

Federal Budget 2014

Some highlights of the federal budget delivered Tuesday by Finance Minister Jim Flaherty:

- The budget is close to balanced, with a \$2.9-billion deficit and a \$3-billion contingency fund.
- The Minister forecasts revenues of \$276.3 billion and expenditures of \$279.2 billion.
- The government makes clear it will balance the budget next year by cutting program spending and reining in public service compensation costs.
- The budget proposes to make retired federal public servants pay half the costs of their health-care plan, up from a quarter now. This would raise annual payments for a retired individual to \$550 from \$261.
- Adopting families will get a bigger tax break for expenses.
- Higher excise taxes on tobacco will raise the price of a carton of 200 cigarettes by \$4 and essentially end the discount on smokes sold at duty-free stores, by raising taxes there by \$6 a carton. The increase will give government \$685 million in 2014-15.
- Excise taxes on tobacco will be tied to the Consumer Price Index and automatically adjusted every five years.
- The government plans to bring in legislation to deal with unjustified cross-border price discrimination that sees Canadians pay more for goods.
- Charities will be allowed to use computers to run their lotteries, offering major administrative savings.
- World-class amateur athletes will get a break when it comes to calculating their available RRSP room.
- Search and rescue volunteers will get a tax credit similar to the one extended to volunteer firefighters in 2011.
- Taxpayers will no longer have to apply for a GST-HST credit on their tax return. The Canada Revenue Agency will make the calculation automatically.

Some specifics:

1. \$1.5 billion over 10 years to support research and innovation at post-secondary institutions in areas that “create long-term economic advantages for Canada.”
2. \$305 million over five years to expand and upgrade broadband service in rural and northern areas. The investment is expected to bring better service to 280,000 households.
3. \$323.4 million over two years to continue to improve First Nations water and wastewater.
4. \$25 million over five years to continue efforts to reduce violence against aboriginal woman and girls.

5. boosting the adoption expense tax credit to \$15,000 to recognize the costs of adopting a child. The new limit, up from \$11,774, would apply to adoptions finalized after 2013.
6. \$11.4 million over four years to expand vocational training for people with autism spectrum disorders.
7. \$44.9 million over five years to combat prescription drug abuse, including a campaign to educate Canadians on the safe use, storage and disposal of prescription drugs.
8. After a year that saw major floods in Alberta [and the Greater Toronto area](#), Ottawa is pledging to explore options for residential flood insurance. "Canada is the only G8 country without residential flood insurance coverage," the budget said.

What the critics are saying:

- This budget vastly simplifies the process under which Canadians can obtain GST/HST credits. Rather than filing a separate application, the Canada Revenue Agency will make the necessary determinations based on an individual's income tax filing.
- The government has announced they will modernize a number of regulations including provisions in the Food and Drugs Regulations that place unnecessary red tape on the craft brewing industry.
- An additional \$470 million has been committed to the Detroit-Windsor crossing which will help battered southwestern Ontario exporters get their goods to market.
- Other than eliminating the tariff on mobile offshore drilling units and removing a provision that exempts the Governor General from paying tariffs, this budget contains no tariff relief for Canadians.
- The 2014 budget announces that the government will introduce "legislation to prohibit unjustified cross-border price discrimination to reduce the gap between consumer prices in Canada and the United States," but gives no indication what this legislation may include. Questions arise as to how the government will "prohibit" this without introducing 1970s-style price controls.
- The budget impacts the tax code with boutique tax credits, including ones for search and rescue volunteers.
- The budget "proposes" to alter intellectual property laws, including the *Patent Act*, *Trade-marks Act* and the *Industrial Design Act*, though few details are given beyond modernizing these with a number of international treaties.
- The government plans to introduce regulations for over-the-counter derivatives. Historically financial products are regulated at the provincial, not the federal, level.
- The budget proposes extending the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* to virtual currencies and online casinos. Depending on the scope of these changes, it may make it more difficult for Canadians to use Bitcoin or transfer money into (and out of) online casinos.

Sources: <http://www.canadianbusiness.com/economy/under-the-radar-canada-federal-budget-2014/>
<http://globalnews.ca/news/1142870/2014-2015-federal-budget-announced/>
http://www.thestar.com/news/canada/2014/02/11/10_highlights_of_the_federal_budget.html

For more information about our InfoNotes contact: Dawn Berry Merriam at 705-743-5915 or email dawnbm@pspc.on.ca.

