timelines, mitigating inefficiencies, and improving engagement and partnerships.
- Consultations on the development of a broad-based approach to carbon contracts for difference to complement contracts for difference offered by the Canada Growth Fund.
- Consultations to grow the biofuels industry.
- \$500 million over ten years to the Strategic Innovation Fund to support the development and application of clean technologies in Canada.

### Our Take:

We would have liked to see measures such as accelerating the processing times for the Temporary Foreign Worker Program and increasing loan forgiveness amounts for impacted businesses. Additional supports such as loan forgiveness and technology adoption programs should have been included in the budget to help the hardest-hit small businesses.

The budget allocates most of its new spending towards supply-side measures that aim to avoid contributing to inflation and provide essential assistance to households impacted by rising living costs. Additionally, it intends to counteract this spending through internal savings and tax hikes targeting high-income Canadians and banks. Although these measures are commendable, it is critical that the Federal Government establish a clear plan for achieving a balanced budget to safeguard against volatility and an uncertain economic future.

While the government's pro-growth initiatives are appreciated, Budget 2023 fails to present a comprehensive economic growth strategy. Given the current economic challenges and the need to compete with global peers, Canada requires a well-defined framework that encourages productivity and business investments. A pro-growth strategy must not only invest in crucial sectors but also make substantial efforts to eliminate outdated regulatory, taxation, and policy obstacles that are an impediment to growth.

[Read the Federal Budget](#)

## PROVINCIAL BUDGET, MARCH 23, 2023

In a time of economic uncertainty, the Ford government has delivered the 2023 Budget, titled “Building a Strong Ontario”, which emphasizes stability and confidence through targeted economic stimulus and bringing the province’s books back to balance as quickly as possible.

This is the government’s first post-pandemic focused budget and as expected, its designed around difficult decisions for program spending. Despite the province teetering on the edge of a recession and with rising concerns about affordability, inflation, and support for struggling Ontarians, the budget takes a measured approach by setting aside contingency funds, committing new funding for healthcare, addressing labor shortages, and supporting businesses through tax credits and targeted support in priority areas.

The budget also pledges to achieve a balanced budget by 2024-2025, three years earlier than previously forecast. This budget represents the largest fiscal plan in Ontario’s history with \$204.7 billion committed.

The Budget’s Key Commitments can be categorized into three major areas- Building Ontario, Building Highways, Transit, and Infrastructure Projects, and Working for You which include:

### Building Ontario

- Committing almost \$1 billion to support critical legacy infrastructure for the Ring of Fire.
- Attracting \$2.5 billion in recent investments in the steel sector to produce green steel.
- Launching the Ontario Made Manufacturing Investment Tax Credit, which provides a 10% refundable Corporate Income Tax credit to help manufacturers lower their costs, invest in workers, innovate, and become more competitive.
- Advancing Ontario’s Critical Minerals Strategy with \$3 million in 2023-24 and \$3 million in 2024-25 for the Ontario junior Exploration Program to help companies search for mineral deposits, along with a renewed commitment to building the roads to the Ring of Fire.
- Attracting over \$16 billion in investments by global automakers and suppliers of EV batteries and battery materials, in addition to the recent announcement by a subsidiary of Volkswagen to establish an EV battery manufacturing facility in St. Thomas, Ontario.
- Launching a voluntary Clean Energy Credit Registry to boost competitiveness and attract jobs.
- Providing more than \$6.5 billion in electricity price relief.
- Beginning construction on the bridge over the future Bradford Bypass, the next phase of construction on the Highway 7 between Kitchener and Guelph, continuing work on widening the Highway 401 from Pickering through Eastern Ontario, and a renewed commitment to proceeding with Highway 413.
- Providing \$224 million in 2023-24 for a new capital stream of the Skills Development Fund to leverage private-sector expertise and expand training centres.
- Investing \$25 million over three years to double the number of spots available in the Ontario Immigrant Nominee Program, from 9,000 to 18,000 in 2025.

### Building Highways, Transit, and Infrastructure Projects

- Investing \$139.5 million to reinstate the Northlander passenger rail service.
- Investing in GO Transit and Transit-Oriented Communities to support mixed-use communities close to transit stations.
- Continuing to build subways through the Ontario Line, the Scarborough Subway Extension, the Yonge North Subway Extension and the Eglinton Crosstown West Extension to alleviate gridlock and create thousands of jobs.
- Investing over \$48 billion over the next 10 years in hospital infrastructure.
- Continuing previous plans to build more than 31,000 new and over 28,000 upgraded long-term beds by 2028.
- Investing nearly \$15 billion in capital grants over 10 years to expand and renew schools and child care spaces.
- Continuing plans to connect every community to high-speed internet by 2025 with investments of nearly \$4 billion.

## PROVINCIAL BUDGET, MARCH 23, 2023 - Continued

### Working for You

- Proposing to expand the Guaranteed Annual Income System (GAINS) in July 2024, to see 100,000 additional seniors be eligible and the benefit adjusting per inflation.
- Extend the current gas tax and fuel tax rate cuts at 9 cents per litre until December 2023.
- Calling on the federal government to support GST/GST relief on new housing and rental development projects.
- Investing \$202 million in the Homelessness Prevention Program and Indigenous Supportive Housing Program.
- Accelerating funding commitments to \$569 million and with nearly \$300 million to support contract rate increases to stabilize the home and community care workforce.
- Committing more than \$200 million to connect children and youth to care at hospitals and close to home in their communities.
- Investing \$80 million over three years to expand nursing education by increasing enrollment by 1,000 registered.

### Our Take:

The 2023 Ontario budget was expected to contain program and spending cuts due to warnings of fiscal prudence. However, it mostly maintains the current course with some new initiatives and contingency funds to handle future uncertainties. The Ontario Made Manufacturing Investment Tax Credit is an example of a new initiative that aims to enhance economic competitiveness and attract investment and job growth. The government has already seen success in this area with recent announcements from Volkswagen and Stellantis-LG.

The budget covers a wide range of policy areas and investments, with some focused on significant investments and others on transforming the legislative and regulatory framework to facilitate private sector growth. Although some may argue about how the money is being allocated, it is difficult to suggest that the government is ignoring critical areas. The federal budget to be tabled on March 28th will impact this, but the focus areas for both levels of government are similar. The budget highlights areas for future policy movement and shows a period of implementation and action rather than significant new policy priorities.

[Read the Provincial Budget](#)