



## **2021 Federal Budget Highlights: A Recovery Plan for Jobs, Growth, and Resilience**

On April 19, 2021, Deputy Prime Minister and Minister of Finance Chrystia Freeland unveiled the government's first budget in over two years amid COVID-19 cases re-escalating across the country. This long-awaited budget is one of the most important budgets in recent history as many sectors of the economy are still reeling from the impacts of COVID-19, and provinces are navigating through new lockdowns and the vaccine roll-out. Budget 2021, which could double as a re-election pitch for the Liberals, provides the government's roadmap to Canada's economic recovery post-crisis and a plan to build a stronger and greener economy of the future.

Themes include support for the hardest-hit sectors, investments in green energy, and support for those who have been disproportionately impacted by COVID-19, including women, indigenous peoples, young people, and racialized Canadians, are recurring throughout the budget.

Budget 2021 largely attempts to balance the need of providing an ongoing rescue plan for the damaged economy while setting the stage for a stronger economic rebound. To help businesses and workers while the pandemic still rages, the government proposes to extend the Canada Emergency Wage Subsidy (CEWS), the Canada Rent Subsidy (CERS) and the Lockdown Support programs until September 25, 2021 and introduced a new Canada Recovery Hiring Program to temporarily subsidize new hiring, providing up to \$1,129 per week for every new employee. Overall, the budget proposes over \$100 billion in stimulus spending in various programs and investments, including \$30 billion in funding over 5 years for a national early learning and child care system.

To read the full budget, click [here](#).

### **Fiscal update**

Last year's deficit came in at \$354.2 billion, lower than the \$400 billion deficit projected in the Fall Economic Statement. The deficit is projected to reach \$154.7 billion in 2021-2022 and \$59.7 billion in 2022-2023.

### **Highlights**

#### **Long-Term Care**

Budget 2021 proposes to provide \$3 billion over five years, starting in 2022-23, to Health Canada to support provinces and territories in ensuring standards for long-term care are applied and permanent changes are made. To keep seniors safe and improve their quality of life, the federal government will work collaboratively with provinces and territories, while respecting their

jurisdiction over health care, including long-term care. This work would ensure seniors and those in care live in safe and dignified conditions.

### **Supporting Child Care**

Budget 2021 proposes new investments totaling up to \$30 billion over the next 5 years for Early Learning and Child Care. This includes up to \$27.2 billion over five years, starting in 2021-22 will bring the federal government to a 50/50 share of child care costs with provincial and territorial governments, as part of initial 5-year agreements. Future objectives and distribution of funding, starting in year six, would be determined based on an understanding of need and progress achieved as part of this initial plan.

The goal is for a 50 per cent reduction in average fees for regulated early learning and child care in all provinces outside of Quebec, to be delivered before or by the end of 2022 and an average of \$10 a day by 2026 for all regulated child care spaces in Canada. The funding will also support an ongoing annual growth in quality affordable child care spaces across the country, building on the approximately 40,000 new spaces already created through previous federal investments and progress in improving and expanding before- and after-school care in order to provide more flexibility for working parents.

### **Waving Student Debt**

The government proposes to introduce legislation that would extend the waiver of interest accrual on Canada Student Loans and Canada Apprentice Loans until March 31, 2023. This change has an estimated cost of \$392.7 million in 2022-23.

### **Specific Health Measures**

Federal Budget 2021 clearly reiterates the government's recognition of the need to conquer COVID-19 to be able to emerge from the pandemic-induced contracted economy. Specific targeted health measures include:

- An investment of \$45 million over two years, starting in 2021-22, to Health Canada, Public Health Agency of Canada, and the Canadian Institute of Health Research to help develop national mental health services standards.
- An investment of \$100 million over three years, starting in 2021-22, to the Public Health Agency of Canada to support innovative mental health projects for vulnerable populations.
- An investment of \$62 million in the Wellness Together Canada portal to provide tools and services to support the mental health and wellness of Canadians.
- An investment of \$2.2 billion over seven years, to the Canada's Biomanufacturing and Life Sciences sector for research, innovation and development.
- An investment of \$59.2 million over three years, starting in 2021-22, for the Vaccine and Infectious Disease Organization to support the development of its vaccine candidates and expand its facility in Saskatoon.

- An investment of \$476.7 million over five years, starting in 2021-22, to Environment and Climate Change Canada, Health Canada, and the Public Health Agency of Canada to assess and take action on chemicals used in Canada that are deemed hazardous.
- An investment of \$29.8 million over six years, starting in 2021-2022, to Health Canada to advance the government's palliative care strategy (i.e., awareness raising, improving access to quality palliative care, enhancing data collection)
- An investment of \$41.3 million over six years, starting in 2021-2022, for Statistics Canada to improve data collection on supportive care, primary care, and pharmaceuticals.
- An investment of \$478.1 million on a cash basis to continue to support public health response to COVID-19 in Indigenous communities.
- An investment of \$154.6 million in 2021-22 to Correctional Service of Canada to limit the spread of COVID-19 and keep staff and inmates safe.
- An investment of \$25 million over five years, starting in 2021-22, to Health Canada for research on diabetes, surveillance, prevention, and to work towards a national framework for diabetes developed in consultation with the provinces and territories.
- An investment of \$250 million over three years, starting in 2021-22, to the Canadian Institutes of Health Research to implement a Clinical Trials Fund. The clinical trials fund will be used to develop scientifically proven treatments and cures and create highly skilled jobs in the health research sector.
- An investment of \$28.6 million over five years, to the Public Health Agency of Canada, Health Canada, and the Canadian Food Inspection Agency to address antimicrobial resistance.
- An increase in the taxation of tobacco by \$4 per carton of 200 cigarettes, beginning on April 20, 2021.
- A commitment to a new taxation framework for vaping products by 2022.

### **Canada Emergency Wage Subsidy and Rent Subsidy Extension**

- Extension of the Wage Subsidy until September 25<sup>th</sup>, 2021. There will be a gradual decrease in the subsidy beginning July 4, 2021, to ensure an orderly phase-out of the program as vaccinations are completed and the economy reopens. It is estimated that the extension of the wage subsidy will cost \$10.1 billion in 2021-22.
- Canada Recovery Hiring program will be offered as an alternative to the wage subsidy and will be available from June 6<sup>th</sup> to November 20<sup>th</sup> 2021. If employers apply for both programs, they would get the higher amount they are entitled to between the two programs. The Government has allocated \$595 million for this program.
- Rent Subsidy program will be extended to September 25, 2021.
- Extending the Canada Emergency Business account application deadline to June 30, 2021.

## **Tax Treatment of COVID-19 Benefit Amounts**

Budget 2021 proposes to allow individuals to claim a deduction on repayment of a COVID-19 benefit in the year in which the benefit was received, as long as the repayment is repaid any time before 2023 (rather than deducting such amount in the year it was repaid). Individuals may only deduct benefits once they have been repaid. Those who have made a repayment but have already filed their income tax return may request an adjustment for the return for the relevant year.