



# Canada's 2020 Fall Economic Statement Rapid Policy Update

November 30, 2020

On November 30, the Government of Canada announced its 2020 Fall Economic Statement, offering the clearest picture of federal finances and economic assumptions in over a year. The Statement reaffirms the economic road ahead remains long and challenging even after a vaccine for COVID-19 is approved and deployed in Canada.

The Government continues to build on the actions it has taken since the beginning of the pandemic. The Statement announces new initiatives to help Canadians and businesses absorb the economic hit of a second wave this winter. The Statement also provides more clarity on commitments made through this fall's Throne Speech to build a more resilient country following the pandemic.

The Fall Economic Statement outlines how \$322 billion has been allocated this year to directly support Canadians and businesses during a once-in-century pandemic through a mixture of concluded and new measures. When combined with \$168 billion in other actions to help Canadians and businesses meet their liquidity needs, the total support offered during the pandemic is over \$490 billion.

Constrained economic growth, reduced government revenues and sustained pandemic spending have pushed the federal deficit to a new record of \$381.6 billion for this year. Greater deficit spending has, in turn, pushed the federal net-debt to \$1.2 trillion. While devoid of a new fiscal anchor or timeframe to return to balance, the Statement has reintroduced five-year forecasts to signal the Government's awareness for needed fiscal discipline. To carry the weight of the country's growing fiscal obligations, the Government continues to rely on borrowing at low rates for longer terms, instead of expanding economic growth.

The Canadian Chamber of Commerce has been one of the federal government's main contacts and partners throughout the pandemic. Today's Fall Economic Statement directly reflects input the Canadian Chamber and its network provided to the federal government to support Canadian businesses and their workers during the pandemic. Targeted support for the hardest hit sectors, the enhancement of CEWS, the extension of CERS, simplifying home office expense tax deductions, the application of digital sales taxes, and energy retrofits comprise significant policy wins for the chamber network.

Leading up to the Fall Economic Statement, the Canadian Chamber had been encouraging the Government to lay out its plan for Canada's economic recovery – one that takes a more

tailored approach for delivering support to Canadians and sectors left most vulnerable and impacted by the pandemic. The Canadian Chamber also had urged the Government to more proactively manage pandemic risks to allow Canadians to safely resume their normal lives as rapidly as possible. Finally, the Chamber had called on the Government to use the Fall Economic Statement to boost faltering business investment and competitiveness in Canada. Without strong and prolonged economic growth to resolve the country's growing public debt, Canada's growing obligations will adversely affect prosperity for future generations.

## News for Canadian Employers

- **Targeted Stimulus to Jumpstart Recovery**
  - To ensure a robust and resilient recovery, the government is developing the details of a plan to help Canada build back better, by preparing to invest up to \$100 billion over the next three fiscal years – roughly valued at between 3 to 4 per cent of GDP.
- **(Lack of) Fiscal Guardrails**
  - Despite the business, community's urging, fiscal guardrails will only be established once stimulus is wound down. Until then, the government will track progress against several related economic indicators.
- **The Canada Emergency Wage Subsidy**
  - Given the ferocity of the second wave and its expected economic impact, the government is proposing to increase the maximum subsidy rate to 75 per cent for the period beginning December 20, 2020 and to extend this rate until March 13, 2021, to provide greater certainty to employers.
- **The Canada Emergency Rent Subsidy**
  - To provide greater certainty to businesses and other organizations, the government is proposing to extend the current subsidy rates of the Canada Emergency Rent Subsidy for an additional three periods. This means a base subsidy rate of up to 65 per cent will be available on eligible expenses until March 13, 2021. This would ensure that businesses and other organizations continue to have the support they need through the second wave of the pandemic and the winter.
- **Support for Highly Affected Sectors**
  - The government will work with financial institutions in the near term to create the Highly Affected Sectors Credit Availability Program (HASCAP) – a new program for the hardest hit businesses, including those in sectors, like tourism and hospitality, hotels, arts and entertainment. This stream will offer 100 percent government-guaranteed financing for heavily impacted businesses, and provide low-interest loans of up to \$1 million over extended terms, up to ten years. Rates will be lower than those offered in BCAP and beneath typical market rates for hard hit sectors.
- **Support for Tourism and Hospitality**
  - Recognizing the importance of the Regional Relief and Recovery Fund in supporting local tourism businesses, the government will earmark a minimum of 25 per cent of all the Fund's resources to support local tourism businesses, providing more than \$500 million in program support through June 2021.
- **Support for the Air Sector**
  - To support regional air transportation, including regional air carriers, the government proposes to provide up to \$206 million over two years, starting in 2020-21, to the Regional Development Agencies for a new Regional Air Transportation Initiative. To support small

and regional airports in making critical investments in health and safety infrastructure, the government proposes to provide additional funding of \$186 million over two years, starting in 2021-22, for the Airports Capital Assistance Program (ACAP). Small federally-owned airports, which are not currently eligible for ACAP, would also be eligible to access the program for 2021-22 and 2022-23. To support large airports in making critical investments in safety, security and transit infrastructure, the government proposes to provide \$500 million over six years, starting in 2020-21, to establish a new transfer payment program.

- **Support for Innovative Businesses**

- To ensure that innovative, intellectual property-rich firms have the support they need to face the challenges presented by COVID-19, it is proposed that \$250 million over 5 years, beginning in 2021-22, be provided to the Strategic Innovation Fund. Through its continued support of large-scale transformative projects, the Strategic Innovation Fund will help Canada's most innovative firms and industries weather the pandemic and grow into world leaders that will help drive growth and create jobs in the Canadian economy.

- **Simplifying the Home Office Expense Deduction**

- Allowing employees who are working from home due to COVID-19 and eligible to claim home office expenses to deduct up to \$400 in 2020 using a simplified flat rate, and generally do not request form T2200 from these employees.

- **Application of the GST/HST in Relation to E-commerce**

- The Government proposes a number of changes to the GST/HST system to ensure that the GST/HST applies in a fair and effective manner to the growing digital economy.
- To improve the collection of the GST/HST and level the playing field between resident and non-resident vendors, the Government proposes that non-resident vendors supplying digital products or services (including traditional services) to consumers in Canada be required to register for the GST/HST and to collect and remit the tax to the CRA on their taxable supplies to Canadian consumers.
- In order to ensure that the GST/HST applies consistently and effectively with respect to supplies of short-term accommodation in Canada facilitated by platforms, the Government proposes to apply the GST/HST on all supplies of short-term accommodation in Canada facilitated through a digital platform.

- **Border Carbon Adjustments**

- To this end, the government is exploring the potential of border carbon adjustments, and will be discussing this issue with our international partners. Border carbon adjustments are about levelling the playing field across jurisdictions on carbon pricing: they propose to establish a carbon fee on imports from countries that do not have carbon pricing so that those products face the same costs as those supplied by domestic producers who pay a price on carbon pollution.

## **News for Canadian Workers**

- **Towards a Canada-wide Early Learning and Child Care System**

- To help bring governments, experts and stakeholders together to collaborate in designing and implementing this new child care vision for Canada, the government is proposing to provide \$20 million over 5 years, starting in 2021-22, with \$4.3 million per year ongoing for a Federal Secretariat on Early Learning and Child Care. The Secretariat will build capacity within the government and engage stakeholders to provide child care

policy analysis in support of a Canada wide-system. The government is also proposing to invest \$70 million over 5 years, starting in 2021-22, and \$15 million ongoing to sustain the existing federal Indigenous Early Learning and Child Care Secretariat, and to help build Indigenous governance capacity and support Indigenous participation in the development of a Canada-wide system.

- **Enhancements to Employment Insurance**

- To ensure Canadians have the support they need, the government announced temporary changes for one year that have made the Employment Insurance (EI) program more simple, flexible and generous. This will not only provide people with the income support to afford the basics, it will also get people ready to re-enter the labour market by giving them access to EI-funded training and employment support.

- **Creating Opportunities for Youth**

- To help young people develop stronger connections to the job market, and to support employers through a period of economic recovery, the government intends to support up to 120,000 job placements through Canada Summer Jobs in 2021-22 – an increase of 40,000 from 2020-21 levels. To this end, the government proposes to provide approximately \$447.5 million in new investments in the program next year.
- To help young people, including those who may face more complex barriers to employment, and who may have been driven further from the labour force due to the pandemic, gain the skills and experience needed to find and keep quality work, the government proposes to invest \$575.3 million over the next two years in the Youth Employment and Skills Strategy to provide approximately 45,300 job placements for young people

- **Investing in Training and Skills**

- To further bolster training supports for those hardest hit by the pandemic, including marginalized and racialized women, Indigenous Peoples, persons with disabilities and recent newcomers to Canada, the government proposes to invest an additional \$274.2 million over 2 years, starting in 2021-22.
- The government is announcing the creation of a task force of diverse experts to help the government develop this plan. We will be bringing this task force together in the coming weeks to begin the work of advising the Deputy Prime Minister and Minister of Finance on policies and measures to be included in the government's stimulus plan to support women's employment through the recovery period

- **Energy Retrofits**

- A plan to offset the cost of energy retrofits for homeowners with \$2.6-billion in funding over seven years