

ITAC: 2019 Federal Budget Highlights

On Tuesday, March 19, 2019, the Federal Government tabled its Federal 2019 Budget. Below is a brief overview of the information shared that pertains directly to Canada's information, communications and technology (ICT) industry.

We hope you will join us for our *Post-Budget Member De-Brief* (Tuesday, March 20, 2019 at 12:00 p.m. EST), when members of ITAC's senior executive team will go through the information below, and will provide more context around what was said, the impact on our industry, and what we expect our next steps to be going forward. It's important to keep in mind that this year's Budget announcement is essentially a pre-election Budget, and this year, focused significantly on 'retail' measures.

Canadian Economic Context

In a challenging global economic environment, Canada's economy remains sound. Since November 2015, targeted investments and strong economic fundamentals have contributed to creating over 900,000 new jobs, pushing the unemployment rate to its lowest levels in over 40 years.

At three per cent growth, Canada had the strongest economic growth of all G7 countries in 2017 and was second only to the U.S. in 2018. Recently, growth in global economic activity has slowed more than expected. At home, growth in the Canadian economy was softer at the end of 2018. Despite these challenges, the Canadian economy is expected to strengthen over the second half of 2019, and to remain among the leaders for economic growth in the G7 in both 2019 and 2020.

Budget Deficit = -\$19.8 Billion CDN

Skills, Diversity and Talent

Digital Skills

- Budget 2019 proposes to provide \$60 million over two years, starting in 2019–20, to support CanCode's ongoing work and help one million more young Canadians gain new digital skills. The ICT industry, and ITAC, has long supported this program and advocated for continued funding.

Youth Employment

- Budget 2019 proposes to invest an additional \$49.5 million over five years, starting in 2019–20, to launch a modernized Youth Employment Strategy.

Global Talent Stream Program

- Budget 2019 proposes to make the Global Talent Stream a permanent program, investing \$35.2 million over five years, beginning in 2019–20, with \$7.4 million per year ongoing.
- The Global Talent Stream program will give Canadian businesses expedited, predictable access to top global talent when Canadian workers are unavailable, often seen as limiting factor for rapidly growing tech sectors.

International Students

- Budget 2019 proposes to invest \$147.9 million over five years, starting in 2019–20, and \$8.0 million per year ongoing to provide International work/study opportunities to help Canadian post-secondary students gain the skills needed to succeed in a global economy.
- The Government proposes to develop an outbound student mobility program, on a pilot basis; and to ensure that top-tier foreign students continue to choose Canada as their education destination of choice. The Government proposes to invest to promote Canadian educational institutions as high-calibre places to study.

Work-Integrated Learning

- Budget 2019 proposes to expand **the Student Work Placement Program to give students in fields outside of STEM—such as the arts, humanities and social sciences—**access to work-integrated learning opportunities. **Budget 2019 proposes to invest \$631.2 million over five years**, starting in 2019–20, to support up to 20,000 new work placements per year for post-secondary students across Canada, in all disciplines, by 2021–22.
- In addition, **Budget 2019 proposes to provide Employment and Social Development Canada with an additional \$150.0 million over four years, starting in 2020–21, to create partnerships with innovative businesses to create up to a further 20,000 work-integrated learning opportunities per year.**
- Together, these efforts will, over time, help create 40,000 work placements for Canadian students by 2023–24.

Gender and Diversity Outcomes in Skills Programs

- **Budget 2019 provides \$5.0 million over five years, starting in 2019–20, to Employment and Social Development Canada to** develop a strategy and improve capacity to better measure, monitor and address gender disparity and promote access of under-represented groups across skills programming.
- This will build on work already underway to improve the quality and accessibility of labour market information, in partnership with Statistics Canada and the Labour Market Information Council.

Canada Training Benefits

- Budget 2019 proposes to invest more than \$1.7 billion over five years, and \$586.5 million per year ongoing to establish a new **Canada Training Benefit**—a personalized, portable training benefit to help people plan and get the training they need. The Training Benefit is split into two parts:
 1. **Canada Training Credit** to help with the cost of training fees, and
 2. **Employment Insurance (EI) Training Support Benefit** to provide income support when an individual requires time to take off work.

Training Credit

- **Budget 2019 proposes to invest \$710 million over five years, starting in 2019–20, and \$265 million per year ongoing.** In a non-taxable credit would help Canadians pay for training fees.

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 would accumulate \$1,000 every four years, to be used for training fees. The accumulation of this refundable tax credit would be available to workers with earnings of at least \$10,000 (including maternity and parental benefits) and income less than around \$150,000 a year (\$147,667 in the 2019 tax year).

- Canadians would be able to 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.
- Canadians would claim this refund when they file their tax return. The updated credit balance would be included in the information the Canada Revenue Agency (CRA) sends to Canadians each year after they file their taxes. Canadians would also be able to check the total of their balance at any time, using CRA's My Account.

El Training Support Benefit

- **Budget 2019 proposes to invest \$1.04 billion over five years, starting in 2019–20, and \$321.5 million per year ongoing.** Expected to be launched in late 2020, this benefit would be available through the EI program and would 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—would help workers cover their living expenses, providing support for ongoing payments such as mortgage payments, electricity bills, and general life costs, while on training and without their regular paycheck.
- 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).
- **Budget 2019 also proposes to introduce an EI Small Business Premium Rebate.** Starting in 2020 any business that pays employer EI premiums equal to or less than \$20,000 per year would be eligible for a rebate to offset the upward pressure on EI premiums resulting from the introduction of the new EI Training Support Benefit.

Supporting Graduate Students (NSERC, CIHR, SSHRC)

- **Budget 2019 proposes to provide \$114 million over five years, starting in 2019–20, with \$26.5 million per year ongoing, to the federal granting councils**—the Natural Sciences and Engineering Research Council, the Canadian Institutes of Health Research and the Social Sciences and Humanities Research Council—to create 500 more master's level scholarship awards annually and 167 more three-year doctoral scholarship awards annually through the Canada Graduate Scholarship program.

First Nations Students

- Budget 2019 proposes several investments, starting in 2019–20, to ensure that Indigenous students have better access to post-secondary education, and more support to ensure that they can succeed during their studies. This includes support for:

- First Nations communities by investing **\$327.5 million over five years to renew and expand funding for the Post-Secondary Student Support Program while the Government engages with First Nations on the development of long term First Nations-led post-secondary education models.**
- **An Inuit-led post-secondary education strategy** through an investment of \$125.5 million over ten years, and \$21.8 million per year ongoing.
- **A Métis Nation-led post-secondary education strategy** consisting of financial assistance for Métis Nations students through an investment of \$362.0 million over ten years, and \$40.0 million per year ongoing.
- **Budget 2019 proposes to provide Indspire with \$9.0 million over three years, starting in 2019–20, for additional bursaries and scholarships for First Nations, Inuit and Métis students.**
Indspire is an Indigenous-led registered charitable organization with a proven track record of helping Indigenous students attend post-secondary institutions and find good jobs.

Canada Service Corps

- Budget 2019 proposes to invest up to an additional \$314.8 million over five years, starting in 2019–20, with \$83.8 million per year ongoing, to make the Canada Service Corps Canada's signature national youth service program. This investment will support:
 - Up to 15,000 annual volunteer service placements with national, regional and local partner organizations by 2023–24.
 - 1,000 annual individual grants for self-directed service projects.
 - New incentives and program support co-created with young people to address barriers to participation in volunteer service programs.
 - A new digital platform—seamlessly integrated with the Government's new Youth Digital Gateway, an online, user-friendly platform to help youth access federal supports— that allows young people to identify, manage and share experiences from their service placements.

High Speed Internet

- Budget 2019 is proposing \$5 billion to \$6 billion in new investments in rural broadband over the next 10 years in five specific areas:
 1. Support through the Accelerated Investment Incentive to encourage greater investments in **rural high-speed internet** from the private sector.
 2. Greater coordination with provinces, territories, and federal arm's-length institutions, such as the CRTC and its \$750 million rural/remote broadband fund.
 3. Securing advanced Low Earth Orbit satellite capacity to serve the most rural and remote regions of Canada.
 4. New investments in the **Connect to Innovate** program and introduction of the Government's new Universal Broadband Fund.
 5. New investments by the Canada Infrastructure Bank to further leverage private sector investment.

- In Budget 2019, the Government is announcing its commitment to set a national target, in **which 95 per cent of Canadian homes and businesses will have access to internet speeds of at least 50/10 Mbps by 2026 and 100 per cent by 2030**, no matter where they are in the country. Currently Canada is at approximately 86 per cent.
- **Budget 2019 proposes to invest up to \$1.7 billion in new initiatives** that will support universal high-speed internet in rural, remote and northern communities. These investments would include:
 - Up to \$1.7 billion over 13 years, starting in 2019–20, to establish a new national high-speed internet program, the **Universal Broadband Fund**. The Fund would build on the success of the Connect to Innovate program and would focus on extending “backbone” infrastructure to underserved communities. For the most difficult-to-reach communities, funding may also support “last-mile” connections to individual homes and businesses.
 - Included in the \$1.7 billion commitment to the Universal Broadband Fund, the Government will look to top-up the Connect to Innovate program and to secure advanced, new, low-latency Low Earth Orbit satellite capacity. This process will be launched in the spring 2019 and will help bring reliable highspeed internet access to even the most challenging rural and remote homes and communities in Canada.
- **Up to \$11.5 million over five years, starting in 2019–20, for two Statistics Canada surveys to measure household access and use of the internet and business online behaviour.** This will enhance understanding of how digital issues are impacting Canadians and help inform next steps.

Critical Infrastructure Security and Cyber

- **Budget 2019 builds on these investments and proposes \$144.9 million over five years, starting in 2019–20, including \$22.9 million from within existing Communications Security Establishment.** This investment will help to protect Canada’s critical cyber systems including in the finance, telecommunications, energy and transport sectors. To this end, the Government intends to propose new legislation and make necessary amendments to existing federal legislation to introduce a new critical cyber systems framework. Funding will also support the Canadian Centre for Cyber Security in providing advice and guidance to critical infrastructure owners and operators on how to better prevent and address cyber attacks.
- **Budget 2019 proposes to provide \$80 million over four years, starting in 2020–21, to support three or more Canadian cyber security networks across Canada that are affiliated with post-secondary institutions.** The networks—to be selected through a competitive process—will expand research, development and commercialization partnerships between academia and the private sector and expand the pipeline of cyber security talent in Canada. Additional details on this program will be announced in the coming months.
- **Budget 2019 proposes to invest \$30.2 million over five years to implement new Cyber measures:**

- The Government is proposing to provide the Communications Security Establishment with additional funding of up to \$4.2 million over three years, starting in 2019–20, to provide cyber security advice and guidance to Canadian political parties and election administrators.
 - To strengthen cooperation and information sharing in response to foreign threats to our democracies, G7 Leaders agreed during the June 2018 Summit in Charlevoix to each set up a Rapid Response Mechanism unit, with Canada taking on an added coordination role on behalf of the network. To support this commitment, the Government proposes to provide Global Affairs Canada with \$2.1 million over three years, starting in 2019–20.
 - To strengthen Canadians' resilience to online disinformation and to help ensure Canadians have access to a wide range of transparent, high-quality information, Budget 2019 proposes to provide the Department of Canadian Heritage with \$19.4 million over four years, starting in 2019–20, to launch a Digital Democracy Project. Funding would support research and policy development on online disinformation in the Canadian context. This investment would also enable Canada to lead an international initiative aimed at building consensus and developing guiding principles on how to strengthen citizen resilience to online disinformation. These guiding principles would then be adopted by Canada and other likeminded countries as a framework for efficient cooperation between governments, civil society organizations, and online platforms.
- **Budget 2019 proposes to invest \$67.3 million over five years, starting in 2019–20 and \$13.8 million per year ongoing, to Public Safety Canada; Innovation, Science and Economic Development Canada; Global Affairs Canada; and the Royal Canadian Mounted Police,** among other federal agencies. These departments and agencies will work together in a coordinated way to enhance outreach and engagement with key stakeholders including Canadian businesses and academic institutions; raise awareness about risks; and enhance the suite of tools to appropriately address threats while continuing to encourage foreign investment, trade and economic growth.

Protecting Children Online

- **Budget 2019 proposes to invest a further \$22.24 million over three years, starting 2019–20, to combat child sexual exploitation online.** This funding will support Public Safety Canada's efforts to raise awareness of this serious issue, reduce the stigma associated with reporting, increase Canada's ability to pursue and prosecute offenders, and work together with industry to find new ways to combat the sexual exploitation of children online.

Changes to the Scientific Research and Experimental Development (SR&ED) Tax Credit Program

To better support growing innovative businesses as they are scaling up, the Federal Government proposes to **eliminate the income threshold for accessing the enhanced credit**. This will ensure continued and enhanced support for small and medium-sized innovative businesses (SMEs) that are

experiencing rapid growth in income, or that may have variable income from year to year; that is, at the exact time when continued Government support can help take a business to the 'next level'. The capital threshold will continue to apply to ensure that the enhanced rate remains targeted toward SMEs. There have been long-standing industry-wide calls for modifications to SR&ED to help firms that are scaling up and compete internationally. These actions go a long-way to achieve these.

New Infrastructure Funding for Local Communities Through a Municipal Top-Up

- Budget 2019 proposes a one-time transfer of \$2.2 billion through the federal Gas Tax Fund to address short-term priorities in municipalities and First Nation communities. This will double the Government's commitment to municipalities in 2018–19 and will provide much needed infrastructure funds for communities of all sizes, across the country. (**Eligible expenses include Broadband Connectivity**).

Regulatory Reform

- Budget 2019 proposes funding and legislative revisions so that regulatory departments and agencies can move forward on the Roadmaps, including providing the Canadian Food Inspection Agency, Health Canada and Transport Canada with up to \$219.1 million over five years, starting in 2019–20, (with \$0.5 million in remaining amortization), and \$3.1 million per year on an ongoing basis.
- This includes: **Establishing a regulatory sandbox for new and innovative medical products**. The regulatory approval system has not kept up with new medical technologies and processes. Health Canada proposes to modernize regulations to put in place a regulatory sandbox for new and innovative products, such as tissues developed through 3D printing, artificial intelligence, and gene therapies targeted to specific individuals.
- Budget 2019 proposes to provide \$3.1 million per year in ongoing funding to the Treasury Board Secretariat, starting in 2020–21, to support its leadership of the Government's regulatory cooperation priorities at home and abroad.

Departmental Initiatives

ESDC

- **Budget 2019 proposes to provide \$305.3 million over five years to Employment and Social Development Canada** to continue improving and modernizing service delivery systems. These investments will 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.

- Migrate Service Canada's call centers to more modern phone and information technology platforms, which will help to ensure faster and better-quality service to Canadians.

CRA

- **Budget 2019 proposes to invest an additional \$50 million over five years, starting in 2019–20, in two key initiatives:**
 - \$34 million over five years to hire additional staff, to complete tax adjustments to limit unnecessary delays in calculating the credits and benefits to which they are entitled.
 - \$16 million over five years to provide a dedicated telephone support line for tax service providers, giving them faster and more reliable access to experienced CRA officers.
- To ensure that the Canada Revenue Agency can quickly and accurately process income tax reassessments for federal government employees that are required due to Phoenix pay issues, and to support related telephone enquiries, Budget 2019 proposes to provide the Agency with an additional \$9.2 million in 2019–20.
- **Budget 2019 also proposes to invest \$65.8 million over five years to improve the CRA's information technology systems, including replacing legacy systems**, so that the infrastructure used to fight tax evasion and aggressive tax avoidance continues to evolve.

IRCC

- **Budget 2019 proposes to provide Immigration, Refugees and Citizenship Canada (IRCC) with an additional \$42.9 million over two years**, beginning in 2019–20. This investment would increase the number of IRCC call centre agents so that enquiries from visitors, new Canadians, and others can be responded to more quickly, with a focus on the business lines with the longest delays.

PSPC (Phoenix)

- To support progress on stabilizing the current pay system, **Budget 2019 provides an additional \$21.7 million in 2018–19 to address urgent pay administration pressures (partially sourced from existing departmental funds) and proposes to invest an additional \$523.3 million over five years**, starting in 2019–20, to ensure that adequate resources are dedicated to addressing payroll errors. This investment will also support system improvements.