



**NOTES ON THE FEDERAL BUDGET 2017**

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On March 22, 2017, Minister of Finance Bill Morneau presented the 2017 Canada Federal Budget titled Building a Strong Middle Class. The second budget from the Liberal federal government focuses on working middle-class families with children with changes to federal government benefits and tax credits.

Budget 2017 provides additional details about investments promised in the previous budget and includes additional investments in infrastructure, housing, skills training, improving the socio-economic conditions of Canada's Indigenous peoples, mental health, home care, child care, and changes to tax credits.

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**EMPLOYMENT INSURANCE**

Budget 2017 introduces some changes to how EI benefits will be delivered and some minor changes in coverage, but the general EI eligibility requirements and benefits will remain the same.

*Funds to Improve Benefit Service Delivery*

The Budget proposes to invest \$12.1 million in 2017–18 to develop modern approaches to service delivery to many federal programs, beginning with Employment Insurance. The goal is to improve Canadians' access to benefits, including speeding up application processes.

*Amendments to the Employment Insurance Act*

Proposed amendments to the Employment Insurance Act to broaden worker eligibility for programs and services under the Labour Market Development Agreements could allow more Canadians to access EI-funded skills training and employment supports.

*Training while Receiving EI benefits*

The Budget includes a planned investment of \$132.4 million over four years, beginning in 2018–19, and \$37.9 million per year thereafter, to allow unemployed Canadians to pursue self-funded training while receiving EI benefits.

*New Employment Insurance Caregiving Benefit*

Budget 2017 introduces a new EI caregiving benefit aimed at supporting Canadians in caregiving roles. This benefit will give eligible individuals up to 15 weeks of EI benefits while they are temporarily away from work to provide care for a critically ill or injured adult family member. Parents of critically sick children will continue to have access to up to 35 weeks of EI benefits, with additional flexibility to share these benefits with more family members.



### *Maternity Benefits*

Expectant mothers will have the option to claim EI maternity benefits up to 12 weeks before their due date (expanded from the current standard of 8 weeks).

### *Parental Leave Benefit*

Parents will be able to choose to receive EI parental benefits over an extended period of up to 18 months at a lower benefit rate of 33 per cent of average weekly earnings. EI parental benefits will continue to be available at the existing benefit rate of 55 per cent over a period of up to 12 months.

## **HEALTH AND WELLNESS MATTERS**

Budget 2017 includes increased funding towards mental health and home care, but maintains the previous federal government's reduction in the Canada Health Transfer to the provinces relative to the GDP.

### *Mental Health and Home Care*

The Budget proposes to invest \$6 billion over 10 years for home care and \$5 billion over 10 years to support mental health initiatives with the goal of providing improved access to home, community and palliative care services; more support for informal caregivers; and better access to mental health support.

The federal government will provide an immediate down payment on investments in home care and mental health through a new targeted legislated transfer to provide 2017–18 funding to the 12 provinces and territories that have accepted the federal offer (New Brunswick, Newfoundland and Labrador, Nova Scotia, Yukon, the Northwest Territories, Nunavut, Saskatchewan, Prince Edward Island, British Columbia, Alberta, Ontario and Quebec).

The provinces and territories are working to develop agreements on performance indicators and mechanisms for annual reporting to citizens, as well as a detailed plan on how the funds will be spent.

### *Access to prescription medications*

Acknowledging OECD studies which show that Canadian families pay too much of prescription medications, the federal government committed to lowering drug prices and supporting appropriate prescribing through an investment of \$140.3 million over five years in Health Canada, the Patented Medicine Prices Review Board and the Canadian Agency for Drugs and Technologies in Health. This commitment commences in 2017–18, with \$18.2 million per year ongoing.

### *Canadian Institute for Health Information*

The federal government proposes to address health data gaps, support improved decision-making and strengthen the reporting on health system performance through an investment of \$53.0 million over five years, starting in 2017–18, with \$15 million per year ongoing, for the Canadian Institute for Health Information.

### *Canada Health Infoway*

The federal government promises to invest \$300 million over five years, starting in 2017–18 to expand e-prescribing and virtual care initiatives, support the continued adoption and use of electronic medical records, help patients to access their own health records electronically, and better linking electronic health record systems to improve access by all providers and institutions.

### *Accelerating Innovations*

The Budget includes an investment of \$51.0 million over three years, starting in 2019–20, with \$17.0 million per year ongoing for the Canadian Foundation for Healthcare Improvement.

### *Marijuana Public Education Programming*

In advance of the federal government's plan to legalize cannabis, Health Canada will direct existing funding of \$9.6 million over five years, with \$1.0 million per year ongoing to support marijuana public education programming and surveillance activities.

### *Healthcare in the Territories*

Budget 2017 proposes to invest \$108 million over four years, starting in 2017–18, to support territorial efforts to innovate and transform their health care systems and ensure northerners have access to the health care they need.

### *First Nations and Inuit Health*

Budget 2017 proposes to invest \$828.2 million over five years, starting in 2017–18, to improve the health outcomes of First Nations and Inuit. The investment includes new funding for primary care, mental health services, and home and palliative care, and aims to improve the timeliness of health services for indigenous peoples.

### *Veterans' Pensions*

The federal government will take further action to simplify these programs to better meet the needs of veterans. Specifically, they will move forward with the plan to fulfill its commitment to re-establish lifelong pensions as an option for injured veterans. This will provide an option for injured veterans to receive their Disability Award through a monthly payment for life, rather than in a one-time payment.

### *Increased Alcohol and Tobacco Excise Duties*

Effective today, excise duty rates on alcohol products are going up by 2%. Furthermore, rates will be automatically adjusted to the Consumer Price Index on April 1 of every year starting in 2018. The excise duty rate on cigarettes will increase from \$0.52575 to \$0.53900 for each five cigarettes or fraction thereof. Inventories of cigarettes held by manufacturers, importers, wholesalers and retailers at the end of Budget Day will also be subject to a tax of \$0.00265 per cigarette (subject to certain exemptions).

## **LABOUR MATTERS**

### *Workforce Development Agreements*

Budget 2017 also proposes to invest an additional \$900 million over six years, starting in 2017–18, for new Workforce Development Agreements. The Workforce Development Agreements will consolidate the existing Canada Job Fund Agreements, the Labour Market Agreements for Persons with Disabilities, and the Targeted Initiative for Older Workers, which is expected to make transfers to the provinces and territories simpler and more flexible.

### *Canada Labour Code*

Budget 2017 proposes to invest \$13 million over five years, starting in 2017–18, and \$2.5 million per year ongoing, to strengthen compliance and enforcement mechanisms. It should be noted that of this amount, \$3 million over five years will be reallocated from Employment and Social Development Canada's existing resources.

More details about the changes to the labour code are expected to be released later.

### *Flexible Work Arrangements for Federally Regulated Employees*

The federal government proposes to give federally regulated employees the right to request more flexible work arrangements such as flexible start and finish times and the ability to work from home. Proposed changes will also provide federally regulated workers with new unpaid leaves for family responsibilities, to participate in traditional Indigenous practices, and to seek care if they are victims of family violence. Changes will also make bereavement leave more flexible.

### *Unpaid Internships*

Budget 2017 proposes to eliminate unpaid internships in federally regulated sectors, unless they are part of a formal educational program. These changes will also ensure that unpaid interns who are part of an educational program are entitled to labour standard protections, such as maximum hours of work, weekly days of rest, and general holidays.

### *Trade Remedy System*

This year's budget proposes legislative and regulatory amendments to improve enforcement of trade remedy measures, address the circumvention of duties, better account for market and price distortions, and provide unions with the ability to participate in trade remedy proceedings.

## **TAX MEASURES TIED TO HEALTH AND WELLNESS MATTERS**

### *Canada Caregiver Credit*

The new Canada Caregiver Credit will replace three tax credits: the Caregiver Credit, Infirm Dependant Credit and Family Caregiver Tax Credit. This new, non-refundable credit will provide support to caregivers whether or not they live with their family member, and help families with caregiving responsibilities.

Starting in the 2017 tax year, the Canada Caregiver Credit will provide tax relief on an amount of:

- \$6,883 in respect of expenses for care of dependent relatives with infirmities (including persons with disabilities)—parents, brothers and sisters, adult children, and other specific relatives.
- \$2,150 in respect of expenses for care of a dependent spouse/common-law partner or minor child with an infirmity (including those with a disability).

The income threshold for the dependant at which the credit begins to phase out will also be higher than with the previous caregiver tax credits. The Canada Caregiver Credit will start to be reduced when the dependant's net income is above \$16,163 and will be completely phased out at \$23,046. This income threshold, along with the amounts for the credit, will be indexed to inflation for taxation years after 2017.

### *Disability Tax Credit Certification—Adding Nurse Practitioners as Eligible Medical Practitioners*

Budget 2017 proposes to add nurse practitioners to the list of medical practitioners that can certify the impacts of impairments for Disability Tax Credit applicants. The measure will apply to Disability Tax Credit certifications made on or after Budget Day.

### *Medical Expense Tax Credit—Fertility-Related Expenses*

This budget offers to clarify the application of the Medical Expense Tax Credit so that individuals who require medical intervention in order to conceive a child (such as single individuals and same-sex couples) are eligible to claim the same expenses that would generally be eligible for individuals on account of medical infertility. This measure will apply to the 2017 and subsequent taxation years.

### *Registered Disability Savings Plans and Registered Education Savings Plans*

Effective immediately, the federal government will extend anti-tax-avoidance rules, similar to those currently in place for TFSA and RRSPs, to Registered Education Savings Plans and Registered Disability Savings Plans.

### *Public Transit Credit*

The public transit tax credit will be eliminated effective July 1, 2017.

## **EMPLOYER TAXES AND DEDUCTIONS**

### *Employment Insurance (EI) Premiums*

Employment Income (EI) premiums are estimated to increase to \$1.68 per \$100 of insurable earnings in 2018 from the current \$1.63 per \$100 of insurable earnings.

The federal government introduced a seven-year break-even premium rate-setting mechanism in 2017. This new rate-setting mechanism ensures that EI premiums are no higher than needed to pay for the EI program over time. The break-even rate is estimated to increase in 2018, due to a weaker economic outlook than that which formed the basis for the 2017 EI premium rate and the impact of the EI measures announced in Budget 2017. The break-even rate for 2019 is also projected to be \$1.68 per \$100 of insurable earnings.

EI premium rates are different for residents of Quebec, because the province of Quebec administers its own parental insurance plan.

### *Electronic Distribution of T4s*

Employers will be allowed to distribute T4 Statement slips electronically to active employees without their prior consent.

## **PUBLIC INFRASTRUCTURE**

### *Canada Infrastructure Bank*

Budget 2017 provides more details about the Canada Infrastructure Bank that will be designed to facilitate private investment in public infrastructure.

The Canada Infrastructure Bank will be responsible for investing at least \$35 billion over 11 years, using loans, loan guarantees, and equity investments. These investments will focus on large, transformative projects such as regional transit plans, transportation networks and electricity grid interconnections.

The Canada Infrastructure Bank is expected to be operational in late 2017.

## **GENDER EQUALITY**

### *Gender Statement*

Budget 2017 includes Canada's first ever Gender Statement. With this Statement, the federal government aims to ensure that its decisions deliver results that are more equitable and fair.

In this budget, the federal government states that it introduced measures and programs aimed at reducing the gender wage gap, encouraging greater workforce participation among women, and helping to combat poverty and violence.

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## **ABOUT PBI**

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