

HANDOUT 2.4: 2020 Fall Economic Update

Every fall, the Government of Canada releases an economic update or snapshot that provides basic information on the current economic situation, government spending, and projected revenue for the current year (and beyond).

The Fall Economic Statement was released on November 30, 2020. This update was particularly important because the Government of Canada did not release a formal budget in spring 2020 due to the pandemic.




KEY INFO:






- The government fiscal year runs from April 1 to March 31 (12 months).
- The expenditures (money being spent) for 2020-2021 is expected to be about **\$657 billion**. In comparison, it was \$374 billion during the previous year.
- The amount of revenue (money coming in) for 2020-2021 is expected to be about **\$275 billion**. In comparison, it was \$334 billion during the previous year.
- The document lays out a plan that would see this deficit decrease from \$381 billion in 2020-21 to \$121.2 billion in 2021-22, and continue to decline each year following.

STIMULUS:

The Liberal government proposed a three-year **stimulus** package by spending up to \$100 billion on a variety of measures to boost economic activity. The package is intended to not only help Canada recover from the pandemic recession (economic slowdown) but also create a “greener, more innovative, more inclusive and more resilient” economy.

SOME KEY SUPPORT MEASURES INCLUDE:

<p>Support for youth and families</p> 	<ul style="list-style-type: none"> • Canada Child Benefit top-up: Middle and low income families will get up to \$1,200 for each child under the age of six in 2021. • Youth employment: Invest \$447.5 million in 2021-22 to create an additional 40,000 summer job placements for young people. Employers can claim up to 100 per cent of the value of the minimum wage for each youth hired. • Safe Return to Class Fund: Provide up to \$2 billion in support for provinces and territories to support adapted learning spaces, improved air ventilation and purchase of personal protective equipment in schools. An additional \$112 million was announced for First Nations communities to support a safe return to school on reserves.
<p>Green economy</p> 	<ul style="list-style-type: none"> • Home Energy Retrofits: Provide grants of up to \$5,000 for Canadians improving the energy efficiency of their homes. The program will cost \$2.6 billion over 7 years, starting in 2020-21 and would cover the cost of providing one million free EnerGuide efficiency assessments and pay for the recruiting and training of officials to perform the work. • Invest \$150 million over three years to help Natural Resources Canada increase the number of recharging stations that support zero-emission vehicles.
<p>Tax relief</p> 	<ul style="list-style-type: none"> • The federal government will remove GST/HST sales tax from face masks and face shields. This will cost \$95 million over two years, starting in 2020-21.

<p>Long term care</p> 	<ul style="list-style-type: none"> • A \$1 billion fund will be provided to help provinces and territories improve COVID-19 infection control in long-term care facilities over the next three years.
<p>Working from home</p> 	<ul style="list-style-type: none"> • The Canada Revenue Agency will allow Canadians "with modest expenses" to claim up to \$400 as a tax deduction for working from home without having to keep a detailed account of their expenses.
<p>Support for workers and business</p> 	<ul style="list-style-type: none"> • Canada Emergency Wage Subsidy: Provide \$83.5 billion to support employers who have seen a decrease in revenue due to COVID-19.
<p>Research and development</p> 	<ul style="list-style-type: none"> • \$13.6 billion in support of medical research and vaccine development.
<p>Vulnerable populations</p> 	<ul style="list-style-type: none"> • \$236.7 million in emergency funding to reduce homelessness and reduce spread of COVID-19. • \$274.2 million to provide training support for vulnerable populations.

NEW SOURCES OF REVENUE:

<p>Digital Giants</p> 	<ul style="list-style-type: none"> • Foreign-based companies selling digital products or services in Canada (such as Netflix, Google) will be required to register for, collect and remit the GST/HST on their taxable sales. The federal government expects this will bring in \$1.2 billion in new revenue over five years, starting in 2021-22.
<p>Short Term Rentals</p> 	<ul style="list-style-type: none"> • The federal government will start applying GST/HST to digital platform-based short-term rentals (such as Airbnb) in July of 2021. This is expected to raise \$360 million in new revenue over five years.