

“We are resilient people. We are resourceful people. And we have a plan.”

In her first fiscal and economic update, Canada’s Deputy Prime Minister and new Minister of Finance, the Honourable Chrystia Freeland, presented her government’s Fall Economic Statement (FES) on Monday, November 30th. The FES titled **“Supporting Canadians and Fighting COVID-19”** provided the first real glimpse at the cost of the federal support measures over the last nine months, and projected cost of stimulus budgeted for 2021-2024.

Canada’s deficit at the end of March, 2021 is projected to be \$381.6 billion, but could be greater depending upon the future shutdowns and COVID-19 infections. As a percentage of GDP, the federal debt will grow to 50.7% from 31.2%.

The FES outlined the government’s measures to fight and defeat COVID-19; to support Canadians through this crisis; and to rebuild Canada’s economy. The FES touched on the government’s:

- Continuing, extending and/or modifying existing comprehensive federal support measures;
- Procurement and effective delivery of COVID-19 vaccinations;
- Tax measures that continue with its theme of fairness; and
- Introduction of an ambitious planned stimulus roadmap to jumpstart the economy once COVID-19 has been beaten.

Federal Support Measures

“Eight of every ten dollars spent in Canada to fight the virus and support Canadians has been spent by the federal government.”

The FES highlighted the government’s previous, ongoing, and modified COVID-19 support measures:

Individual Measures

- The Canada Emergency Response Benefit has supported 8.9 million Canadians
- The Canada Emergency Wage Subsidy will be extended to June, 2021, will be raised back to 75%, and has protected 3.9 million jobs
- The Canada Recovery Benefit will be in place until Fall, 2021
- The Canada Recovery Caregiving Benefit will be in place until Fall, 2021
- The Canada Recovery Sickness Benefit will be in place until Fall, 2021
- Enhanced Employment Insurance will be in place until Fall, 2021

Business Measures

- The Canada Emergency Business Account (CEBA) will be expanded in December to provide a further top-up of \$20,000 with 50% being forgivable. More than 780,000 Canadian small businesses have applied for CEBA.
- Commercial Rent or Mortgage Interest Subsidy introduced in November, 2021 (retroactive to September 27th) that will support businesses with rent and mortgage interest up to 90%.

Here is a link to the Canada.ca website outlining all the government’s current COVID-19 support measures:

<https://www.canada.ca/en/department-finance/economic-response-plan.html>

Rollout of COVID-19 vaccinations

“The government has invested more than \$1 billion in vaccine agreements, securing a domestic supply of up to 429 million doses, of seven promising vaccines – more than ten doses for every Canadian.”

Bilateral Agreements with COVID-19 Vaccine Suppliers

Vaccine	Type of Vaccine	Number of Doses
Pfizer	mRNA	Up to 76 million
Moderna	mRNA	Up to 56 million
Medicago	Virus-like particle	Up to 76 million
AstraZeneca	Viral vector	Up to 20 million
Johnson & Johnson	Viral vector	Up to 38 million
Novavax	Protein subunit	Up to 76 million
Sanofi and GlaxoSmithKline	Protein subunit	Up to 72 million
International COVAX Facility	-	Up to 15 million

The government also outlined its investment in made-in-Canada vaccine technologies to boost Canada’s ability to discover, manufacture and distribute vaccines, and its preparedness plans in receiving and distributing the COVID-19 vaccines nationally.

Tax Measures

“Canadians want a tax system that is fair, where everyone pays their fair share, so the government has the resources it needs to invest in people and keep our economy strong.”

Notably the tax measures introduced did not include increasing the capital gains inclusion rate nor introducing income tax on realized gains from principal residences.

The FES announced Canadians working from home will be allowed to claim up to \$400 as a tax deduction and will not be required to track expenses or secure documentation from their employer to claim such, and the government’s intention to implement a national, tax-based measure targeting the unproductive use of domestic housing that is owned by non-resident, non-Canadians, which removes these assets from the domestic housing supply.

The government is proceeding on previously announced tax measures that include:

- The need to charge commodity tax (HST/GST):
 - By multinational digital giants that provide digital products and services to Canadians (e.g. Netflix)
 - By foreign vendors that deliver products to Canadians through fulfillment warehouses (e.g. Amazon); and
 - On all short-term accommodations (e.g. Airbnb)
- A \$200,000 annual limit will apply on employee stock option grants that qualify for the employee stock option deduction. This limit will be based on the fair market value of the shares underlying the options, at the time the options are granted. This intended measure was first announced in Budget 2019 and applies only to options from large, mature corporations.

Planned Stimulus Measures

“When the virus is under control and our economy is ready for new growth, we will deploy an ambitious stimulus package to jumpstart our recovery. Spending roughly 3-4 per cent of GDP, over three years, our government will make carefully judged, targeted and meaningful investments to create jobs and boost growth.”

The total amount of stimulus proposed is between \$70 and \$100 billion over the next three years. Stimulus spending will be focused on creating an economy that is “greener, more inclusive, more innovative, and more competitive.”

Notable proposed measures include:

- Temporary support for families with young children: Families entitled to the Canada Child Benefit will receive support of up to \$1,200 in 2021 for each child under the age of six.
- Green economy and climate action: Grants of up to \$5,000 to help homeowners make their homes more energy efficient.
- Credit for hardest-hit industries: Businesses in the tourism, hospitality, arts and culture, and air sectors will be eligible for low interest loans of up to \$1 million, with a 10-year term.

Investments will also be made in:

- Job training, particularly for youth and care providers, including the:
 - Creating One Million Jobs initiative
 - Long-term and senior care, including the Safe Long-term Care Fund
- Infrastructure – broadband, airport and health
- Social infrastructure – women, young and new Canadians, Black and racialized Canadians, First Nations, Inuit and Metis, including the introduction of the:
 - Black Entrepreneurship Program
 - Action Plan for Women in the Economy
- Economic empowerment for vulnerable communities

In closing Minister Freeland outlined *“this is the most severe challenge our country has faced since the Second World War. It is our most severe economic shock since the Great Depression, and our most severe public health crisis since the Spanish Flu, a century ago. Canadians should know that their federal government will be there to help them get through it”* and *“the risk of providing too little support now outweighs that of providing too much.”*

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