Prosper Canada

2019 FEDERAL BUDGET HIGHLIGHTS

***Investing in the Middle Class*¸** the federal government's 2019 Budget, builds on progress made with the government's earlier commitments such as the Canada Child Benefit, the *National Housing Strategy*, and the recent *National Poverty Reduction Strategy* (which, among other measures, set an Official Poverty Line and a set of key indicators on poverty reduction). Budget 2019 also continues the government's efforts to incorporate Gender-Based Analysis+ (GBA+) in the policy and budget development process, and to act towards greater gender equality in areas such as poverty reduction and health.

Budget 2019 includes a number of specific measures aimed at making life more affordable and helping more people succeed, such as those outlined below.

The Canada Training Benefit

Budget 2019 proposes to establish a new Canada Training Benefit (CTB) —a personalized, portable training benefit to help people plan for and get the training they need. Budget 2019 proposes to invest more than $1.7 billion over five years, and $586.5 million per year ongoing to deliver this program.

The CTB would include two key components—a new, non-taxable *Canada Training Credit* to help with the cost of training fees, and a new *Employment Insurance (EI) Training Support Benefit* to provide income support when an individual needs to take time off work for training purposes. In addition, the government will pursue changes to federal, provincial and territorial labour legislation to ensure that workers can take time away from work to pursue training without risk to their job security.

Canada Training Credit

This new, refundable, non-taxable credit would help Canadians pay for training fees. To launch and sustain this new credit, Budget 2019 proposes to invest $710 million over five years, starting in 2019–20, and $265 million per year ongoing.

Every year, eligible workers between the ages of 25 and 64 would accumulate a credit balance of $250 per year, up to a lifetime limit of $5,000. With this credit, a Canadian worker (residing in Canada throughout the year) may accumulate $1,000 every four years to help offset training fees.

This refundable tax credit will be available to workers with earnings of at least $10,000 (including maternity and parental benefits) and incomes below the top of the third tax bracket for the year ($147,667 in the 2019 tax year). Beneficiaries may apply their accumulated *Canada Training Credit* balance against up to half the cost of training fees at colleges, universities, and eligible institutions providing occupational skills training starting in 2020. Individuals may accumulate a lifetime maximum amount of $5,000, but any unused balance will expire at the end of the year in which they turn 65.

Canadians may claim this refund when they file their tax return and the updated credit balance will be included in the notice of assessment they receive from the Canada Revenue Agency (CRA) after they tax file each year. Individuals can also check their credit balance any time through CRA's My Account service.

EI Training Support Benefit

This new benefit— to be launched in late 2020 — will be available through the EI program and provide up to four weeks of income support every four years. This income support—paid at 55 per cent of a person's average weekly earnings— will help workers cover their living expenses (e.g., mortgage payments, electricity bills, and general life costs) while on training when they are not receiving their regular paycheque. The new *EI Training Support Benefit* would provide workers with the flexibility to train when it works best for them, within a four-year period (for example, taking three weeks of paid leave in the first year, and the final week in the last year).

In addition, the government is changing EI eligibility rules to allow unemployed Canadians to enroll in full-time training without affecting their eligibility for EI benefits.

Leave Provisions

Recognizing that many workers cannot afford to risk their employment while they pursue training, the government proposes to consult with provinces and territories on changes to labour legislation to support new leave provisions. These new leave provisions would ensure that workers are entitled to leave and job protection while they are on training and receiving the *EI Training Support Benefit*, while protecting small businesses against any increases in EI premiums.

Support for seniors

GIS earning exemption and top-up changes

Budget 2019 proposes to introduce legislation to enhance the GIS earnings exemption, beginning with the July 2020 to July 2021 benefit year. This exemption will allow older Canadians with low incomes, who need to work to supplement their retirement incomes, to take home more earned income without penalties.

The enhancement will extend eligibility for the earnings exemption to self-employment income. It will also provide a full or partial exemption on up to $15,000 of annual employment and self-employment income for each GIS or Allowance recipient, as well as their spouse. It will do this by:

- Increasing the full exemption amount from $3,500 to $5,000 per year for each GIS or Allowance recipient, as well as their spouse;
- Introducing a partial exemption of 50 per cent, to apply to up to $10,000 of annual employment and self-employment income beyond the initial $5,000, for each GIS or Allowance recipient, as well as their spouse.

CPP auto-enrolment

To ensure that all workers in Canada receive the full value of their CPP contributions, Budget 2019 proposes to introduce legislative amendments to automate enrolment of Canada Pension Plan contributors aged 70 or older in 2020 who have not yet applied to receive their CPP retirement benefit.

With this change, the government estimates that approximately 40,000 individuals over the age of 70 who are currently missing out on CPP benefits will begin to receive an average monthly retirement pension of $302 in 2020. In addition, approximately 1,500 Canadian seniors turning age 70 in 2020 will be automatically enrolled, receiving an estimated average monthly retirement pension of $645. By 2040, the government estimates as many as 4,000 people could be automatically enrolled each year.

Some individuals may prefer not to receive a CPP retirement pension, as it could reduce the amount of federal and provincial income-tested benefits they receive. Budget 2019 proposes to extend the period during which a person may choose to opt out of receiving their CPP retirement pension from six months to one year.

Protection for pensions

To give Canadians greater peace of mind when it comes to their retirement, Budget 2019 proposes to introduce legislative amendments and new measures to protect workplace pensions in the event of corporate insolvency and to make insolvency proceedings fairer, more transparent, and more accessible for pensioners and workers.

The proposed pension measures would protect workers' hard-earned benefits by clarifying in federal pension law that, even if a plan is wound-up, it must continue to provide the same pension benefits to plan participants. In addition, these measures would allow defined benefit plans to fully transfer the responsibility to provide pensions to a regulated life insurance company, to improve plan sustainability and better protect retirees' pensions from the risk of employer insolvency.

Support for empowering seniors in their communities

Budget 2019 also proposes to provide additional funding of $100 million over five years, with $20 million per year ongoing, for the *New Horizons for Seniors Program*, to improve seniors' quality of life and participation and inclusion in their communities. The program will now offer up to $25,000 to support projects in local communities—such as new fitness equipment for seniors' centres—and up to $5 million to support projects that are national in scope and can benefit seniors across the country, like financial literacy classes.

Canada Workers' Benefit

Budget 2018 introduced the new *Canada Workers Benefit (CWB)*, a refundable tax credit that helps supplement the earnings of low-income workers. To give low-income workers improved access to support throughout the year, Budget 2019 proposes to provide CRA with $4 million over two years, starting in 2019–20, to conduct targeted outreach to eligible workers about the CWB.

This outreach will increase awareness of the CWB, including its advance payment provision – CWB beneficiaries can opt to receive up to four advance benefit payments over the year, totalling up to half of their estimated CWB entitlement for that year. New funding will also enable CRA to allow low-income workers to apply online for advance payment of the Canada Workers Benefit through CRA's My Account portal, and to invest in enhanced CWB delivery support and reduced red tape for eligible workers.

Housing

In 2017, the federal government launched the National Housing Strategy, a 10-year $40 billion plan to build 100,000 new affordable housing units, repair 300,000 others, and reduce chronic homelessness by 50 per cent. Budget 2019 proposes to introduce new legislation to require the federal government to maintain a *National Housing Strategy* that prioritizes the housing needs of the most vulnerable, and requires regular reporting to Parliament on progress toward the Strategy's goals and outcomes.

As part of this Strategy, Budget 2019 proposes a new, $4 billion *Canada Housing Benefit* to be co-developed with provinces and territories and rolled out in 2020 to provide financial relief directly to those in core housing need. The government expects that, over time, this benefit will make housing more affordable for at least 300,000 households.

RDSP changes

The *Registered Disability Savings Plan* (RDSP) is a tax-assisted savings vehicle that helps individuals with a disability – and their families – to save for the individual's long-term financial security. To open an RDSP, an individual must be eligible for the Disability Tax Credit (DTC).When a beneficiary no longer qualifies for the DTC, the RDSP rules can require that the plan be closed and grants and bonds be repaid to the Government of Canada.

Currently, all RDSP issuers are required to set aside an amount (the "assistance holdback amount") equivalent to the total *Canada Disability Savings Grants* and *Canada Disability Savings Bonds* paid into every RDSP in the preceding 10 years (less any of these grants and bonds that have been repaid in that 10-year period). This is to ensure that these RDSPs have sufficient funds to meet any repayment obligations.

RDSP plan holders may elect to extend the period for which their RDSP may remain open in the event they become ineligible for the DTC. To qualify for this extension though, a medical practitioner must certify in writing that the nature of the beneficiary's condition makes it likely that the beneficiary will be eligible for the DTC again in the near future.

To address concerns that this treatment does not appropriately recognize the financial impact that periods of severe, but episodic, disability can have on individuals, Budget 2019 proposes to remove the time limitation on the period that an RDSP may remain open after a beneficiary becomes ineligible for the DTC. It also proposes to eliminate the requirement for medical certification that the beneficiary is likely to become eligible for the DTC in the future in order for the plan to remain open. These changes will allow grants and bonds that would otherwise have to be repaid to the Government to remain in the RDSP. To ensure fairness for DTC-eligible beneficiaries, some restrictions on access to these amounts will apply

Unlike RRSPs, amounts held in RDSPs are not exempt from seizure by creditors in bankruptcy. To level the playing field, Budget 2019 also proposes to exempt RDSPs from seizure in bankruptcy, with the exception of contributions made in the 12 months before the filing.

Kinship care

A number of provinces and territories offer "kinship care" programs that enable relatives and, in some jurisdictions, close family friends, to provide care for children who require out-of-home care on a temporary basis. This is an alternative to foster or residential care. Some provinces and territories provide financial assistance to kinship care providers to help defray the costs of caring for the child. Budget 2019 proposes new changes to improve the financial security of kinship care providers.

Canada Workers Benefit

Currently, a care provider who receives financial assistance under a kinship care program can be precluded from being considered as the parent of a child in their care, for the purposes of claiming the Canada Workers Benefit (CWB). Budget 2019 proposes legislative changes to clarify that an individual may be considered to be the parent of a child in their care for the purpose of the CWB, regardless of whether they receive financial assistance from a kinship care program. Kinship care providers would be eligible for the normal CWB amount available for families, provided all other eligibility requirements are met, starting retroactively from the 2009 tax year and continuing for all subsequent tax years.

Tax treatment of financial assistance payments

Under the *Income Tax Act,* social assistance payments based on a means, needs, or income test are not taxable, but must be included in income for the purposes of determining entitlement to income-tested benefits and credits. As a result, financial assistance payments received under certain kinship care programs may reduce benefit levels for some kinship care providers with lower incomes.

Budget 2019 proposes legislative changes to clarify that financial assistance payments received by care providers under a kinship care program are neither taxable, nor included in income for the purposes of determining entitlements to income-tested benefits and credits, starting retroactively from the 2009 tax year and continuing for all subsequent tax years.

Support for veterans

Budget 2019 proposes a number of initiatives to make the transition from military to civilian life, and applying for benefits to help this transition, simpler and more seamless for veterans by:

- Enhancing training on the transition to civilian life to improve members of the Canadian Armed Forces' knowledge of programs, benefits, and available services

- Improving service by simplifying and streamlining benefit applications and information sharing between Veterans Affairs Canada and the Department of National Defence.

Budget 2019 also announced a new *Veterans Survivors Fund* of $150 million over 5 years, starting in 2019–20, to enable Veterans Affairs Canada to work with the community to identify impacted survivors, process their claims, and ensure survivors have the financial support they need.

Strengthened benefit and tax services

Service Canada modernization

Budget 2019 proposes to provide $305.3 million over five years to Employment and Social Development Canada (ESDC) to continue improving and modernizing service delivery systems. In particular, these investments would allow ESDC to:

- Make improvements to the *Old Age Security* and *Canada Pension Plan* delivery platforms
- Hire additional staff at Service Canada to assess and process *Old Age Security* benefit claims more quickly.

Canada Revenue Agency service transformation

Budget 2019 proposes to invest an additional $50 million over five years, starting in 2019–20, to support CRA's ongoing service improvement efforts through two key initiatives:

- $34 million to hire additional staff to process adjustments to T1 returns, speeding processing of claims/adjustments to ensure vulnerable Canadians do not experience unnecessary delays in accessing credits and benefits to which they are entitled.

- $16 million over five years for a permanent dedicated telephone support line for tax service providers, giving providers faster and more reliable access to experienced CRA officers and improving service for the millions of Canadians who work with tax service providers each year.

Budget 2019 also proposes to invest $253.8 million over five years starting in 2019–20, with $56.7 million per year ongoing, to make the recourse process for EI, CPP, and OAS easier to navigate and more responsive to people's needs, shortening decision timelines and delays for disputes. These improvements build on the recommendations of a 2017 independent review by the Social Security Tribunal of Canada and views expressed by Canadians through subsequent consultations.

New developments in regulating Canada's financial sector

Open Banking

Open banking has the potential to offer Canadian consumers and small businesses a secure way to consent and share their financial transaction data with different financial service providers, potentially allowing them to benefit from a broader range of innovative financial products and services at more competitive prices.

In Budget 2018, the government announced that it would undertake a review of open banking, and appointed an *Advisory Committee on Open Banking* last year. Finance Canada released a public consultation paper in January 2019 and roundtable consultations are currently underway. The Committee will deliver a report to the Minister of Finance once the consultations are complete. In the 2019 Budget the government committed to assessing potential ways to move open banking forward, with the highest regard for consumer privacy, security and financial stability, based on the Committee's findings.

Governance Council for FCAC

Building on earlier efforts to enhance the powers of the Financial Consumer Agency of Canada (FCAC) in 2018, the Minister of Finance will appoint a new governance council this year to support FCAC in becoming a 'world leader' in financial consumer protection. The proposed Council will guide FCAC in its expanded mandate and aim to promote the confidence of Canadians in our financial consumer protection system.