

Saskatchewan Chamber of Commerce Reacts to Government of Canada's Fall Economic Statement

The Government of Canada released its 2023 [Fall Economic Statement](#) (FES) on November 21, 2023, unveiling new measures totaling \$20.8B in additional spending over the next six years, beyond what was forecasted in the 2023 Federal Budget. Affordable housing and building a clean energy transition were identified as clear priorities of the government.

The fiscal picture of Canada remains in the red with the deficit projected to be \$40B in 2023-24. The cost to service the federal government's debt load has increased significantly from \$20.3B in 2020-21 to \$46.5B this fiscal year, placing additional pressure on the government. The debt service charges are also projected to continue to grow and could cost the federal treasury \$60.7B in 2028-29, according to the economic statement.

The FES acknowledged the slowing global and Canadian economies, elevated interest rates and high inflation, and as a result announced measures which include more sizeable financial commitments. However, these commitments will not be available until 2025.

Nevertheless, the FES did make progress on some important issues for business, notably the update to the Green Bond Framework encompassing nuclear energy, a change actively advocated by the Saskatchewan Chamber of Commerce (SCC). Click [here](#) to see our position.

Other Topics Important to Businesses in the 2023 Fall Economic Statement Investment Tax Credits

The Government's commitment to introduce implementation legislation for the Carbon Capture, Utilization, and Storage Investment Tax Credit (CCUS Tax Credit) and the Clean Technology Investment Tax Credit (CTI Tax Credit) aligns with SCC's advocacy efforts. These tax credits, first proposed in 2021, have been endorsed by the SCC to incentivize the transition to a clean economy and enhance opportunities for Saskatchewan businesses. While implementation remains the priority, the SCC welcomes the expansion of eligibility for Clean Technology and Clean Electricity ITCs to support the generation of electricity, heat, or both electricity and heat, from waste biomass.

Saskatchewan Chamber of Commerce CEO Prabha Ramaswamy emphasized, "Quick implementation of these tax credits is vital, both for our businesses and the country's environmental goals. It is only through collaboration that we can achieve net-zero and stimulate private sector investments to safeguard our economy."

Housing

To boost rental housing construction, the federal government plans to provide up to \$15B in new loan funding, starting in 2025-26, through the "Apartment Construction Loan Program." This initiative, a rebrand of an existing program, is expected to result in over 30,000 new rental units nationwide. The program will support low-interest loans facilitated through The Canada Mortgage Housing Corporation (CMHC) aimed at enabling builders to revive stalled projects.

Additionally, a new \$1B affordability-focused housing fund, starting in 2025-26, will support non-profit, co-op, and public housing builds, aiming for 7,000 new homes by 2028. In tandem, \$309.3M in new funding is pledged for the "Co-operative Housing Development Program."

Short-Term Rental Changes

Seeking to curb short-term rentals, income tax deductions for expenses on short-term rental properties will be disallowed in regions with restrictions. This includes denying deductions mortgage interest, cable and internet bills, property insurance, condo fees, property taxes,

capital cost allowance, and for non-compliance with permitting requirements. Additionally, \$50M will aid municipal enforcement of these restrictions effective Jan. 1, 2024.

CEBA Loan Repayments

Updates in the 2023 FES include extensions for CEBA loan repayment deadlines and refinancing opportunities, with adjusted terms effective from January 19, 2024.

Specifically, these updates are:

- The repayment deadline for partial loan forgiveness of up to \$20,000 is extended from December 31, 2023, to January 18, 2024.
- CEBA loan holders applying for refinancing by January 18, 2024, can now qualify for partial loan forgiveness until March 28, 2024.
- Starting January 19, 2024, outstanding loans, including those under refinancing, will convert to three-year term loans with a 5% annual interest. The repayment deadline extends to December 31, 2026, and loan holders can repay the principal at any time.
- Repayment by the new deadline results in forgiveness of \$10,000 for a \$40,000 loan and \$20,000 for a \$60,000 loan. These changes also apply to CEBA-equivalent lending through the Regional Relief and Recovery Fund.

Encouraging Employee Ownership Trusts (EOTs)

The 2023 Federal Budget introduced tax rules for the creation of Employee Ownership Trusts (EOTs). In the FES, the government proposes to exempt the first \$10 million in capital gains from the sale of a business to an EOT from taxation, under specific conditions. This incentive applies to the 2024, 2025, and 2026 tax years, aiming to encourage business owners to opt for EOTs in succession planning.

Carbon Contracts for Difference

The 2023 FES provided insights into the Government's plan for Carbon Contracts for Difference (CCfDs), first mentioned more than a year ago. These contracts act as a form of insurance, mitigating the risk associated with a potential decrease or elimination of the carbon price, thereby making clean-tech investments less precarious.

The FES announced that the Canada Growth Fund will be the principal federal entity issuing CCfDs. The Canada Growth Fund will allocate, on a priority basis, up to \$7 billion of its current \$15 billion in capital for this purpose.

The Canada Growth Fund is already in the process of negotiating CCfDs with several project proponents across a range of sectors.

Critical Minerals

Echoing Budget 2023, the government restated its commitment to unveiling a concrete plan by year-end to improve permitting and impact assessment processes. The SCC has continually highlighted the current processes and unreasonable federal timelines as a significant barrier to the development of critical minerals in Saskatchewan.

The current initiative aims to streamline and clarify timelines, enhance engagement, and address inefficiencies in the impact assessment process. According to the FES, the Ministerial Working Group on Regulatory Efficiency for Clean Growth Projects is actively coordinating these government-wide efforts, with detailed plans set to be disclosed in the coming months.