



CHAPTER 4 Delivering Real Change

“Canada’s economy is strong and growing, but the message from Canadians is clear: there is more work to be done.”

— Bill Morneau,
Minister of
Finance, 2019

Canada is recognized worldwide as a safe, just and fair society with strong democratic traditions and institutions that work—built on values of openness, cooperation and care for our fellow Canadians.

Since 2015, the Government has taken action to protect those values through investments that strengthen our institutions, support those in need, and reaffirm Canada’s place in the world. The results are making a real difference in the lives of Canadians—delivering the real change Canadians expect and deserve.

Investing in people and in the infrastructure that will build a better Canada has, along with the hard work of Canadians, created more good, well-paying jobs. Targeted benefits like the Canada Child Benefit and the middle class tax cut have helped ensure that more people benefit from a strong and growing economy.

Despite Canada’s success, challenges remain. In a world where values of democracy, pluralism and openness are under increasing threat, more work needs to be done to continue to achieve progress and deliver real change for Canadians.

Budget 2019 takes the steps today to support Canadian society and to protect the values that Canadians believe in.

Part 1: Health and Well-Being

As Canada's demographics change and new health care challenges emerge, federal, provincial and territorial governments must work together to innovate, adapt and improve health services to better meet the needs of Canadians.

The Government is providing leadership on key issues that affect the health and well being of Canadians and their families:

- The Government has provided over \$350 million since 2017 in response to the **opioid crisis**, with measures focused on prevention, treatment, enforcement and harm reduction. This includes \$150 million provided directly to provinces and territories through the Emergency Treatment Fund.
- Efforts to strengthen **tobacco control** in Canada also continue, with the objective of implementing plain packaging requirements on all tobacco products as well as the modernization of the Federal Tobacco Control Strategy, to reduce tobacco-related diseases and deaths. Between new funds set out in Budget 2018 as well as existing resources, the Government plans to make significant investments in tobacco control, including vaping, over the next five years.
- The Government will also continue the implementation of the multi-year comprehensive **Healthy Eating Strategy** to help Canadians make informed and healthier food choices, including through the introduction of restrictions on the marketing of unhealthy food and beverages to children, and through improved food labelling. The Government also recently launched the new Canada's Food Guide, which is an integral part of the Healthy Eating Strategy that will help Canadians make healthy food choices for themselves and their families.

Investing in Better Home Care and Mental Health

In Budget 2017, the Government committed \$11 billion over 10 years to provincial and territorial governments to support home care and mental health. This funding will help more Canadians to receive better care at home or in their community—including enhancing access to palliative care and end-of-life care, increasing support for caregivers and enhancing home care infrastructure, such as digital connectivity and facilities for community-based service delivery. It will also help expand access to community-based mental health and addiction services, particularly for children and youth.

These priorities are outlined in the Common Statement of Principles on Shared Health Priorities between federal, provincial and territorial health ministers. The Government is working with jurisdictions to establish bilateral agreements that will set out how individual jurisdictions will use federal funding to improve access to home care and mental health services.

Addressing Major Health Care Challenges

Introducing a National Dementia Strategy

It is estimated that there are more than 400,000 Canadians living with dementia in Canada today, two-thirds of whom are women. As Canada's population ages, this number is expected to rise. The Alzheimer Society of Canada estimates that in less than 15 years, there will be close to one million Canadians living with dementia.

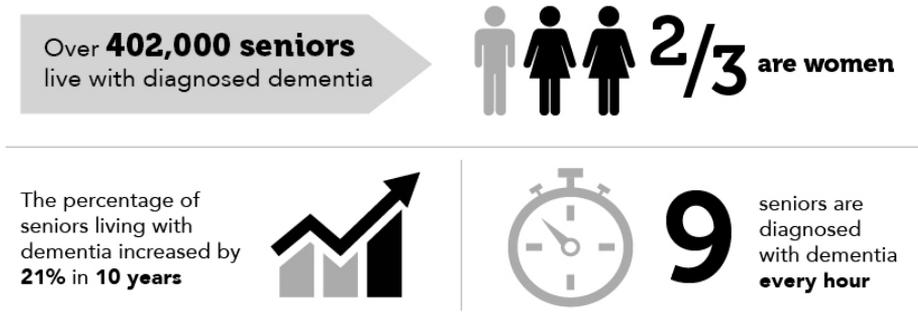
In Budget 2018, the Government announced an investment of \$20 million over five years, with \$4 million per year ongoing, to support community-based projects that enhance the well-being of people living with dementia, with particular focus on senior women. This funding will help to improve the quality of life of those seniors living with dementia and ensure that their caregivers—who are also predominantly women—have access to the resources they need, including mental health supports.

■ ■ ■ Building on this investment, and in support of the *National Strategy for Alzheimer's Disease and Other Dementias Act*, Budget 2019 proposes to provide the Public Health Agency of Canada with \$50 million over five years, starting in 2019–20, to support the implementation of Canada's first National Dementia Strategy, which is expected to be publicly released this spring.

Working with key stakeholders, including the provinces and territories, this funding will help improve the quality of life of people living with dementia, and their caregivers, by:

- Increasing awareness about dementia through targeted campaigns and activities that focus on prevention, as well as reducing risk and stigma.
- Developing treatment guidelines and best practices for early diagnosis.
- Improving our understanding of the prevalence and effects of dementia on our communities.

Figure 4.1: Dementia in Canada
According to national data (2013-2014), of people 65+:



Data source: Canadian Chronic Disease Surveillance System, April 2017. Data from Saskatchewan are not included.

Creating a Pan-Canadian Database for Organ Donation and Transplantation

Transplantation is amongst the most effective treatments for organ failure. Organ transplants are considered the best therapy for end-stage kidney disease and the only treatment for end-stage liver, heart and lung disease. They offer patients the best possible improvement to health and quality of life, and for many Canadians can truly mean the difference between life or death.

More than any other element of the health care system, organ donation and transplantation requires strong coordination and knowledge-sharing between different jurisdictions and health providers to ensure the right care at the right time. At present, there are significant gaps in both access and care with respect to organ donation and transplantation in Canada. This is due in part to strong demand: approximately 3,000 organs were donated in 2017, yet 4,500 individuals remained on waiting lists. Many individuals wait for more than a year before an organ becomes available, and every year, approximately 250 individuals die while waiting. Disparities across the country in both access to organ donations and quality of care are resulting in missed opportunities for transplantation.

Over the last year, the Government has been working to facilitate collaboration on an organ and tissues donation and transplantation system that gives more Canadians access to timely and effective care. Health Canada has led the Organ Donation and Transplantation Collaborative in collaboration with provincial and territorial partners and Canadian Blood Services. Through extensive interviews with stakeholders and individuals with lived experience, this collaboration has identified ways to improve organ donation rates, organ transplant patient care and equity of access.

■ ■ ■ To help Canada move to a more coordinated and effective approach to organ donation and transplantation, Budget 2019 proposes to provide Health Canada with \$36.5 million over five years, starting in 2019–20, with \$5 million per year ongoing, to develop a pan-Canadian data and performance system for organ donation and transplantation, in collaboration with provincial and territorial partners. This will help to improve consistency and quality in data, allowing more donors and recipients to be effectively matched in order to ensure Canadians have timely and effective access to organ transplant care.

Expanding Health-Related Tax Relief

The Government is committed to ensuring that the tax system reflects the evolving nature of the health care system, while giving Canadians access to the high-quality health services they expect and deserve.

■ ■ ■ Budget 2019 proposes to expand health-related tax relief under the Goods and Services Tax/Harmonized Sales Tax (GST/HST) system to better meet the health care needs of Canadians by:

- Providing GST/HST relief for Canadians experiencing infertility, as well as single individuals and same-sex couples who are increasingly turning to assisted human reproduction to help build their families, by relieving human ova and *in vitro* embryos of the GST/HST. At present, human sperm is relieved of the GST/HST, while human ova and *in vitro* embryos are not.

- Expanding the list of GST/HST-exempt health care services to specifically include a multidisciplinary health care service, such as when a physician, occupational therapist and physiotherapist combine their expertise and work together as a team to provide a rehabilitation service.
- Allowing the purchase of certain foot care devices to be relieved of the GST/HST on the written order of licenced podiatrists and chiropodists. This proposal reflects the involvement of these health care professionals in the treatment of foot problems.

The changes to the GST/HST health-related measures will be effective March 20, 2019.

The Government is also committed to ensuring that the Medical Expense Tax Credit reflects medically related developments. To this end, the Government will be reviewing the income tax treatment of fertility-related medical expenses under the Medical Expense Tax Credit for fairness and consistency, and in light of work being undertaken by Health Canada in relation to the *Assisted Human Reproduction Act* and supporting regulations.

Enhancing the Federal Response to the Opioid Crisis in Canada

The opioid crisis continues to be Canada's most significant public health crisis in recent years. Its impact has been felt by individuals, families and communities across the country. More than 9,000 lives were lost between January 2016 and June 2018, and many more lives disrupted by the social, economic and health effects of problematic opioid use.

Since 2017, the Government has committed over \$350 million in funding toward a comprehensive public health emergency response to the crisis, including:

- Reducing legislative and regulatory barriers to life-saving harm reduction and treatment—such as by making Naloxone available without a prescription and streamlining the process to establish supervised consumption sites;
- Supporting prevention, such as through new guidelines for the prescription of opioids, restrictions on the marketing of opioids and supporting awareness and stigma reduction amongst Canadians;
- Providing law enforcement with the tools to detect, disrupt and dismantle criminal networks responsible for the proliferation of dangerous street drugs such as fentanyl in our communities; and,
- Improving the Government's knowledge base on opioid-related deaths and harms to help better tailor interventions on the ground.

In Budget 2018, the Government also announced a \$150 million Emergency Treatment Fund. This provided one-time emergency funding to provinces and territories, based on severity of need and population size. Agreements have now been signed with all provinces and territories.

The Government continues to work with experts and partners in order to effectively respond to this evolving crisis. The evidence shows that the risk of harm from the use of illegal drugs, particularly opioids, continues to increase as dangerous narcotics, such as fentanyl and carfentanil, have permeated the illegal drug supply, fuelling this unprecedented rate of overdoses and deaths.

 Budget 2019 proposes to provide additional funding of \$30.5 million over 5 years, starting in 2019–20, with \$1 million in ongoing funding, for targeted measures to address persistent gaps in harm reduction and treatment. Specifically, funding will support efforts to expand access to a safe supply of prescription opioids, protecting people with problematic opioid use from the risks of overdose and death. It will also support better access to opioid overdose response training and to Naloxone—a life-saving medication that can stop or reverse an opioid overdose—in underserved communities.

Working With Partners to Address the Rise of Methamphetamine Use

As the opioid crisis evolves, reports from Alberta, Saskatchewan and Manitoba also point to a dramatic increase in problematic use of methamphetamines.

In December 2018, the Government of Manitoba, in partnership with the Government of Canada and the City of Winnipeg announced the creation of the Illicit Drug Task Force to address and respond to the rapid increase in the distribution and use of methamphetamines and other substances.

The task force will determine practical short- and long-term recommendations to combat the use and distribution of illicit drugs, such as methamphetamines, opioids, cocaine and hallucinogens. It is expected to release a report on its recommendations in June 2019.

Supporting a Pan-Canadian Suicide Prevention Service

Deaths by suicide have devastating and immeasurable impacts and leave families, friends, classmates, coworkers and communities struggling with grief. It is the ninth leading cause of death in Canada for the general population and the second leading cause among youth and young adults (aged 10 to 29), after accidents. For every suicide death, there are five self-inflicted injury hospitalizations, 25 to 30 suicide attempts, and 7 to 10 people affected by suicide loss, including family and friends. Thoughts of suicide and suicide-related behaviour are disproportionately prevalent among LGBTQ2+ people, particularly youth, in comparison to their non-LGBTQ2+ peers.

During consultations with the Government, young Canadians have emphasized the need for increased mental health services more than almost any other issue. There are currently many community-based, regional, and provincial/territorial crisis lines offering a wide range of services and operating times, but these are uneven across the country. The U.S. Suicide Prevention Lifeline also receives more than 20,000 incoming calls from Canadian residents each year, however, it is unable to transfer these callers to local Canadian services without a national line in Canada.

■ ■ Budget 2019 proposes to provide \$25 million over five years, starting in 2019–20, with \$5 million per year ongoing, to work with experienced and dedicated partners in the space to support a pan-Canadian suicide prevention service, in order to provide people across Canada with access to bilingual, 24/7, crisis support from trained responders, using the technology of their choice (voice, text or chat). This service will leverage and build on existing services and experiences of partners dedicated to suicide prevention.

Figure 4.2: Impact of Suicide in Canada



Sources: Public Health Agency of Canada analysis of Statistics Canada Vital Statistics Death Database; Canadian Institute for Health Information Hospital Morbidity Database.

Supporting Community-Based Housing for People With Complex Health and Social Needs in Prince Edward Island

Strong communities include shared spaces, where people can come together in a safe environment to find support, build new networks, learn new skills and work to achieve their goals.

■ ■ To this end, the Government is investing \$50.8 million over five years, starting in 2019–20, in Prince Edward Island’s Public Safety Housing project. The project will support structured social housing, life skills training, and enhanced access to integrated and assisted technologies. This initiative will primarily help people with complex health and social needs, such as those who require intensive services and have a history that could include a mental health disorder, specialized treatment, multi-system involvement, chronic substance abuse or dependency, or housing instability, to successfully live in their communities.

Supporting a Safe and Non-Discriminatory Approach to Plasma Donation

The Government of Canada is working towards reducing barriers to blood and plasma donation for men who have sex with men.

In 2016, Health Canada approved a reduced blood donation ineligibility period for men who have sex with men from five years to one year from last sexual contact. At the time, the Government also provided \$3.0 million to Canadian Blood Services to strengthen the evidence base supporting a non-discriminatory approach to blood donations. Results of these research projects are expected to be available between now and the winter of 2020 to inform future changes to blood donation policies.

In December 2018, Canadian Blood Services and Héma-Québec submitted proposals to Health Canada to further reduce the blood donation ineligibility period to three months.

■ ■ ■ To continue to support a safe and non-discriminatory approach to blood donation, Budget 2019 proposes to provide \$2.4 million over three years, starting in 2019–20, for additional research specific to reducing barriers to the donation of blood plasma, which supports crucial treatment for patients with immunodeficiency, leukemia and a wide range of other illnesses. New funding would inform feasibility assessments and pilot testing of new approaches for donation in consultation with key stakeholders, including the LGBTQ2+ community and patients who depend on plasma.

Making Canada Accessible and Supporting People With Disabilities

“Accessibility is the complete ability to join in, participate or attend the activity or conversation as much as anybody else of my age in my community.”

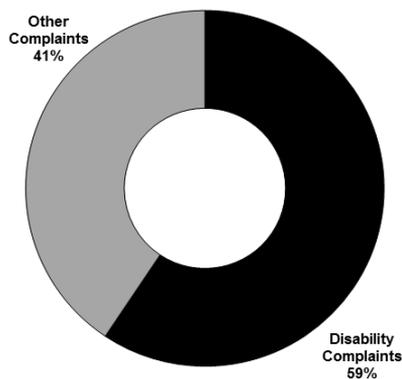
— Accessible Canada consultation participant

Accessibility in Canada is about creating communities, workplaces and services that allow everyone to participate fully in society, without barriers to their inclusion and success. Today, 6.2 million Canadians, or one in 5 Canadians aged 15 and older, report being limited in their daily activities due to a disability. This figure is expected to rise as Canada’s population ages.

This growing group of Canadians with disabilities continues to face barriers that limit their ability to take part in many aspects of daily life, including routine activities that most Canadians take for granted. These barriers can be physical (e.g. building without ramps), electronic (e.g. websites that cannot be navigated by people with visual impairments) and attitudinal (e.g. misconceptions of what persons with disabilities can or cannot do). The Government of Canada is committed to building a more accessible, inclusive, and barrier-free Canada where no one is left behind.

Through new investments in Budget 2019, the Government is ensuring persons with disabilities have more opportunities to contribute to our society and our economy, and make Canada a more accessible country for everyone.

Chart 4.1
Discrimination Complaints Received by the Canadian Human Rights Commission



Based on complaints received in 2017/2018

The new *Accessible Canada Act*, introduced in June 2018, will provide all Canadians, especially Canadians with disabilities, greater and more consistent accessibility across the country, through the proactive identification, removal and prevention of barriers to accessibility in sectors under federal jurisdiction.

- The Government will work with stakeholders and Canadians with disabilities to create new accessibility standards and regulations that will apply to these sectors, which include banking, telecommunications, transportation, and the Government of Canada itself.
- The Act also includes compliance and enforcement measures that will proactively address accessibility barriers in the federal jurisdiction, alleviating the burden on Canadians with disabilities to resort to a formal complaints process.
- Along with the new legislation, the Government announced an investment of \$290 million over six years, starting in 2018–19, to implement the Act, ensure that the federal government leads in accessibility improvements, and promote broader inclusion of persons with disabilities beyond the federal jurisdiction.

To help ensure people with disabilities receive the benefits and credits to which they are entitled, the Government reinstated the Canada Revenue Agency's Disability Advisory Committee in 2017, with a mandate to provide advice on ways to better serve Canadians with disabilities.

The Government also recognizes the recent work of the Standing Senate Committee on Social Affairs, Science and Technology on disability issues. The Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities has also undertaken work on challenges faced by people with episodic disabilities. The Government will be reviewing the advice of these committees as it considers further ways to support Canadians with disabilities.

Supporting Employment for Persons With Intellectual Disabilities and Autism Spectrum Disorders

Persons with intellectual disabilities, and Autism Spectrum Disorders, face unique barriers in finding a job. At the same time, a diverse and inclusive workforce can bring new skills and ideas to employers helping them compete and succeed as they support people in their communities. Further, because persons with disabilities are more likely to be low-income, providing employment opportunities enhances their income security and overall quality of life.

 To improve employment outcomes for persons with intellectual disabilities, and Autism Spectrum Disorders, Budget 2019 proposes to provide \$12 million over three years, starting in 2019–20, to the Canadian Association for Community Living, in partnership with the Canadian Autism Spectrum Disorders Alliance for the Ready, Willing and Able program. The funding will be provided through the Opportunities Fund for Persons with Disabilities.

More Accessible Federal Government Workplaces

To shape a more inclusive federal government, and support the implementation of the *Accessible Canada Act*, the Government intends to lead by example and become a model for accessibility in the workplace. This includes setting and attaining recruitment goals. The Government has committed to hiring at least 5,000 people with disabilities over the next five years.

■ ■ ■ In support of this commitment, Budget 2019 proposes to provide Shared Services Canada with additional funding of \$13.7 million over five years, starting in 2019–20, with \$2.9 million per year ongoing, to help identify, remove and prevent technological barriers in federal government workplaces.

Inclusion of Canadians With Visual Impairments and Other Print Disabilities

A print disability is a learning, physical or visual disability that prevents a person from reading conventional print. Based on the 2017 Canadian Survey on Disability, an estimated 2.4 million Canadians over the age of 15 have a print disability. Accessible reading materials (e.g. braille, accessible electronic documents and accessible audiobooks) allow individuals with print disabilities to read and learn, improving their quality of life and opening the door to more opportunities to work, and contribute to their own success and Canada's economy.

Many Canadians with print disabilities find it difficult to access books in fully accessible formats—according to stakeholders, only 10 per cent of published books are made available in an accessible format.

■ ■ ■ To address this challenge, Budget 2019 proposes to provide the Centre for Equitable Library Access with an investment of \$3.0 million in 2019–20 to produce new accessible reading materials that will be available through public libraries across Canada.

■ ■ ■ The Government is also committed to putting in place a strategy that will ensure the sustainable production and distribution of accessible reading material over the longer term. To that end, Budget 2019 proposes to invest \$22.8 million over five years, starting in 2019–20, to assist Canada's independent book publishing industry in increasing their production of accessible books for persons with print disabilities.

■ ■ ■ To improve employment opportunities for persons with visual impairments, Budget 2019 proposes to provide \$1.0 million, in 2019–20, to the Canadian National Institute for the Blind to connect persons with visual impairments to small and medium-sized employers.

■ ■ ■ To support the independence of persons with disabilities, Budget 2019 also proposes to invest \$0.5 million in 2019–20 towards finding ways to improve the accessibility of electronic payment terminals to enable persons with disabilities to conduct daily activities, such as paying for their groceries, without relying on others.

Improvements to the Registered Disability Savings Plan

The Registered Disability Savings Plan (RDSP) is designed to help Canadians with severe disabilities, along with their families, save for their long-term financial security. To support this goal of saving for the future, the federal government provides Canada Disability Savings Grants and Canada Disability Savings Bonds to Canadians with severe disabilities. Together, these provide up to \$90,000 in additional support over a beneficiary's lifetime.

Private contributions to an RDSP can attract Canada Disability Savings Grants at matching rates of 100, 200, or 300 per cent, depending on family income and the amount contributed. No private contributions are required to receive the Canada Disability Savings Bond, making this an important financial support for individuals and families with low and modest incomes.

Each year, more Canadians are using RDSPs to save for themselves or for a loved one with a disability. Since RDSPs became available in December 2008, Canadians have opened more than 180,000 RDSPs, and the Government has contributed a total of \$2.2 billion in Canadian Disability Savings Grants and \$1.0 billion in Canada Disability Savings Bonds since the inception of the plan.

■ ■ ■ To ensure that the RDSP continues to respond to the needs of Canadians with disabilities, Budget 2019 proposes two changes that will better protect the long-term savings of persons with disabilities:

- To open an RDSP, an individual must be eligible for the Disability Tax Credit (DTC). When a beneficiary no longer qualifies for the DTC, the RDSP rules can require that the plan be closed, and grants and bonds be repaid to the Government of Canada. To address concerns that this treatment does not appropriately recognize the financial impact that periods of severe, but episodic, disability can have on individuals, Budget 2019 proposes to eliminate the requirement to close an RDSP when a beneficiary no longer qualifies for the DTC. Doing so will allow grants and bonds otherwise required to be repaid to the Government to remain in the RDSP. To ensure fairness for DTC-eligible beneficiaries, some restrictions on access to these amounts will apply. The estimated cost of this measure is \$109 million over five years, beginning in 2019–20, and \$33 million per year ongoing.
- Unlike RRSPs, amounts held in RDSPs are not exempt from seizure by creditors in bankruptcy. To level the playing field, Budget 2019 also proposes to exempt RDSPs from seizure in bankruptcy, with the exception of contributions made in the 12 months before the filing.

Introducing a Food Policy for Canada

All Canadians should have access to safe, healthy, affordable, culturally appropriate and locally produced food. However, it is estimated that one in eight Canadian households currently experience food insecurity, meaning that they are without reliable access to a sufficient quantity of affordable, nutritious, and culturally appropriate food. Food insecurity is even more pronounced in some more vulnerable segments of the population (e.g. low income households with children; 1 out of every 2 households in Nunavut). Canadians have also expressed concerns about rising levels of food waste, global instances of food fraud, and the availability and affordability of healthy, locally produced foods in Canada.

In response to these concerns, the Government committed to developing A Food Policy for Canada—the first of its kind. The Food Policy for Canada will set out a coordinated and collaborative approach to addressing food-related issues while ensuring that Canada's agriculture and agri-food sector continues to succeed and help grow the economy as a trusted global source of healthy food. The Food Policy for Canada will establish four areas for near-term action, including: 1) Help Canadian Communities Access Healthy Food; 2) Make Canadian Food the Top Choice at Home and Abroad; 3) Support Food Security in Northern and Indigenous Communities; and 4) Reduce Food Waste.

■ ■ ■ To support food policy priorities in the near term, Budget 2019 proposes to invest \$134.4 million over five years, on a cash basis, beginning in 2019–20, with \$5.2 million ongoing in a suite of new measures. In addition, Budget 2019 proposes to allocate \$100 million over five years, beginning in 2019–20, from the Strategic Innovation Fund, to support innovation in the food processing sector.

Reducing Food Insecurity With Local, Nutritious Foods

Paul and Corinne operate a not-for-profit food bank in Hay River, Northwest Territories. They receive generous donations of fresh raspberries from a local farmer during the growing season, but because of their limited freezer capacity, they are unable to preserve these donations for use in the winter months when fresh fruits are harder to obtain.

With support from the new **Local Food Infrastructure Fund**, Paul and Corinne will be able to purchase additional freezers for the food bank, allowing them to generate less food waste, while addressing food insecurity in the local community with additional healthy, nutritious and locally grown food options throughout the winter.

Figure 4.3: Canada Food Policy



We asked Canadians to tell us their views on how to improve our food system. More than 45,000 shared their views, and we listened. Budget 2019 proposes \$134.4 million in new investments, on a cash basis, to complement existing initiatives in the following areas of action.



HELP CANADIAN COMMUNITIES ACCESS HEALTHY FOOD

- Critically important for a child's education is ensuring they have healthy meals before and during school. Currently, Canada has a mix of different school breakfast and lunch programs, but much more could be done. Budget 2019 announces the Government's intention to work with provinces and territories towards the creation of a **National School Food Program**.
- **Local Food Infrastructure Fund** — \$50 million over five years, starting in 2019-20, in support for infrastructure for local food projects, including at food banks, farmers' markets and other community-driven projects.
- **Buy Canadian Promotion Campaign** — \$25 million over five years, starting in 2019-20, for an advertising and marketing campaign to promote Canadian agricultural products, in collaboration with existing branding initiatives.
- **Tackling Food Fraud** — \$24.4 million over five years, starting in 2019-20, to enhance federal capacity to detect and take enforcement action against instances of food fraud.



MAKE CANADIAN FOOD THE TOP CHOICE AT HOME AND ABROAD

- **Support for Food Processors** — a commitment to invest an additional \$100 million from the Strategic Innovation Fund to support agri-food value added production in Canada.
- More assistance for exporters through the **Export Diversification Strategy** (announced in the 2018 *Fall Economic Statement*).
- To help the agri-food sector meet Canada's ambitious export targets and attract and retain needed labour, the federal government will launch a **three-year immigration pilot** to bring in full-time, non-seasonal agricultural workers that will include a pathway to permanent residency.



SUPPORT FOOD SECURITY IN NORTHERN AND INDIGENOUS COMMUNITIES

- **Harvesters Support Grant** — a new grant to help lower the high costs associated with traditional hunting and harvesting activities, which are an important source of healthy, traditional food (announced in the 2018 *Fall Economic Statement*).
- **Northern Isolated Community Initiatives Fund** — \$15 million over five years, starting in 2019-20, to support community-led projects, with funding for equipment such as community freezers, greenhouses, local food production projects, and skills training for local and Indigenous food producers.



REDUCE FOOD WASTE

- **Food Waste Reduction Challenge** — \$20 million over five years, starting in 2019-20, to create a new challenge with funding awarded for the most innovative food waste reduction proposals in three sectors: 1) food processing; 2) grocery retail; and 3) food service.
- **Federal Leadership in Food Waste Reduction** — the Government will refocus \$6.3 million in existing resources over five years, starting in 2019-20, to set new ambitions to lower its own food waste by developing new plans to support federal employees and facilities in reducing their food waste, and to launch a National Food Waste Reduction Forum.

In addition to taking leadership on food waste, the Government is also taking action on plastic waste. Plastics play a major role in our economy and daily lives, however plastic waste is a growing problem in Canada and around the world. Over the past year, Canada led the development of the G7 Oceans Plastics Charter to move towards a more resource-efficient and sustainable approach to managing plastics. A total of 18 countries and 50 companies, universities, non-profit organizations and others have signed onto the Charter. Closer to home, the Canadian Council of Ministers of the Environment is working on an action plan to implement the National Strategy for Zero Plastic Waste. The Government will continue to make efforts on this important issue.

Addressing the Challenge of African Swine Fever

African Swine Fever is a highly contagious viral disease experienced by domestic and wild pigs. While it poses no risk to human health, it can lead to a high number of deaths in infected pigs.

The increasing spread of African Swine Fever incidents in parts of Asia and Europe has increased the risk of the disease spreading to Canada. If African Swine Fever were to enter Canada, hog farmers and meat processors would face significant losses and would be unable to export Canadian pigs and pork products internationally.

The most likely way for African Swine Fever to enter Canada is through the importation of undeclared meat products, brought into the country by travellers or sent to Canada via postal services.

 The Canada Border Services Agency uses detector dogs to screen for food, plant and animal products at international airports. Budget 2019 confirms the Government's plan to provide the Canada Border Services Agency with up to \$31 million over the next five years, starting in 2019–20, with up to \$5.8 million per year ongoing, to increase the number of detector dogs deployed across the country. This will help ensure that no contaminated products enter the country, protecting Canada's hog farmers and meat processors from the serious economic threat posed by African Swine Fever.

The Social Finance Fund

Many Canadians face persistent and complex social challenges that make it difficult for them to succeed and reach their full potential.

In the 2018 *Fall Economic Statement*, the Government proposed to make available up to \$755 million on a cash basis over 10 years to establish a Social Finance Fund.

What Is Social Finance?

Social finance refers to the practice of making investments intended to create social or environmental impact, in addition to financial returns.

The Fund will help charitable, non-profit and other social purpose organizations access financing for projects that will have a positive social impact, such as reducing poverty, expanding employment opportunities for persons with disabilities, or building more affordable housing.

How the Social Finance Fund Will Work:

- Funding will be managed through professional investment managers with expertise in social impact reporting and a proven ability to promote inclusive growth and diversity in the social finance market, to be selected through a competitive selection process in the fall of 2019.
- The fund manager(s) will invest in existing or emerging social finance intermediary organizations that have leveraged private or philanthropic capital for co-investment.
- The fund manager(s) will be required to leverage a minimum of two dollars of non-government capital for every dollar of federal investment, with the exception of investments for Indigenous-led or Indigenous-owned funds.

Under the Social Finance Fund:

- A minimum of \$100 million will be allocated towards projects that support greater gender equality—leveraging existing philanthropic and private sector funds towards this purpose in order to help them reduce the social and economic barriers faced by diverse groups of Canadians of all genders.
- A \$50 million investment will be made in the newly proposed Indigenous Growth Fund.

Further details on the Indigenous Growth Fund can be found in Chapter 3.

■ ■ ■ As announced in the 2018 *Fall Economic Statement*, the Government is also proposing a related investment of \$50 million over two years, starting in 2019–20, to improve the ability of social purpose organizations to successfully participate in the social finance market. This funding will support more robust business planning, provide technical assistance and enable social purpose organizations to develop impact measurement tools to monitor progress achieved.

There are several existing funds already active in Canada's social finance market. Both newly created and existing funds will be able to access the capital available through the Social Finance Fund, including funds such as:

- **VERGE Capital (Ontario)** makes loans to social enterprises in Southwestern Ontario that build affordable housing, provide access to employment and offer training for persons with disabilities, and provide affordable and accessible education materials. Since VERGE was launched in 2014, it has leveraged an additional \$5 from investors for every dollar of provincial support.
- **The Chantier de l'économie sociale Trust (Quebec)** provides patient capital financing to support start-up, expansion and real estate activities of co-operatives and non-profit businesses. The Trust has provided loans to local communities to help restore essential services, and supported programs to help at-risk youth, including Indigenous youth, acquire skills through integrated learning opportunities.
- **The Saint John Community Loan Fund (New Brunswick)** works towards helping individuals and organizations create income and build assets and self-reliance using finance, training and support. For example, the Fund provided: a loan to leverage a mortgage to develop affordable housing units; support for establishing a literacy organization; and capital for an innovation hub to help launch and develop new social enterprises.
- **The Social Enterprise Fund (Alberta)** provides access to loan capital for social entrepreneurs to address challenges in the environment, social issues, local food security, culture and other public benefit missions. For example, the Fund has provided support to mental health organizations to help provide accessible housing for clients, employment opportunities for persons with disabilities, and therapeutic programs for adults and children with physical and mental intellectual disabilities.
- **Renewal Funds (British Columbia)** provides early-stage growth capital to for-profit social enterprises with the potential to create social or environmental change in industries such as clean technology and sustainable agriculture.
- **Jubilee Fund (Manitoba)** is managed by the Assiniboine Credit Union, and provides loan guarantees and bridge financing to non-profit community projects focused on reducing poverty and financial exclusion.

Poverty Reduction Strategy

In August 2018, the Minister of Families, Children and Social Development publicly released a Poverty Reduction Strategy entitled "Opportunity for All". The Strategy established short-term and long-term targets of 20 per cent poverty reduction by 2020 and 50 per cent poverty reduction by 2030 from the 2015 level, which were enshrined in legislation. The Government reaffirms its commitment to move ahead with legislation to:

- adopt an official poverty line based on a basket of goods and services that Canadians require to achieve a modest standard of living in communities across the country as well as a dashboard of other indicators, such as housing and literacy, to monitor progress;
- create a national advisory council on poverty;
- require the development and implementation of a poverty reduction strategy; and
- designate a responsible Minister and require the Minister to table annual reports to Parliament.

Part 2: Support for Diversity, Culture and the Arts

Across the country, Canada's artists and their supporters bring people together, to appreciate and celebrate the diversity and creativity that Canadians are known for the world over. Our cultural industries are also an important source of jobs—employing more than 650,000 Canadians—and are a key contributor to our economy, worth nearly \$54 billion each year.

In recent years, the way that Canadians consume cultural content and news has shifted and changed. It's important that Canadian producers of arts, culture and news are able to adapt to this changing reality and continue to tell our unique stories.

At the same time, rising intolerance and hateful rhetoric, in Canada and around the world, remind us that diversity and a welcoming spirit must be celebrated and nurtured as continued sources of strength for our country.

Offering stronger support for the arts, culture and diversity is one way that the Government—and Canadians—can work together to build a stronger country.

Expanding Support for Artists and Cultural Events

Whether through music, dance, theatre, visual arts or other forms of artistic expression, the arts bring Canadians together in a shared celebration of our history, traditions and cultural diversity, and are an important part of our economy.

With the growing importance of digital media today, Canadian artists—especially musicians and music entrepreneurs (e.g., producers, agents)—now face the challenge of marketing their content internationally and across all platforms, while also putting a greater emphasis on touring and live performances.

■ ■ To address some of the challenges faced by Canadian musicians in the digital era, Budget 2019 proposes to provide \$20 million over two years, starting in 2019–20, to the Canada Music Fund, so that the Fund can enhance its support for the production, promotion and distribution of Canadian music. With this investment, the Fund will be able to support more Canadian musicians and music entrepreneurs, and help with the rising costs of marketing and promotion necessary in the music industry today.

For musical artists, these investments will create greater opportunities to innovate and experiment on a wider range of digital and non-digital platforms. This, combined with enhanced support for promotion—including more touring and more modern marketing approaches—will ensure that Canadian music reaches more audiences at home and abroad.

Alina is a folk musician who has been writing and performing her music across Canada and Europe since 2003. With the advent of streaming platforms, Alina is no longer able to generate the same income from album sales and as a result she needs to tour more frequently and put on more live performances to make ends meet. She also faces a great deal of competition when it comes to online sales, and needs to market her music more aggressively in order to make herself stand out from the crowd.

With the modernized Canada Music Fund, Alina will have access to more resources and tools to market her music on digital platforms, and will be able to spend more time touring to help her music be heard at home and abroad.

■ ■ To support the production of more artistic events across the country, Budget 2019 also proposes to provide \$16 million over two years, starting in 2019–20, to the Canada Arts Presentation Fund. This Fund supports not-for-profit professional performing arts organizations—including festivals and performing arts series—in all regions of the country, and provides targeted support for the Confederation Centre of the Arts in Charlottetown, Prince Edward Island. This investment will provide support for professional festivals and performing arts series, as well as emerging arts presenters in underserved areas, and will help support the activities of the Confederation Centre of the Arts. Collectively, this will help bring the talents of Canada's live performers to more communities across the country, giving more Canadians a chance to see, hear and celebrate Canadians' talents.

■ ■ To support more festivals, large-scale and community-based celebrations and commemoration initiatives, Budget 2019 proposes to provide \$24 million over two years, starting in 2019–20, to the Building Communities Through Arts and Heritage Program and the Celebration and Commemoration Program. These types of events bring Canadians together, and help foster a stronger sense of connection between diverse Canadians—especially those from underserved and underrepresented communities—while underscoring our shared interests and values.

■ ■ In addition, to further support Canadian Heritage's efforts to integrate Gender-based Analysis plus (GBA+) in program design, Budget 2019 proposes to provide \$1.0 million over two years, starting in 2019–20, to improve the collection of disaggregated data and strengthen reporting requirements for the above mentioned programs in order to better support gender equality and diversity in funding allocations.

Advancing Gender Equality

"If I can convince you to make one change that has the power to change lives, and indeed, to save lives...it is this: invest in women's organizations."

— Kate McInturff, 2017.

Every day across Canada, community organizations lead the way in seeking a more equal society for Canadians of all genders—whether by developing tools to help employers reduce barriers in the workplace, promoting participation in public life, or providing community supports for survivors of gender-based violence. In December 2018, legislation was passed to create the new Department for Women and Gender Equality (formerly Status of Women Canada), with an expanded mandate for gender equality that includes sexual orientation, gender identity and expression.

The Department supports grassroots action with the goal to achieve free and full participation in the economic, social and democratic life of Canada regardless of sex or gender. This is done primarily through the Women's Program, which supports local, regional and national projects that address the three priorities of the program: ending gender-based violence, improving economic security and prosperity, and encouraging diversity in leadership and decision-making roles.

In Budget 2018, the Government provided \$100 million over five years for the Women's Program to better support the sustainability of women's organizations and equality-seeking groups, with a particular focus on vulnerable women, including Indigenous women, women with disabilities, members of the LGBTQ2+ community, and newcomer, racialized and migrant women.

■ ■ ■ To further support the Department in its strengthened mandate and continue to advance gender equality in Canada, Budget 2019 proposes a historic investment: \$160 million over 5 years, starting in 2019–20. By 2023–24, the Women's Program will total \$100 million annually. This funding will enable further community action to tackle systemic barriers impeding women's progress, while recognizing and addressing the diverse experiences of gender and inequality across the country.

Improving Women's Economic Security in Moncton, New Brunswick

Through the Women's Program, the New Brunswick Coalition for Pay Equity, Inc. will receive \$335,000 for a 36-month project to determine equitable pay levels for a range of caregiving services in New Brunswick. As part of the *Valuing Private Care Work Offered in the Private Sector* project, funding will also be used to support caregivers in advocating for pay equity, while helping to transform the way in which caregiving is valued in society. By investing in projects that improve women's economic security, the Government is helping to ensure that women, their families and communities can prosper.

■ ■ ■ In addition, Budget 2019 proposes to provide \$1.5 million over 5 years, starting in 2019–20 to the Treasury Board Secretariat to work with departments receiving Budget 2019 funding to ensure robust administrative data collection and reporting practices with respect to gender-based analysis plus (GBA+) information for all initiatives. The Secretariat will draw on the expertise of Statistics Canada and the Department for Women and Gender Equality in developing standardized frameworks and tools for GBA+ disaggregated data collection and reporting. This will achieve greater consistency and comparability over time and across programs in the aim of improving the inclusiveness of Government of Canada programs.

Expanding the Work of the LGBTQ2+ Secretariat

The Prime Minister's apology to LGBTQ Canadians in 2017 recognized that LGBTQ2+ communities across Canada have been, and continue to be, deeply affected by homophobia, biphobia and transphobia, along with other forms of discrimination, including misogyny and gender-based discrimination. Budget 2017 provided \$3.6 million over three years for the LGBTQ2+ Secretariat, which works with stakeholders across the country to inform the Government's activities on issues related to sexual orientation, gender identity and gender expression.

■ ■ ■ To further support the Government's commitment to promoting diversity and inclusion, Budget 2019 proposes to provide \$20 million over 2 years, starting in 2019–20 to help address the unique needs and persisting disparities among LGBTQ2+ Canadians by investing in capacity building and community-level work of Canadian LGBTQ2+ service organizations. An additional \$1.2 million in 2020–21 is proposed to support the ongoing establishment of the LGBTQ2+ Secretariat.

Introducing a New Anti-Racism Strategy

Diversity and inclusion are cornerstones of Canadian identity, a source of social and economic strength, and something that all Canadians can be proud of. At the same time, recent events in Canada and abroad have shown that no community is immune to the effects of hateful rhetoric. Around the world, ultranationalist movements have emerged. In Canada, those groups are unfairly targeting new Canadians, racialized individuals and religious minorities—threatening the peace, security and civility of the communities we call home.

Taking its cue from Canadians, the Government is committed to fostering and promoting a Canada where every person is able to fully and equally participate in our country's economic, cultural, social and political life. Initiatives like the Multiculturalism Program support this work, with projects that work toward the elimination of discrimination, racism and prejudice in communities across Canada.

Budget 2018 provided \$23 million over two years to support cross-country consultations on a new national anti-racism approach, as well as to increase funds for the Multiculturalism Program to address racism and discrimination targeted against Indigenous Peoples, and women and girls.

Budget 2018 also provided more than \$19 million over five years as a first step towards recognizing the significant and unique challenges faced by Black Canadians in Canada. These funds focused on Black youth and enhancing mental health supports for the Black community. Funding of \$6.7 million over five years was also provided to Statistics Canada to create a new Centre for Gender, Diversity and Inclusion Statistics which will increase the disaggregation of various data sets by race, with a particular focus on the experience of Black Canadians. This will inform better policy making, taking into consideration the diversity of our population.

Supporting Diversity Across Canada

The Multiculturalism Program is one of the ways the Government supports and promotes the *Canadian Multiculturalism Act*. It works to promote inclusion, equality and equity, through support for community-based events and projects. In November 2017, the Multiculturalism Program provided \$1.2 million in funding for four Edmonton-area projects, including the Edmonton Centre for Race and Culture's *Unheard Youth Voices* project, which will produce a podcast about migration, identity and belonging by sharing the stories of connections between migrant and Canadian-born youth.

The Multiculturalism Program also supports international engagement, and direct public outreach and promotional activities such as Asian Heritage Month and Black History Month.

The Government will continue to listen to Canadians, seeking ways to improve engagement with the federal government, foster greater public awareness of systemic racism and discrimination, and looking for opportunities to strengthen support for underrepresented communities.

■ ■ ■ Building on previous commitments, Budget 2019 proposes to provide \$45 million over three years, starting in 2019–20, to support a new Anti-Racism Strategy. Its key purpose will be to find ways to counter racism in its various forms, with a strong focus on community-based projects. These projects could include developing new public educational materials or programs that help to build skills and provide leadership and employment opportunities. At the core of this strategy will be an Anti-Racism Secretariat that will work across government to identify opportunities, coordinate activities and engage with our diverse communities. Further details on the Anti-Racism Strategy and the Secretariat will be announced at a later date.

■ ■ ■ In addition, in recognition of the United Nations International Decade for People of African Descent, Budget 2019 proposes to provide \$25 million over five years starting in 2019–20, for projects and capital assistance to celebrate, share knowledge and build capacity in our vibrant Black Canadian communities.

Enhancing Support for Minority-Language Education in Canada

In 2019, Canada celebrates the 50th anniversary of the *Official Languages Act*, which gives equal status to French and English in the Government of Canada. The Government recognizes that Canada's proud tradition of linguistic duality can only truly thrive with the presence of strong, vibrant minority-language communities across the country. Today, there are more than one million Francophones living outside Quebec and similar number of Anglophones—1.1 million—living in Quebec.

Because the contributions of official language minority communities are vital to Canada's success, they are a key part of the new Action Plan for Official Languages announced in 2018—with total new investments of \$499.2 million over five years.

Every year, the Government provides more than \$235 million to provinces and territories for minority-language education and second-language instruction—through the *Protocol for Agreements for Minority-Language Education and Second-Language Instruction*. Through this Protocol:

- Members of official language minority communities in each province or territory have opportunities to be educated in their own language;
- Residents of each province or territory have opportunities to learn English or French as a second language; and
- All Canadians have opportunities to learn more about the cultures associated with the French-language or English-language minority communities.

With a rising number of minority-language students across the country, the Government recognizes the costs and unique challenges faced by these communities, and has set aside additional funds to enhance its support for minority-language education, as it works with provinces and territories to finalize the next Protocol.

Any additional funding will be conditional upon the conclusion of a new Protocol, or subject to new bilateral agreements, which would include commitments by the provinces and territories regarding accountability with respect to the use of federal investments, and regular consultations with stakeholders, including school boards, in the design of related action plans. These agreements would allow Canadians to better assess and understand the impact of federal investments on the vitality of our official languages communities across Canada.

Supporting Canadian Journalism

A strong and independent news media is crucial to a well-functioning democracy. Recognizing the vitally important role the media play in helping citizens make informed decisions about important issues, in the *2018 Fall Economic Statement* the Government announced its intention to introduce three new tax measures to support Canadian journalism:

- A new refundable tax credit for journalism organizations.
- A new non-refundable tax credit for subscriptions to Canadian digital news.
- Access to charitable tax incentives for not-for-profit journalism.

As previously announced, the Government will establish an independent panel of experts from the Canadian journalism sector to assist the Government in implementing these measures, including recommending eligibility criteria.

Given the importance of ensuring that media outlets are able to operate with full independence, the Government proposes to establish an independent administrative body that will be responsible for recognizing journalism organizations as being eligible for any of the three measures.

Further details are available in *Tax Measures: Supplementary Information*.

Supporting Donations of Cultural Property

To encourage Canadians to donate cultural property of “outstanding significance” and “national importance” to certain designated institutions in Canada, such as museums and public art galleries, the Government provides special tax incentives. These incentives help to ensure that important cultural property remains in Canada, for the benefit of Canadians.

A recent court decision related to the interpretation of “national importance” has created uncertainty about the availability of these tax incentives. Budget 2019 proposes to introduce legislative amendments to ensure that these tax incentives continue to be available for donations of cultural property of outstanding significance made to designated institutions in Canada.

This measure will apply in respect of donations made on or after Budget Day.

Ensuring a Safe and Healthy Sport System

It is important, especially in the era of the #metoo movement, that we continue taking strong action to protect Canadians participating in sport by ensuring a safe and healthy sport system. In June 2018, the Minister of Science and Sport announced a new policy to address abuse, discrimination and harassment in sport. The national and international sporting environment, from community participation to the highest level of competition, are facing ongoing and emerging issues that negatively impact our athletes and threaten the integrity of sport.

Together, the Minister of Science and Sport and the Minister of Health announced new concussion guidelines for safe return to school, work, and play. Recently, the Government supported the launch of a parliamentary sub-committee focused on studying sport-related concussions. These additional measures are adding significant financial pressures on our country's sports organizations.

■ ■ ■ Budget 2019 proposes to provide \$30 million over five years, starting in 2019–20, with \$6 million per year ongoing, to enable Canadian sports organizations to promote accessible, ethical, equitable and safe sports. This funding will go a long way to ensuring a higher standard for Canadian families, athletes and coaches.

Part 3: Support for Canada's Veterans and Their Families

Canada's veterans have bravely defended our country's most cherished values—openness, democracy, and respect for human rights—and the peace and security we enjoy today. It is our responsibility to ensure that all veterans and their families receive the support and services they need, when they need it. This is a promise the Government has made on behalf of all Canadians, and it is working hard to deliver on this commitment.

Starting on April 1, 2019, the Government's new Pension for Life will provide a combination of benefits that recognizes the sacrifices made by members of the Canadian Armed Forces and by veterans experiencing a service-related illness or injury. These benefits will give veterans the income support and stability they need, and the power to decide what form of compensation works best for them and their families. The Pension for Life simplifies the existing range of benefits and services, which will make it easier for veterans to understand and access support, and help Canadian Armed Forces members make a more seamless transition out of military life.

The Pension for Life benefits represent an investment of close to \$3.6 billion in support of Canada's veterans. When combined with previously announced programs that assist with education, employment, caregiver support and physical and mental health, the Government of Canada's investments in veterans' initiatives totals over \$10 billion since 2016.

While these investments are already making a difference in the lives of our veterans, it is also clear that veterans' needs and the needs of their families and caregivers will continue to evolve. The Government will continue to work hard to ensure that these needs are met, so that all veterans can enjoy a good quality of life and a successful transition following their years of dedicated service to our country.

Supporting Veterans as They Transition to Post-Service Life

For some service members, the transition to post-service life, can be difficult. This is especially true for those who leave service due to illness or injury. Navigating the transition process can be complicated and time-consuming—exacerbated by the considerable paperwork involved—and can be particularly challenging for service members who lack family support and are navigating the transition process on their own.

Budget 2019 proposes a number of initiatives to make the transition process simpler and seamless for veterans, including, for example:

- Expanding access to support provided by the Canadian Armed Forces Transition Group to ensure that members of the Canadian Armed Forces—not just those who are ill and injured—benefit from personalized support services.
- Enhancing training available on transitioning to civilian life, to improve members of the Canadian Armed Forces' knowledge of programs, benefits and available services.
- Launching a new online questionnaire to help Veterans Affairs Canada identify members of the Canadian Armed Forces at risk of a difficult transition and proactively inform them about the services and benefits that may help them most.
- Improving service to departing members by making benefit application and information sharing between Veterans Affairs Canada and the Department of National Defence simpler and more streamlined.
- Launching a personalized transition guide, available through a service member's My VAC Account, to help them better navigate the process from beginning to end.

In addition, in Budget 2019 the Government proposes to amend legislation to expand eligibility for the Education and Training Benefit, so that members of the Supplementary Reserve can access the Benefit. Launched on April 1, 2018, the Education and Training Benefit provides veterans with up to \$80,000 for education. Supplementary Reservists—who were previously ineligible for this benefit—will now have access to this additional support to help them transition to post-military careers and life.

■ ■ ■ With these examples and measures to improve administrative processes, veterans and members of the Canadian Armed Forces will be better supported as they transition out of service life. To support these measures, Budget 2019 proposes to provide Veterans Affairs Canada and the Department of National Defence with \$135.1 million over six years, beginning in 2018–19, with \$24.4 million per year ongoing.

Nicole: A successful transition to post-service life

Nicole is a Corporal with the Canadian Armed Forces. During her second tour in Afghanistan, she was injured during a training exercise, causing nerve damage to her right leg. Nicole returned to Canada and was posted to the Canadian Armed Forces Transition Unit for rehabilitation. It eventually became clear that the damage to Nicole's leg was permanent, and she would not be able to return to active duty.

She was contacted by both Canadian Armed Forces (CAF) and Veterans Affairs Canada (VAC) case managers to develop a transition strategy for her and her husband, Marc-André. Through this process, Nicole's case manager helped her identify the programs and services from CAF and VAC that would help provide her family with the assistance they needed, including Pain and Suffering Compensation, rehabilitation and income replacement.

After her release, Nicole and Marc-André moved to a new city. Her Income Replacement Benefit—which provides her with 90 per cent of her pre-release salary—has helped free Nicole to focus on her rehabilitation. Volunteering at her local homeless shelter is also helping Nicole find a new sense of purpose. Confident that her skills and experience will allow her to continue to help people, Nicole is now working with a counsellor through VAC's Career Transition Services to find and follow a path to a new career.

Supporting Research on Military and Veteran Health

Military members, veterans and their families face unique health challenges due to the nature of military service. Compared to the general Canadian population, veterans experience higher levels of physical and mental health challenges, including higher rates of post-traumatic stress disorder, chronic pain and suicide.

Improving health outcomes for veterans requires an in-depth understanding of the health challenges they face, and calls for an innovative approach to supporting military members, veterans and their families, supported by research that focuses on their specific needs.

■ ■ ■ The rate of chronic pain among veterans, in particular, is almost double that of the general Canadian population. Budget 2019 proposes to create a Centre of Excellence on Chronic Pain Research. Working closely with veterans, partners and experts in the field, the Centre will help ensure that veterans' chronic pain realities are reflected in research on chronic pain treatment, and help pilot innovative therapies and enhance treatment options. To support the centre, Budget 2019 proposes to provide Veterans Affairs Canada \$20.1 million over five years, starting in 2019–20, with \$5 million per year ongoing.

This work will be complemented by that of the Canadian Institute for Military and Veteran Health Research (CIMVHR), which brings together a network of 43 Canadian university members, 10 global affiliates, four philanthropic organizations, three industry partners, several government departments and more than 1,700 researchers—all committed to improving the way that Canada cares for members of the military, veterans and their families. Organizations like the Royal Canadian Legion that need to develop effective, evidence-based services for veterans and their families rely on the research done by CIMVHR.

■ ■ ■ To ensure that the Canadian Institute for Military and Veteran Health Research can continue to respond to the unique health needs of military members, veterans and their families, Budget 2019 proposes to provide Veterans Affairs Canada with \$25 million over 10 years, starting in 2020–21, to fund CIMVHR's ongoing operations.

Supporting Veterans' Families

Veterans committed their lives to our country, with their partners at their side. The Government is committed to ensure that service men and women, and their spouses, are cared for.

■ ■ ■ To better support veterans who married over the age of 60 and their spouses, Budget 2019 announces a new Veterans Survivors Fund committing \$150 million over 5 years starting in 2019–20 to Veterans Affairs Canada. With these funds, the Government will work with the community to identify impacted survivors, process their claims and ensure survivors have the financial support they need. The Government will announce additional details on this measure in the coming months.

Commemorating Canada's Veterans

A big part of this Government's commitment to veterans and their families is ensuring their stories live on. It is our responsibility to honour their service, dedication and sacrifice.

Many organizations and people across Canada and abroad take it upon themselves to organize tributes and commemorative activities for veterans. Remembering all that Canada's veterans have done during times of war, military conflict and peace helps us to better understand our nation's history and its future.

In honour and remembrance of those who have served during times of conflict, the Highway of Heroes project will see 2 million trees being planted between Trenton and Toronto: one tree for every Canadian that has served since Confederation. So far, over 90,000 trees have been planted.

■ ■ ■ To support the Highway of Heroes project, Budget 2019 proposes to provide funding of \$2.9 million over three years, starting in 2019–20, to the Highway of Heroes Fund, through Veterans Affairs Canada.

The Juno Beach Centre is a Second World War museum in Normandy, France, that pays homage to the Canadians who lost their lives during the Second World War. The Centre's mandate is to preserve the legacy of all Canadians who served during the Second World War for future generations. The Centre has been receiving operating funding from Veterans Affairs Canada since 2007.

■ ■ ■ To help the Centre continue to deliver its mandate, Budget 2019 provides \$2.5 million over five years, starting in 2019–20 to Veterans Affairs Canada.

■ ■ ■ Many young Métis men and women served in the Canadian Forces during the Second World War. To recognize the contribution of Métis veterans to the country's Second World War efforts and to commemorate the sacrifices and achievements of all Métis veterans, Budget 2019 provides \$30 million to Veterans Affairs Canada in 2019–20.

Part 4: Public Safety and Justice

Canada is among the safest countries in the world. As Canadians, we enjoy a high standard of living, supported by strong public and democratic institutions, including a world-class justice system.

At the same time, Canada is part of a rapidly changing and evolving world. From the threats to our communities posed by climate change to the risks to our democracy as a result of disinformation campaigns to the dangers of child sexual exploitation online, we must be vigilant in upholding the rule of law, and detecting, assessing and responding to the things that challenge our security and threaten our values.

Safeguarding the Integrity of Our Institutions and Infrastructure

Protecting Canada's Critical Infrastructure From Cyber Threats

Canadians expect that the systems they use and rely on every day—things such as banking, transport, telecommunications, and energy—are protected from cyber security threats and vulnerabilities. As Canada's critical infrastructure systems become more and more interconnected, and essential services are increasingly managed online, cyber incidents or attacks against critical infrastructure have the potential to seriously compromise national security and public safety. To defend against this, the Government is taking action to protect the critical cyber systems that underpin the infrastructure and services that are integral to the daily lives of Canadians, and to the health and security of Canada's economy.

A safe and secure cyber space is important for the security, stability and prosperity of Canada. Through Budget 2018, the Government took action to strengthen Canada's cyber security, committing \$507.7 million over five years starting in 2018-19 and \$108.8 million per year ongoing to support Canada's first comprehensive National Cyber Security Strategy and to establish the Canadian Centre for Cyber Security.

■ ■ ■ To strengthen the cyber security of Canada's critical infrastructure, 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 resources. 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 in order 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.

Growing Canada's Advantage in Cyber Security

Digital technologies are increasingly knitted into the lives of Canadians. New technologies—like the fifth generation (5G) telecommunications networks that will enable autonomous vehicles and smart cities—create exciting opportunities in the form of good, well-paying jobs and new products and services.

As rapid growth in the digital economy continues, safeguarding cyber security has become a priority for governments, businesses and individuals. According to Statistics Canada, Canadian businesses reported spending \$14 billion in 2017 to prevent, detect, and recover from cyber security incidents. Workers with cyber security skills are increasingly in demand and cyber security innovation must keep pace with technological change as new risks emerge.

Canada's highly skilled workforce and world-class universities means that Canada is primed to lead in cyber security research, innovation and talent development. University-affiliated cyber and information security centres in Canada have emerged to help advance Canada's cyber capabilities. These include Ryerson University's Cybersecure Catalyst, the University of New Brunswick's Canadian Institute for Cybersecurity, University of Calgary's Institute for Security, Privacy and Information Assurance and Concordia University's Centre for Cybersecurity, among others.

■ ■ To promote collaboration between Canadian cyber security centres of expertise, 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.

Protecting Democracy

At the heart of Canada's democracy are its institutions. In recent years, however, these institutions have increasingly come under threat from foreign influence and disinformation campaigns, fuelled by new technology and the rise of social media. This has created new avenues for malicious actors to interfere with the democratic process, as evidenced by numerous attempts to influence election outcomes around the world, including in well-established Western democracies. Canada is not immune to these threats. If left unchecked, these threats may weaken these important pillars of democracy, eroding public trust and putting the future of our democracy at risk.

In light of these threats, the Government has taken action to prevent foreign interference in our federal elections. Recent updates to the *Canada Elections Act* have reinforced protections that prevent foreign actors from using money to influence the outcome of elections and that inhibit the use of malicious technologies.

■ ■ To further strengthen and safeguard Canada's democratic institutions, Budget 2019 proposes to invest \$30.2 million over five years to implement a number of new measures:

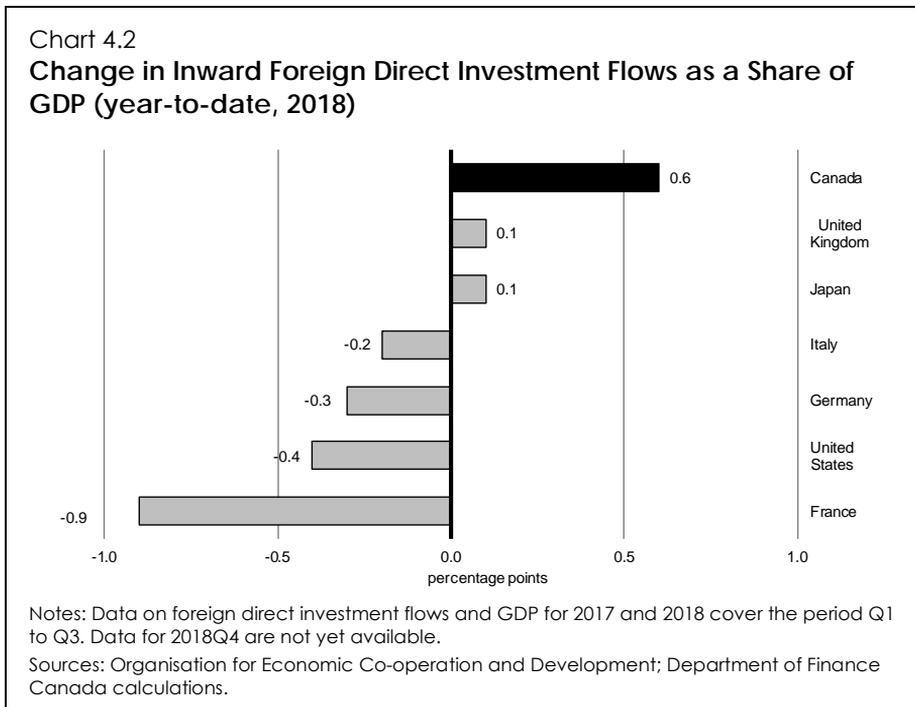
- To protect Canada's democratic institutions from cyber attacks, the Government is proposing to provide the Communications Security Establishment with additional funding of up to \$4.2 million over three years, starting in 2019–20, to provide cyber security advice and guidance to Canadian political 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.

The Digital Citizen Initiative

Earlier this year, the Government committed to provide the Department of Canadian Heritage with \$7.5 million over two years, starting in 2018–19, for the Digital Citizen Initiative, which supports digital, news, and civic literacy programming and tools, ahead of the 2019 General Election. This will help to equip Canadians with a better understanding of deceptive practices used online, and give people the tools they need to navigate the internet, including tools to help them better understand the information they consume online.

Protecting Canada's National Security

Canada is a first-class investment destination. As evidence of its attractiveness as a place to do business and invest, Canada was the only G7 country to witness a material improvement in inward Foreign Direct Investment (FDI) flows for the first three quarters of 2018 relative to one year earlier (Chart 4.2). Worldwide, inward flows of FDI declined by roughly 25 per cent for the same period.



Foreign investments and trade help businesses to succeed and grow, creating more good, well-paying jobs and delivering strong economic growth that benefit all Canadians. At the same time, it is critical that the Government has the tools and resources it needs to protect against economic-based security threats, including the ability to safeguard against theft of our Canadian intellectual property and Canadian-made technologies, and against Canada's research and development activities being used as "back-door" channels to obtain sensitive Canadian technologies.

■ To support efforts to assess and respond to economic-based security threats, 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.

Enhancing Accountability and Oversight of the Canada Border Services Agency

The Canada Border Services Agency (CBSA) plays a vital role enforcing laws governing trade and travel, while stopping potential threats at the Canadian border. In carrying out these duties, the CBSA relies on border services officers who engage with the public at various ports of entry—highway crossings, airports, marine terminals, rail ports, and postal facilities. Border services officers enforce laws and regulations that touch nearly every sector of Canadian society, including our agriculture, manufacturing and service sectors.

■ ■ While the Canada Border Services Agency has procedures in place to hear comments or complaints about the public's experience with the Agency, to reinforce the accountability and oversight of the Agency, Budget 2019 proposes to invest \$24.42 million over five years, starting in 2019–20, and \$6.83 million per year ongoing, to expand the mandate of the Civilian Review and Complaints Commission for the RCMP.

To do this, in Budget 2019, the Government proposes to amend the *Canada Border Services Agency Act*, the *Royal Canadian Mounted Police Act* and other Acts, as required, to expand the Civilian Review and Complaints Commission to act as an independent review body for the Royal Canadian Mounted Police and the Canada Border Services Agency.

Strengthening the Royal Canadian Mounted Police (RCMP)

The RCMP is Canada's national police service, responsible for preventing and investigating crimes, enforcing laws and working with other police and law enforcement agencies. The RCMP protects Canada's national security, reduces the threat and impact of organized crime, and supports crime prevention, intervention and enforcement initiatives.

As the safety and security needs of Canada evolves, so too do the needs of the RCMP. Emerging areas of policing such as cybercrime and money laundering require the RCMP to constantly look at ways to enhance federal enforcement capacity and support operational readiness. To this end, Budget 2018 funding provided targeted support to bolster the RCMP's capacity to fight cybercrime, including through the creation of the National Cybercrime Coordination Unit. In addition, Budget 2018 supported critical investments for the RCMP to renew its radio systems in four divisions, ensuring that front-line officers have the tools they need to serve Canadians.

The RCMP is also exploring ways to become a more modern organization. In January 2019, the Government announced the establishment of the Interim Management Advisory Board which will provide expert advice to support the RCMP as a modern and effective organization. The Government proposes to introduce legislative amendments to the *Royal Canadian Mounted Police Act* and other Acts, as required, in order to establish the Management Board for the RCMP.

■ ■ Budget 2019 builds on these measures and proposes to provide the RCMP with:

- \$508.6 million over five years to support policing operations
- \$77.3 million over five years and \$13.5 million ongoing for enhanced law enforcement at the border
- \$68.9 million over five years and \$20 million ongoing for enhanced federal policing capacity, including to fight money laundering
- \$11.5 million over three years to support transportation security
- \$5.7 million over five years and \$1.2 million ongoing to protect national economic security.

Enhancing the Integrity of Canada's Borders and Asylum System

Canada has a strong reputation as a fair and welcoming country, but one that is also governed by the rule of law. Securing the integrity of Canada's borders and of our asylum system is essential to making sure we continue to benefit from a world-class immigration system.

In recent years, elevated numbers of asylum seekers, including those that have crossed into Canada irregularly, have challenged the fairness and effectiveness of Canada's asylum system. To help address these challenges, the Government will implement a comprehensive *Border Enforcement Strategy*. Through this Strategy, Canadian immigration, border, and law enforcement officials—including from the Canada Border Services Agency and the Royal Canadian Mounted Police—will be better positioned to detect and intercept individuals who cross Canadian borders irregularly and who try to exploit Canada's immigration system. Failed asylum claimants who entered into Canada at irregular crossings or between official ports of entry will also be removed on a priority basis.

■ ■ ■ To support implementation of the *Border Enforcement Strategy*, and to process 50,000 asylum claims per year, as well as to facilitate removal of failed asylum claimants in a timely manner, Budget 2019 proposes to invest \$1.18 billion over five years, starting in 2019–20, and \$55.0 million per year ongoing. Additional resources will be provided to strengthen processes at the border, and accelerate the processing of claims and removals, to ensure the asylum system remains available to those genuinely in need of refugee protection. The investment will also expand a pilot project that aims to increase efficiencies among delivery partners in the pre-hearing process for refugee protection claims.

In addition, Budget 2019 proposes to introduce legislative amendments to the *Immigration and Refugee Protection Act* to better manage, discourage and prevent irregular migration. New resources for immigration and refugee legal aid will build on previous investments, supporting the delivery of legal services, while new Federal Court judicial positions will help ensure efficient and timely processing of asylum claimants seeking judicial review. To do this, the Government intends to introduce amendments to the *Federal Courts Act* to create three new judicial positions.

Protecting People From Unscrupulous Immigration Consultants

Individuals seeking to immigrate to Canada or become citizens often rely on the advice and expertise of immigration consultants to help them navigate our immigration rules. However, these individuals can be the victims of unscrupulous immigration consultants who prey on their lack of knowledge of Canadian laws and regulations.

■ ■ ■ To help protect newcomers and applicants wishing to obtain the services of legitimate service providers, Budget 2019 proposes to provide \$51.9 million over five years, starting in 2019–20, and \$10.1 million per year ongoing. Funding will improve oversight of immigration consultants and strengthen compliance and enforcement measures. It will also support public awareness activities that will help vulnerable newcomers and applicants protect themselves against fraudulent immigration consultants. These measures will help to ensure that all applicants have access to quality immigration and citizenship advice, and that those who are providing the services operate in a professional and ethical manner, with disciplinary powers in place should fraud or misrepresentation occur.

In addition, the Government proposes to introduce legislation and propose amendments to the *Immigration and Refugee Protection Act* and the *Citizenship Act* in order to implement these measures.

Improving Canada's Ability to Prepare for and Respond to Emergencies and Natural Disasters

Ensuring Better Disaster Management Preparation and Response

The annual economic costs of disasters around the world have increased five-fold since the 1980s, and Canada has not been immune to this trend, as disasters resulting from the impacts of climate change have increased in frequency and severity across the country. The 2016 Fort McMurray wildfires, for example, resulted in an estimated \$3.6 billion in insured damages. In addition to large-scale disasters such as this, over 195 major disasters have been recorded between 2008 and 2018.

Events related to climate change—such as wildfires and floods—are becoming more severe, more frequent and more costly for Canadians and their communities. These events can threaten people's safety, result in the loss of personal and public property, and in the most tragic circumstances, can also end with the loss of lives. Together, they can cause significant emotional distress for Canadians, and can also undermine Canada's economic stability and national security.

■ ■ ■ To strengthen Canada's ability to respond to such emergencies, Budget 2019 proposes to invest \$151.23 million over five years, starting in 2019–20, and \$9.28 million per year ongoing, to improve emergency management in Canada, including in Indigenous communities. This investment will improve Canada's ability to predict and respond to threats through the use of early warning systems, and enhance our understanding of the nature of the risks posed by floods, wildfires and earthquakes. In addition, this investment will help to assess the condition and resilience of Canada's critical infrastructure—including energy grids, water and food supplies and health services—in the aftermath of a natural disaster.

■ ■ Budget 2019 also proposes to provide \$5.0 million over five years, starting in 2019–20, to Public Safety Canada to develop all-hazard awareness-raising activities that are targeted to specific, at-risk audiences such as low-income Canadians, seniors, people with disabilities, recent immigrants, and Indigenous Peoples.

■ ■ To support response and recovery efforts in the wake of large-scale natural disasters, Budget 2019 also proposes to provide \$260 million over two years, on a cash basis, starting in 2019–20, to Public Safety Canada to support provincial and territorial disaster relief and recovery efforts through the Disaster Financial Assistance Arrangements Program.

Improving Emergency Medical Response in Western Canada

When tragedy strikes, every second counts. Since 1985, the Shock Trauma Air Rescue Service (STARS) has provided rapid and specialized emergency helicopter ambulance services to patients who are critically ill or injured in communities across Manitoba, Saskatchewan, Alberta and parts of British Columbia, including Indigenous communities and national parks. Thanks to STARS, Western Canadians living in rural and remote communities have access to emergency care.

■ ■ In recognition of the vital role that STARS plays in delivering access to emergency care for the communities it serves, the Government proposes to provide a one-time investment of \$65 million in 2018–19 for STARS to replace its aging fleet and acquire new emergency ambulance helicopters. This funding will be made available through Public Safety Canada.

Protecting Vulnerable Canadians From Violence and Exploitation and Promoting Access to Justice

Protecting Children From Sexual Exploitation Online

The sexual exploitation of a child is a reprehensible crime causing life-long harm and suffering to victims. While the internet has created new ways for people from around the world—including children—to connect and interact, it has also created new spaces and platforms for online predators to lure child victims for sexual purposes.

■ ■ To better protect children from these threats, and building on investments in Budgets 2017 and 2018 to combat child sexual exploitation through *It's Time: Canada's Strategy to Prevent and Address Gender-Based Violence*, 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.

Combatting Human Trafficking

Human trafficking is a complex crime that involves the recruitment, transportation and harbouring of persons and/or control of their movements for the purpose of exploiting them. This includes both sexual and labour-based exploitation and also the use of threats, violence, abduction, fraud or other forms of coercion. Individuals at greatest risk of victimization include persons who are socially or economically disadvantaged, women and girls, youth and children, Indigenous Peoples, refugees and migrants, LGBTQ2+ persons and persons with disabilities. The Government is committed to preventing gender-based violence and protecting vulnerable populations from human trafficking. Building on investments announced in Budget 2018 to establish a National Human Trafficking Hotline, the Government intends to develop a new whole-of-government strategy to combat human trafficking.

Giving Canadians Better Access to Public Legal Education and Information

Navigating Canada's complex legal system can be daunting. Canadians deserve to have access to information and services that help them understand and exercise their legal rights. Across Canada, Public Legal Education and Information organizations provide people who may face barriers to accessing justice—such as newcomers to Canada, people who are elderly or live with a disability, and people who cannot afford access to a lawyer—with services to better understand their legal rights. As Canada's population continues to grow, and as the law becomes more complex, demand for these services is on the rise.

■ ■ ■ To help Canadians gain access to the legal education and information they need, Budget 2019 proposes to provide the Department of Justice Canada with an additional \$8.1 million over five years, starting in 2019–20, with \$1.62 million per year ongoing, to support the work of Public Legal Education and Information organizations across Canada.

Supporting Access to Family Justice in the Official Language of One's Choice

■ ■ ■ Divorce and separation affect Canadians from all walks of life. Ensuring that Canadians can access the family justice system using either official language can provide additional reassurance and support to people and families at a difficult time.

To support access to family justice in both official languages, Budget 2019 proposes to provide the Department of Justice with \$21.6 million over five years, starting in 2020–21, to support legislative amendments that provide for increased access to family justice—and divorce in particular—in the official language of one's choice. This funding will help improve the availability of bilingual services in the family justice system, and will be delivered through the Department of Justice Canada.

Protecting Community Gathering Places From Hate-Motivated Crimes

Canadians of all backgrounds and identities should always feel safe to gather together. This is how we meet new friends, support our neighbours and build strong communities. Unfortunately, as recent tragic events have demonstrated, certain groups of people, because of their race, religion, or sexual orientation, are at risk of being targeted by hate-motivated crimes, threatening their safety and security and the gathering places they enjoy.

■■■ To make needed security improvements to important community gathering spaces—such as schools, community centres, and places of worship—Budget 2019 proposes to provide an additional investment of \$2 million per year, starting in 2019–20, doubling the size of Public Safety Canada's Security Infrastructure Program from \$2 million per year to \$4 million per year until 2021–22. This builds on the measure adopted in Budget 2017, which doubled the original budget of the Security Infrastructure Program for five years. The Program is a component of Public Safety Canada's National Crime Prevention Strategy. This Program aims to make Canada's community gathering spaces safer places to live, work, and play.

Part 5: Canada's International Engagement

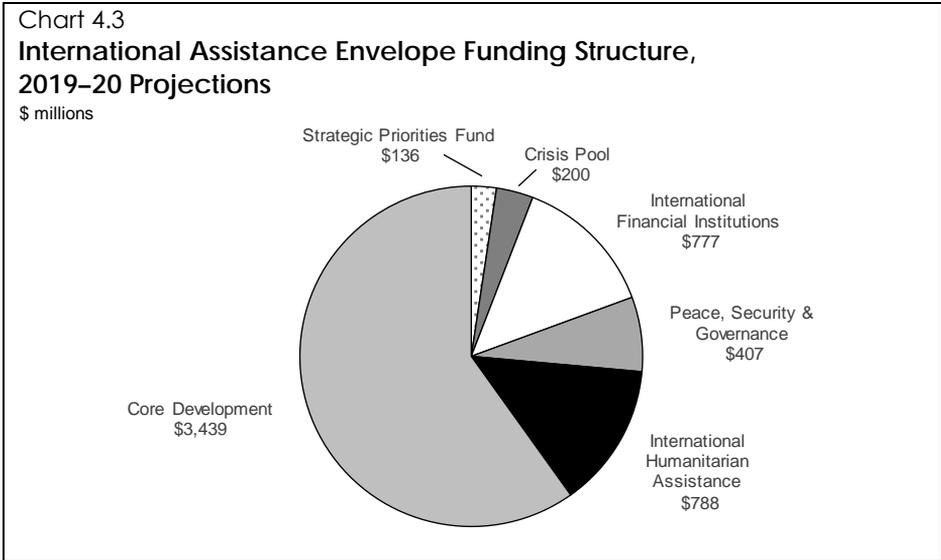
Canada plays a leading role in the world by standing up for human rights and democracy, promoting free and progressive trade, and providing assistance to some of the world's most vulnerable citizens. The values that underpin these actions help to define who we are as Canadians, and contribute to both the prosperity of Canadians at home and Canada's future as a leader in an increasingly interconnected world.

Increasing Canada's International Assistance Envelope

Canada made important investments in Budget 2018 to strengthen the impact of Canada's Feminist International Assistance Policy, and advance our international leadership—providing an additional \$2 billion in new International Assistance Envelope resources over five years, beginning in 2018–19. Budget 2018 also established the new International Assistance Innovation and Sovereign Loans Programs, which will allow the Government of Canada to explore new ways to engage internationally and advance the Sustainable Development Goals. In addition, Canada will be hosting the Women Deliver conference in Vancouver in June 2019. This is the world's largest conference on gender equality, health, rights and well-being of girls and women.

■■■ To continue Canada's efforts as a global leader dedicated to making progress on advancing gender equality and the empowerment of women and girls around the world, and to reinforce our commitment to reduce global poverty, Budget 2019 announces an additional \$700 million in 2023–24 to the International Assistance Envelope. This commitment will ensure that there is clear and predictable funding in place to allow Canada to make strategic investments in international assistance and continue our leadership on the global stage.

The Government has made important legislative updates so that information on Canada's international assistance efforts will be presented in a single consolidated report. This report will help Canadians better understand Canada's international assistance efforts, and promote greater transparency and accountability when it comes to Canada's international assistance programs. This report will also give Canadians and the international community a clearer and more comprehensive update on our progress on implementing the Feminist International Assistance Policy. This report will reconcile the 2018–19 International Assistance Envelope Pool allocations presented in Budget 2018 with Canada's actual 2018–19 International Assistance Envelope expenditures.



Supporting Farmers in Supply Managed Sectors Following Ratification of New Trade Agreements

Canada has a unique place in the world—located next to the world's largest economy to the south, with close historic and economic ties to Europe to the east, and deep connections to the fast-growing Asia-Pacific nations to the west. With the successful conclusion of the Canada-United States-Mexico Agreement, as well as the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Canada is the only G7 country to have free trade agreements with all other G7 nations.

Canada now has comprehensive free trade agreements (FTAs) with countries representing two-thirds of the world's total GDP. The Government's ongoing commitment to free trade with economies around the world—including those in emerging markets—will help to further strengthen and grow the middle class and deliver long term economic growth that benefits all Canadians.

■ ■ ■ Following the recent ratifications of CETA and CPTPP, Budget 2019 proposes up to \$3.9 billion in support for supply-managed farmers:

- Support will be offered to sustain the incomes of eligible dairy, poultry, and egg farmers, by making available up to \$2.4 billion. Of this amount, \$250 million has already been provided to support dairy farmers as a result of CETA, therefore a net amount of up to \$2.15 billion will be available in coming years to deal with income losses associated with these agreements; and
- Assistance will also be offered to protect the value of investments made by farmers in supply-managed sectors, through a Quota Value Guarantee Program that will protect against reduction in quota value when the quota is sold. \$1.5 billion has been set aside for this demand-driven program.

Through 2019, the Government will continue to work in partnership with supply management stakeholders to address the impacts on processing, as well as potential future impacts of the Canada-United States-Mexico Agreement.

Renewing Canada's Middle East Strategy

In February 2016, Canada announced a three-year, whole-of-government strategy for the Middle East. This was undertaken in response to the ongoing crises in Iraq and Syria, and their impact on the region, in particular on Jordan and Lebanon. The Global Coalition has been effective in its mission to degrade and ultimately defeat Daesh in Iraq and Syria. Going forward, Canada will continue to work with the international community to set the conditions for longer-term security and stability, enable civilian-led stabilization programs and support governance efforts.

Middle East Strategy—Key Results Achieved

Through the current Middle East Strategy, Canada has made a real difference in Iraq, Syria, Jordan and Lebanon. With the support of Canada and other Coalition partners:

- Over 7.7 million people, and more than 99 per cent of the territory once held by Daesh in Iraq and Syria, have been freed from Daesh's control.
- More than 18.5 million square metres of land have been cleared of explosives, allowing displaced persons to safely return home.
- Security forces in Iraq, Jordan and Lebanon have received specialized advice, training and equipment to detect and address security threats in the region.

Canadian humanitarian and development assistance has enabled humanitarian partners to provide 8.5 million people with emergency food assistance, as well as training and financial support to 3,600 public schools in Jordan.

■ ■ Budget 2019 confirms the Government's plan to provide an additional \$1.39 billion over two years on a cash basis, starting in 2019–20, to renew the Middle East Strategy, with a greater focus on building stability, governance and long-term resilience. Of this amount, \$967.9 million will be provided from the fiscal framework and \$426 million would be sourced from Global Affairs Canada's existing International Assistance Envelope resources. The overall funding would be allocated as follows:

- \$926 million to support humanitarian, development, stabilization and security, and diplomatic activities.
- \$442 million to renew Operation IMPACT, Canada's military contribution.
- \$25.9 million to support intelligence activities.

Reinforcing Canada's Support for Ukraine

Canada is a steadfast partner of Ukraine, and among the strongest international supporters of the country's efforts to defend itself, and implement democratic and economic reforms.

Since 2015, the Canadian Armed Forces, with the support of Global Affairs Canada, have been providing military training and capacity building to the Ukrainian Armed Forces through Operation UNIFIER, supporting Ukraine in its efforts to maintain its sovereignty and security.

■ ■ The Government remains fully committed to providing this assistance to Ukraine. To that end, Budget 2019 confirms the Government's plan to invest up to \$105.6 million over three years, starting in 2019–20, to renew Operation UNIFIER. This includes \$99.6 million over three years in incremental funding for Canada's military contribution, and up to \$6 million to support broader efforts on defence and security sector reforms in Ukraine allocated by Global Affairs Canada from existing International Assistance Envelope resources.

These efforts complement Canada's participation in North Atlantic Treaty Organization assurance and deterrence measures in Central and Eastern Europe through Operation REASSURANCE, which was extended in July 2018 at a cost of \$514 million over four years.

More Affordable International Remittances

Every day, Canadians rely on international remittances to send money abroad to relatives and friends.

Canadians who transfer money abroad want to be able to do so at a low cost. While the cost of remittances in Canada has fallen over the last decade, the Government is committed to further lowering the costs Canadians incur when sending money abroad—to an average of 5 per cent by 2022 and 3 per cent by 2030, consistent with Canada's Group of Twenty (G20) commitment and the Sustainable Development Goals.

Statistics Canada is undertaking a study on the Canadian remittance market, including its characteristics and costs. Results from the study will be available in the spring of 2019 and will inform future policy directions.

In addition, to support innovation and competition in the remittance market, the Government will hold targeted consultations to explore new ways to facilitate payments system access arrangements for remittance service providers—such as sandboxes or other mechanisms—in the context of implementation of the proposed retail payments oversight framework.

Part 6: Better Government

Canadians work hard every day to support their families and their communities. They deserve a Government that does the same to continuously and responsibly improve the ways it administers and operates programs, and delivers services to Canadians.

This means giving Canadians better access to government services and information—both online and off—and ensuring that the services Canadians rely on are secure, reliable and easy to use.

Investing in Service Canada

Employment and Social Development Canada (ESDC), through Service Canada, is responsible for the delivery of many of the income security programs that Canadians rely on to make ends meet—including Old Age Security, the Guaranteed Income Supplement, the Canada Pension Plan and Employment Insurance.

As Canada's population continues to grow and to age, the demand for timely benefits and services will continue to increase. This is true for both Service Canada's call centres—which respond to more than 10 million calls a year from Canadians—and for the digital service delivery systems that process data and benefit claims. Regular maintenance and improvement of these systems are essential if Canadians are to receive timely benefits and quality service in the years to come.

■ ■ To support Service Canada in providing Canadians with the benefits and information they are entitled to in a timely manner, 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.

Improving Client Services at the Canada Revenue Agency

Canadians deserve to receive prompt, high-quality service in their interactions with Government, including when dealing with the Canada Revenue Agency (CRA). In recent years, the Government—responding to Canadians' concerns about unacceptable delays and other service challenges—has taken steps to ensure that CRA services are fairer, more helpful, and easier to use. This includes a significant investment in Budget 2018, in which the Government provided \$206 million over five years to improve CRA services, and committed to undertake a review of the CRA service model to ensure that Canadians receive the help they need and the good service they deserve.

Review of Canada Revenue Agency Service Model

In 2018, the Government completed a departmental review of the Canada Revenue Agency's (CRA's) service model. This included an in-depth look at whether CRA's compliance, collections, and client services activities are being assigned in the most efficient manner, and investigated whether progress is being made in delivering high-quality services that meet the needs and expectations of Canadians.

As a result of this review, CRA resources will be reallocated internally to improve service delivery for Canadians. This includes:

- *Improved digital services*—Canadians will be notified promptly as progress is made on their file, and will be able to view this progress online.
- *Timely resolution to taxpayers' objections*—Disputes with the CRA will be resolved in a more timely manner, allowing the CRA to more consistently meet its published service standards.
- *Additional liaison officers*—Right now, experienced auditors currently visit about 9,500 new unincorporated businesses each year to guide them through the tax assessment prior to filing their tax returns. CRA will broaden the reach and scope of this service, helping an additional 1,700 more businesses per year, including those that are incorporated.

These changes accompany other important steps recently taken by CRA to support the Government's commitment to service excellence. This includes appointing a Chief Service Officer (CSO) and establishing an External Advisory Panel on Service, to ensure that progress continues to be made in delivering better service to Canadians.

■ ■ To further support the Canada Revenue Agency's ongoing service improvement efforts, Budget 2019 proposes to invest an additional \$50 million over five years, starting in 2019–20, in two key initiatives:

- Every year, at the request of individual tax payers, the CRA processes more than two million adjustments to T1 returns post-filing. Though the volume of changes makes some delay inevitable, Canadians are often frustrated by the time it takes to process these adjustments; in fact, this was a key concern highlighted by the Taxpayers' Ombudsman in her 2018 report. By investing \$34 million over five years to hire additional staff, it will be possible to make these adjustments more quickly, reducing frustration for taxpayers and ensuring that vulnerable Canadians do not encounter unnecessary delays in calculating the credits and benefits to which they are entitled.
- In Budget 2016, the Government invested in a pilot program to provide a dedicated telephone support line for tax service providers, giving them faster and more reliable access to experienced CRA officers. The Government proposes to invest \$16 million over five years to make this well-received program permanent, improving service for the millions of Canadians who work with tax service providers each year.

Improving Immigration Client Service

Canada's ability to offer high-quality client service for those seeking to immigrate to Canada is another important part of our world-class immigration system. As global demand to visit, study or work in, or immigrate permanently to Canada grows, so must the Government's ability to provide services that are accessible, timely and responsive to the needs of existing and potential newcomers to Canada.

■ ■ To help improve immigration client services, 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.

Helping Travellers Visit Canada

Global demand to travel to Canada to visit, work or study is growing. Each year, Canada welcomes millions of tourists, temporary foreign workers and international students who inject billions into our economy. Canada benefits from the contribution of visitors and international students who spend money in our communities, bring fresh perspectives to our institutions, and create linkages to friends and family around the world. Temporary foreign workers are essential in meeting broader short-term labour market needs and ensure that Canada remains responsive to the needs of industries that rely on those workers during peak seasons.

■ ■ To ensure immigration and border officials are well-equipped to facilitate the efficient entry of visitors, while protecting the health and security of Canadians, Budget 2019 proposes to invest \$78.6 million over two years, beginning in 2019–20. This investment will ensure that resources are in place to process global demand for Canadian visitor visas, work and study permits.

Resolving Income Security Program Disputes More Quickly and Easily

The Employment Insurance (EI), the Canada Pension Plan (CPP) and the Old Age Security (OAS) programs provide important income support to millions of Canadians every year. At times, people may disagree with decisions made regarding their claims or benefits. When that occurs, Canadians deserve a recourse process that delivers appropriate decisions in a timely way.

■ ■ ■ To make the recourse process for EI, CPP, and OAS easier to navigate and more responsive to the needs of Canadians, Budget 2019 proposes to invest \$253.8 million over five years, starting in 2019–20, with \$56.7 million per year ongoing. This investment will fund a series of proposed changes that build on the recommendations of a 2017 independent review of the Social Security Tribunal of Canada, and on the views expressed by Canadians through subsequent consultations, and will ensure that decision timelines are shortened at every stage of the process.

Ensuring Proper Payment for Public Servants

Canada's public servants work hard in service of all Canadians and deserve to be paid properly and on time for their important work. The Phoenix pay system for federal public servants was originally intended to save money, however, since its launch it has resulted in unacceptable pay inaccuracies—resulting in hardships for public servants across the country. Serious issues and challenges with the pay system continue, and too many of Canada's public servants are not being properly paid, or are waiting for their pay issues to be resolved.

■ ■ ■ To continue 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, to reduce the likelihood of errors occurring in the first place.

■ ■ ■ To ensure that the Canada Revenue Agency is able to 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.

While the Phoenix pay system has been underpaying some public servants, it has also been paying others too much. Under current legislation, any employee who received an overpayment in a previous year is required to pay back the gross amount of this overpayment to their employer. The employee must recover from the Canada Revenue Agency the excess income tax, Canada Pension Plan contributions and Employment Insurance premiums that were deducted by their employer when the overpayment was made. On January 15, 2019, the Government proposed legislative amendments that would allow overpaid employees working in both the public and private sectors to repay their employer only the net amount they received after these deductions. The proposed amendments are intended to alleviate the burden faced by employees who were required to make repayments larger than the amounts they received from their employer, creating uncertainty and potential financial hardship.

Moving Toward the Next Generation Pay System for the Federal Public Service

In Budget 2018, the Government announced its intention to move away from the Phoenix pay system toward one better aligned to the complexity of the Government's pay structure and to the future needs of Canada's world-class public service.

Working cooperatively with experts, federal public sector unions, employees, pay specialists and technology providers, the Treasury Board Secretariat (TBS) launched a process to review lessons learned, and identify options for a next-generation pay solution.

As part of this process, pay system suppliers were invited to demonstrate possible solutions, which were directly tested with users. Based on feedback from users and participating stakeholders, TBS has been able to identify options with the potential to successfully replace the Phoenix pay system. As a next step, the Government will work with suppliers and stakeholders to develop the best options, including pilot projects that will allow for further testing with select departments and agencies, while assessing the ability of suppliers to deliver.

Finally, TBS will continue to engage public servants throughout this process, to ensure that their feedback is fully reflected in any future solution.

Part 7: A Fair Tax System for All Canadians

The Government is committed to building an economy that works for everyone. To do that, we need a tax system that is fair, and we need all Canadians to pay their fair share.

The taxes Canadians pay help to build the infrastructure that keeps people moving and our economy growing. They help support the schools that teach us when we're young and pay for the medical care that keeps us healthy as we age. They also help to create good, well-paying jobs—and provide a solid social safety net to help people when they lose their jobs.

It's important to all Canadians that the Government be able to deliver the programs and services Canadians rely on, while keeping taxes low for the middle class. In each of its budgets, the Government has strengthened the Canada Revenue Agency's ability to crack down on tax evasion and combat tax avoidance, and proposed measures to close tax loopholes—often used by the wealthiest Canadians—that result in unfair tax advantages for some at the expense of others.

Budget 2019 builds on this approach, with additional measures aimed at ensuring Canada's tax system is efficient, effective and fair.

Improving Tax Compliance

The taxes we pay support government services that benefit all Canadians—from health care and education to affordable housing and public safety. By cracking down on tax evasion and aggressive tax avoidance, the Government is ensuring that it has the money needed to deliver the programs that Canadians depend on.

Significant investments have been made in recent years to strengthen the Canada Revenue Agency's (CRA's) ability to unravel complex tax schemes, increase collaboration with international partners, and ultimately bring offenders to justice.

These investments have already yielded positive results.

Starting in 2015, the CRA expanded the number of audit teams that focus on high net worth individuals and their associated corporate structures. As a result, there are now more than 1,100 offshore audits underway, resulting in more than 50 criminal investigations with links to offshore transactions.

To further combat tax evasion and aggressive tax avoidance, Budget 2019 proposes to invest an additional \$150.8 million over five years, starting in 2019–20. This investment will allow the CRA to fund new initiatives and extend existing programs, including:

- Hiring additional auditors, conducting outreach and building technical expertise to target non-compliance associated with cryptocurrency transactions and the digital economy.
- Creating a new data quality examination team to ensure proper withholding, remitting and reporting of income earned by non-residents.
- Extending programs aimed at combatting offshore non-compliance.

Budget 2019 accounts for the expected revenue impact from these targeted compliance initiatives, of \$369.0 million over five years. These amounts do not reflect the gain that will be realized by provinces and territories, whose tax revenues will also increase as a result of these initiatives.

 To help the CRA stay ahead of non-compliance schemes driven by the use of new, advanced technologies, 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.

Strengthening Beneficial Ownership Transparency

In December 2017 the Minister of Finance and his provincial and territorial counterparts jointly committed to improving corporate transparency so that Canadian authorities can more clearly know who owns which corporations in Canada. The Ministers also agreed to work together to better harmonize corporate ownership record requirements between jurisdictions.

To that end, the *Canada Business Corporations Act* was amended to require federally incorporated corporations to maintain beneficial ownership information. In Budget 2019, the Government proposes further amendments to the Act to make the beneficial ownership information maintained by federally incorporated corporations more readily available to tax authorities and law enforcement.

What Is Beneficial Ownership?

Beneficial ownership refers to the identity of individuals who own, control or profit from a corporation or trust.

In addition, Budget 2018 proposed the introduction of enhanced tax reporting requirements for trusts, effective for the 2021 and later taxation years, in order to improve the collection of beneficial ownership information for income tax purposes.

The Government will continue to collaborate with the provinces and territories to assess how best to improve corporate ownership transparency.

Strengthening Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime

Money laundering, terrorist financing and tax evasion are a threat to Canadians' safety, security and quality of life, and harm the integrity and stability of the financial sector and the broader economy. Canada takes a comprehensive and coordinated approach to combatting money laundering, terrorist financing and organized crime. However, those seeking to launder proceeds of crime—or raise, transfer and use funds for the purposes of terrorism—are finding new ways to exploit the complex global financial system and evade the considerable protections already in place in Canada. There are growing concerns that illicit funds are finding their way into the Canadian economy through channels that millions of Canadians rely on, including corporations, real estate and trade.

The recent report by the House of Commons Standing Committee on Finance entitled *Confronting Money Laundering and Terrorist Financing: Moving Canada Forward* provides a roadmap to respond to current and future threats. Budget 2019 proposes an integrated plan to modernize Canada's AML/ATF framework and strengthen data resources, financial intelligence and information sharing to identify and meet evolving threats—while continuing to protect the privacy rights of Canadians and manage the regulatory burden on the private sector.

A first phase of concerted action will give police the resources they need to tackle financial crime and address gaps in information sharing. It will also dedicate new resources to identify and address complex money laundering operations in Canada.

The Government proposes to:

■ ■ ■ Strengthen federal policing operational and investigative capacity by providing up to \$68.9 million over five years, beginning in 2019–20, and \$20.0 million per year ongoing, to the Royal Canadian Mounted Police.

■ ■ ■ Create the Anti-Money Laundering Action, Coordination and Enforcement (ACE) Team, which will bring together dedicated experts from across intelligence and law enforcement agencies to strengthen inter-agency coordination and cooperation and identify and address significant money laundering and financial crime threats. Budget 2019 proposes to invest \$24 million over five years, beginning in 2019–20, for Public Safety Canada to implement the ACE Team as a pilot initiative.

■ ■ ■ Create a multi-disciplinary Trade Fraud and Trade-Based Money Laundering Centre of Expertise, which will complement the efforts of the ACE Team. This initiative will strengthen capacity at the Canada Border Services Agency and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) to target these growing threats. Budget 2019 proposes to invest \$28.6 million over four years, beginning in 2020–21, with \$10.5 million per year ongoing to create a multi-disciplinary Trade Fraud and Trade-Based Money Laundering Centre of Expertise.

■ ■ ■ Strengthen operational capacity at FINTRAC, Canada's AML/ATF regulator and financial intelligence unit, to:

- Improve oversight of modern financial practices related to virtual currencies, foreign money service businesses, pre-paid products and customer identification.
- Expand public-private partnership projects to improve the overall efficiency and effectiveness of the AML/ATF Regime.
- Increase outreach and examinations in the real estate and casino sectors with a focus on the province of British Columbia.

■ ■ ■ Budget 2019 proposes to invest \$16.9 million over five years in FINTRAC, beginning in 2019–20, and \$1.9 million per year ongoing to advance these objectives.

■ ■ ■ Budget 2019 also proposes complementary legislative measures to strengthen Canada's legal framework and support operational capacity. With these measures, Canada will adopt international best practices, provide new tools for investigators and prosecutors, and support regulatory compliance by the private sector.

Budget 2019 proposes to make legislative amendments to:

- Add an alternative requirement of recklessness to the offence of money laundering in the *Criminal Code*. This would criminalize the activity of moving money on behalf of another person or organization while being aware that there is a risk that this activity could be money laundering and continuing with that activity in spite of the risk. It would also provide law enforcement with an important, practical tool in the fight against professional money launderers in Canada.

- Add Revenu Québec and the Competition Bureau as disclosure recipients of FINTRAC financial intelligence by amending the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA)*, and provide \$2.4 million over five years, beginning in 2019–20, and \$0.5 million per year ongoing for FINTRAC to develop additional expertise and capacity.
- Modify the timing and the discretion of the Director of FINTRAC to make public certain information related to an administrative monetary penalty, by amending the PCMLTFA.
- Exclude the identity of a reporting entity, the nature of the violations and the amount of the penalty imposed from the scope of any confidentiality order that a court may issue in relation of the administrative monetary penalty, by amending the PCMLTFA.
- Broaden access to specialized asset management services at Public Services and Procurement Canada by amending the *Seized Property Management Act*.
- Make technical amendments to the PCMLTFA to expand the definition of designated information, clarify terminology and improve readability.

Collecteur Project: A Vast Money Laundering Network Dismantled

Dismantling complex money laundering networks that fuel criminal activity requires significant investment of time and resources—as well as cooperation across domestic and international law enforcement agencies. The Collecteur Project, a major investigation led by the Royal Canadian Mounted Police, in cooperation with the Canada Revenue Agency, led to the arrests of 17 individuals associated with a vast money laundering network in mid-February 2019. The network moved money collected from criminal groups in Montréal, through various individuals and currency exchange offices in Toronto, using an informal value transfer system with connections in Lebanon, the United Arab Emirates, Iran, the United States and China. The funds were then returned to drug-exporting countries such as Colombia and Mexico. To date, the estimated value of assets seized and restrained through the investigation totals more than \$32.8 million, including drugs, cash, properties, and money in bank accounts.

Combatting Aggressive International Tax Avoidance

Update on the Base Erosion and Profit Shifting Project

The Government is committed to safeguarding Canada's tax system and to that end continues to be an active participant in the Organisation for Economic Co-operation and Development/Group of Twenty (OECD/G20) project known as the Base Erosion and Profit Shifting (BEPS) initiative. BEPS refers to international planning used by some corporations and wealthy individuals to inappropriately avoid paying taxes by shifting profits earned in Canada to other offshore jurisdictions. The Government continues to work with its international partners to improve and update the international tax system, and to ensure a coherent and consistent response to fight cross-border tax avoidance.

Ongoing Base Erosion and Profit Shifting Project

Country-by-Country Reporting

Large multinational enterprises in Canada and elsewhere are now required to file country-by-country reports that include information on their global allocation of income and taxes, as well as the nature of their global business activities. These reports are exchanged between the Canada Revenue Agency (CRA) and other tax authorities with whom Canada has the required exchange agreements in place.

Country-by-country reports are an important tool in combatting Base Erosion and Profit Shifting (BEPS) by providing the CRA and other tax authorities with new information to better assess transfer pricing risks (transfer pricing refers to the prices and other conditions that apply to transactions between members of multinational enterprises; while these are supposed to reflect what arm's length parties would do, there is the risk that multinational enterprises will use transfer pricing to shift profits from Canada to low-tax jurisdictions). The first exchanges of these reports took place in 2018. Canada is now participating in an OECD review of the standard for these reports to ensure that they provide tax administrations with better information that allows for proper assessment of transfer pricing and other BEPS risks. This review is scheduled to be completed in 2020.

Multilateral Instrument

The *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* (known as the Multilateral Instrument or MLI) is an important tool in facilitating a number of the measures developed under the OECD/G20 BEPS project, and in combatting international tax avoidance. The MLI is intended to allow participating jurisdictions to modify their existing tax treaties without having to individually renegotiate those treaties. Canada, along with another 86 jurisdictions to date, is a signatory to the MLI. The Government is taking the necessary steps to enact the MLI into Canadian law and to ratify the MLI as needed to bring it into force.

Strengthening Canada's International Tax Rules

The Government is also taking action to protect the integrity and improve the fairness of Canada's international tax system. This system includes rules to prevent taxpayers from avoiding Canadian income tax by shifting property income into foreign resident corporations. It also includes rules aimed at ensuring that non-residents pay their fair share of tax on income derived from Canadian sources.

To further strengthen Canada's international tax rules, the Government proposes to:

- Extend the foreign affiliate dumping rules in the *Income Tax Act* to prevent a corporation resident in Canada that is controlled by a non-resident individual or trust from reducing its tax payable by investing in a foreign affiliate.
- Introduce an ordering rule to ensure that the transfer pricing rules (i.e., rules that apply to certain international transactions) in the *Income Tax Act* apply before other provisions of the Act.
- Ensure that the term "transaction" has the same meaning in both the transfer pricing rules and the assessment rules in the *Income Tax Act*.
- Prevent non-resident taxpayers from avoiding Canadian dividend withholding tax on compensation payments made under cross-border share lending arrangements with respect to Canadian shares.

Employee Stock Options

In Budget 2016, the Government committed to undertake a wide-ranging review of federal tax expenditures. Individuals and businesses had expressed concerns about the efficiency and fairness of Canada's tax system, and how some tax expenditures unfairly benefit the wealthiest Canadians rather than the middle class and those people working hard to join it.

Since Budget 2016, the Government has taken many actions to improve the fairness of the tax system including eliminating the ability to artificially multiply the small business deduction, limiting the ability to use businesses to shelter investment income and cracking down on tax evasion and aggressive tax avoidance. In total, the Government's actions are expected to recoup over \$3 billion per year in revenues (see Annex 5) which have been reinvested in tax reductions and benefits going to middle class families, seniors and Canadians who need it most.

Budget 2019 announces the Government's intent to limit the use of the current employee stock option tax regime and move toward aligning the tax treatment with the United States for employees of large, long-established, mature firms.

Employee stock options, which provide employees with the right to acquire shares of their employer at a designated price, are an alternative compensation method used by businesses to increase employee engagement, and promote entrepreneurship and growth. Many smaller, growing companies, such as start-ups, do not have significant profits and may have challenges with cash flow, limiting their ability to provide adequate salaries to hire talented employees. Employee stock options can help such companies attract and retain talented employees by allowing them to provide a form of remuneration linked to the future success of the company.

To support this objective, the tax rules provide employee stock options with preferential personal income tax treatment in the form of a stock option deduction which effectively results in the benefit being taxed at a rate equal to one half of the normal rate of personal taxation, the same rate as capital gains. The tax benefits of the employee stock option deduction, however, disproportionately accrue to a very small number of high-income individuals.

Table 4.1

Distribution of Employee Stock Option Deduction by Income (2017)

Individual's total income ¹ (\$)	Stock option deduction claimed			
	Number of individuals	Average amount (\$)	Aggregate amount (\$ millions)	Per cent of aggregate amount
Under 200,000	20,140	6,000	120	6
200,000 to 1,000,000	14,160	44,000	630	30
Over 1,000,000	2,330	577,000	1,340	64
Overall	36,630	57,000	2,090	100

¹ Including stock option benefits.

Note: Numbers may not add due to rounding.

Source: Tax filer data for the 2017 taxation year.

When examining the evidence, it is clear that the employee stock option deduction is highly regressive. In 2017, 2,330 individuals, each with a total annual income of over \$1 million, claimed over \$1.3 billion of employee stock option deductions. In total, these 2,330 individuals, representing 6 per cent of stock option deduction claimants, accounted for almost two-thirds of the entire cost of the deduction to taxpayers.

The public policy rationale for preferential tax treatment of employee stock options is to support younger and growing Canadian businesses. The Government does not believe that employee stock options should be used as a tax-preferred method of compensation for executives of large, mature companies.

To address this inequity, the Government intends to move forward with changes to limit the benefit of the employee stock option deduction for high-income individuals employed at large, long-established, mature firms. In its approach, the Government will be guided by two key objectives:

1. to make the employee stock option tax regime fairer and more equitable for Canadians, and
2. to ensure that start-ups and emerging Canadian businesses that are creating jobs can continue to grow and expand.

Specifically, the Government will move toward aligning Canada's employee stock option tax treatment with that of the United States by applying a \$200,000 annual cap on employee stock option grants (based on the fair market value of the underlying shares) that may receive tax-preferred treatment for employees of large, long-established, mature firms. Under this approach, the vast majority of employees of these firms that may receive employee stock option benefits would be unaffected.

For start-ups and rapidly growing Canadian businesses, employee stock option benefits would remain uncapped. In this manner, start-ups and emerging Canadian businesses will be protected and maintain the ability to use employee stock options as an effective tool to attract and reward employees and accelerate their growth.

Further details of this measure will be released before the summer of 2019.

Any changes would apply on a go-forward basis only and would not apply to employee stock options granted prior to the announcement of legislative proposals to implement any new regime.

How a new regime for taxing employee stock options could affect employees who are granted employee stock options

Henry is an executive of a large, long-established, mature company that has an employee stock option plan. Henry's employer grants him stock options to acquire 100,000 shares at a price of \$50 per share (the fair market value of the shares on the date the options are granted), with all of the options vesting in a future year. Since the fair market value of the underlying shares at the time of grant ($\$50 \times 100,000 = \5 million) exceeds the \$200,000 limit, the amount of stock options that can receive preferential tax treatment will be capped. In particular, the stock option benefits associated with 4,000 ($\$200,000 \div \$50 = 4,000$) of the options can continue to receive preferential personal income tax treatment, while the stock option benefits associated with the remaining 96,000 options will be included in Henry's income and fully taxed at ordinary rates and deductible for corporate income tax purposes.

For instance, if the price of the shares has increased to \$70 at the time that Henry exercises the options, \$1,920,000 ($\$70 \times 96,000 - \$50 \times 96,000$) of the employee stock option benefit will be included in Henry's income and fully taxed at ordinary rates, while only \$80,000 ($\$70 \times 4,000 - \$50 \times 4,000$) of the benefit will receive preferential personal income tax treatment (with no deduction to the employer).

This treatment is very different from the tax treatment Henry could receive under current tax rules, under which he would generally be entitled to a \$1,000,000 employee stock option deduction on the \$2,000,000 employee stock option benefit.

Clara is a senior manager at the same large, long-established, mature company, which grants her employee stock options to acquire 3,000 shares at a price of \$50 per share (the fair market value of the shares on the date the options are granted). Since the fair market value of the underlying shares at the time of grant ($\$50 \times 3,000 = \$150,000$) is within the \$200,000 limit, all of the stock option benefits associated with these options will continue to receive preferential personal income tax treatment.

For instance, if the price of the shares has increased to \$70 at the time that Clara exercises the options, her stock option benefit of \$60,000 ($\$70 \times 3,000 - \$50 \times 3,000$) will continue to receive preferential personal income tax treatment.

Amanda is an employee of a start-up company that has an employee stock option plan. Amanda's employer grants her stock options to acquire 100,000 shares at a price of \$1 per share. Since Amanda received these options from a start-up, all of the stock option benefits associated with the options will continue to receive preferential personal income tax treatment.

For instance, if the price of the shares has increased to \$6 at the time that Amanda exercises the options, her stock option benefit of \$500,000 ($\$6 \times 100,000 - \$1 \times 100,000$) will continue to receive preferential personal income tax treatment.

Adjusting the Rules for Cannabis Taxation

New classes of cannabis products, namely edible cannabis, cannabis extracts, and cannabis topicals, will be permitted for legal sale under the *Cannabis Act* later this year. The Government is proposing that the excise duty framework for cannabis products be amended to more effectively apply the excise duty on these new classes of cannabis products, as well as to cannabis oils, which are already legally available for sale. This proposed change will result in the framework better reflecting recommendations from the expert Task Force on Cannabis Legalization and Regulation and feedback received from the cannabis industry.

For most products, namely fresh and dried cannabis, and seeds and seedlings, there will be no changes to the current excise duty framework. However, for cannabis edibles, cannabis extracts (which will include cannabis oils), and cannabis topicals, excise duties will be imposed on the quantity of tetrahydrocannabinol (THC) contained in a final product.

The proposed THC-based rate will help simplify the excise duty calculation for specific cannabis products and ease compliance issues that producers have encountered with respect to cannabis oils. Certain low-THC products (e.g., cannabis oils) will also generally be subject to lower excise duties than before, providing further tax relief for cannabis products typically used by individuals for medical purposes.

The proposed measure will come into effect on May 1, 2019, and will not affect the federally administered co-ordinated revenue-sharing agreements reached with most provincial and territorial governments, and is not expected to materially change the overall projected excise duty revenues presented in Budget 2018.

Improving Access to the Canada Workers Benefit Throughout the Year

Budget 2018 introduced the new Canada Workers Benefit (CWB), a refundable tax credit that helps supplement the earnings of low-income workers, by letting them take home more money while they work. The CWB features a payment option through which beneficiaries are able to receive up to four advance payments of the benefit throughout a year, totalling up to half of their estimated CWB entitlement for the year. Currently, this provision is little used.

■ ■ ■ To give low-income workers improved access to support throughout the year, Budget 2019 proposes to provide the Canada Revenue Agency (CRA) with \$4 million over two years, starting in 2019–20, to conduct targeted outreach. This outreach would increase awareness of the CWB, including the advance payment provision.

Budget 2019 further proposes that this funding be used to allow low-income workers to apply online for advance payment of the Canada Workers Benefit through the CRA's My Account portal. The Government intends to determine what investments are required to support the delivery of the Benefit, while reducing the paper burden for eligible workers, and will continue to look for ways to improve the Canada Workers Benefit and support more Canadians working hard to join the middle class.

Intergenerational Business Transfers

The Government understands the importance Canadian farmers, fishers and other business owners place on being able to pass their businesses on to their children. The Government will continue its outreach to farmers, fishers and other business owners throughout 2019 to develop new proposals to better accommodate intergenerational transfers of businesses while protecting the integrity and fairness of the tax system.

Small Business Deduction—Farmers and Fishers

Currently, certain relief is given to Canadian-controlled private corporations carrying on a farming or fishing business from the tax rules designed to prevent the multiplication of the small business deduction. Budget 2019 proposes to extend that relief to sales of farming products and fishing catches to any arm's length corporation. This measure applies to taxation years that begin after March 21, 2016.

Closing Tax Loopholes

In each of its previous three budgets, the Government has taken action to ensure that Canada's tax rules function as intended and that they do not result in unfair tax advantages for some at the expense of others. Budget 2019 continues this approach by proposing measures to close tax loopholes that can result in some people paying less than their fair share. Ongoing legislative adjustments help ensure the integrity of Canada's tax system and give Canadians greater confidence that the system is fair for everyone.

To make Canada's tax system more fair, Budget 2019 proposes to:

- Prevent the use by mutual fund trusts of a method of allocating capital gains or income to their redeeming unitholders where the use of that method inappropriately defers tax or converts fully taxable ordinary income into capital gains taxed at a lower rate.
- Improve existing rules meant to prevent taxpayers from using derivative transactions to convert fully taxable ordinary income into capital gains taxed at a lower rate.
- Stop the use of individual pension plans to avoid the prescribed transfer limits. These limits are meant to prevent inappropriate tax deferrals when individuals transfer assets out of certain types of pension plans.

Chapter 4 - Delivering Real Change

millions of dollars

	2018– 2019	2019– 2020	2020– 2021	2021– 2022	2022– 2023	2023– 2024	Total
Part 1. Health and Well-Being							
Introducing a National Dementia Strategy	0	3	12	12	12	12	50
Creating a Pan-Canadian Database for Organ Donation and Transplantation	0	1	6	10	10	10	37
Expanding Health Related Tax Relief	0	0	0	0	0	0	0
Enhancing the Federal Response to the Opioid Crisis in Canada	0	7	11	6	4	2	31
Supporting a Pan-Canadian Suicide Prevention Service	0	5	5	5	5	5	25
Supporting Community-Based Housing for People with Complex Health and Social Needs in PEI	0	10	10	10	10	10	51
<i>Less: Funds Sourced from Existing Departmental Resources</i>	0	-10	-10	-10	-10	-10	-51
Supporting a Safe and Non-Discriminatory Approach to Plasma Donation	0	1	2	0	0	0	2
Supporting Employment for Persons with Intellectual Disabilities and Autism Spectrum Disorders	0	4	4	4	0	0	12
More Accessible Federal Government Workplaces	0	2	3	4	3	3	14
Inclusion of Canadians with Visual Impairments and Other Print Disabilities	0	9	5	6	4	2	27
<i>Less: Funds Sourced from Existing Departmental Resources</i>	0	-3	0	0	0	0	-3
Improvements to the Registered Disability Savings Plan	0	3	17	28	30	31	109
Introducing a Food Policy for Canada	0	36	43	53	54	54	239
<i>Less: Funds existing in the Fiscal Framework</i>	0	-10	-15	-25	-25	-25	-100
<i>Less: Funds Sourced from Existing Departmental Resources</i>	0	-1	-1	-1	-1	-1	-6
Addressing the Challenges of African Swine Fever	0	5	8	6	6	6	31
The Social Finance Fund	0	25	25	0	0	0	50
<i>Less: Funds from 2018 Fall Statement</i>	0	-15	-35	0	0	0	-50
Part 1. Health and Well-Being Total	0	71	89	108	101	98	467
Part 2. Support for Diversity, Culture and the Arts							
Expanding Support for Artists and Cultural Events	0	31	31	0	0	0	61
Advancing Gender Equality	0	10	10	20	40	80	162
Expanding the Work of the LGBTQ2+ Secretariat	0	10	11	0	0	0	21
Introducing a New Anti-Racism Strategy	0	17	15	13	0	0	45
Supporting Black Canadian Communities	0	5	5	5	5	5	25
Supporting Canadian Journalism Tax Credit for Journalism Organizations	0	0	75	95	95	95	360
Tax Credit for Digital News Subscriptions	0	5	26	31	36	41	138

Chapter 4 - Delivering Real Change

millions of dollars

	2018– 2019	2019– 2020	2020– 2021	2021– 2022	2022– 2023	2023– 2024	Total
Access to Charitable Tax Incentives for Not-for-Profit Journalism	0	6	25	32	22	11	96
<i>Less: Funds from Previous Budgets or Fall Statements</i>	0	-45	-105	-130	-150	-165	-595
Supporting Donations of Cultural Property	0	0	0	0	0	0	0
Ensuring a Safe and Healthy Sport System	0	6	6	6	6	6	30
Part 2. Support for Diversity, Culture and the Arts Total	0	45	98	72	54	73	343
Part 3. Support for Canada's Veterans and Their Families							
Supporting Veterans as They Transition to Post-Service Life	0	33	28	25	25	24	136
Supporting Research on Military and Veteran Health	0	1	7	7	7	7	30
Supporting Veteran's Families	0	30	30	30	30	30	150
Commemorating Canada's Veterans	0	1	1	1	0	0	3
Juno Beach Centre	0	1	1	1	1	1	3
Recognizing Métis Veterans	0	30	0	0	0	0	30
Part 3. Support for Canada's Veterans and Their Families Total	0	95	66	64	63	62	351
Part 4. Public Safety and Justice							
Protecting Canada's Critical Infrastructure from Cyber Threats	0	22	32	39	26	26	145
<i>Less: Funds from Previous Budgets or Fall Statements</i>	0	-3	-11	-7	-6	-6	-34
<i>Less: Funds Sourced from Existing Departmental Resources</i>	0	-5	-5	-5	-5	-5	-23
Growing Canada's Advantage in Cyber Security	0	0	20	20	20	20	80
Protecting Democracy	0	8	10	11	12	12	52
<i>Less: Funds Sourced from Existing Departmental Resources</i>	0	-1	-1	-1	-1	0	-4
Protecting Canada's National Security	0	13	14	14	14	14	70
<i>Less: Funds Sourced from Existing Departmental Resources</i>	0	-1	-1	-1	-1	-1	-3
Enhancing Accountability and Oversight of the CBSA	0	1	3	6	7	7	24
Strengthening the Royal Canadian Mounted Police	0	96	112	100	100	100	509
Enhancing the Integrity of Canada's Borders and Asylum System	0	362	460	229	65	60	1,176
Protecting People from Unscrupulous Immigration Consultants	0	11	11	10	10	10	52
Ensuring Better Disaster Management Preparation and Response	0	18	33	36	35	34	156
Improving Emergency Medical Response in Western Canada	65	0	0	0	0	0	65
Protecting Children from Sexual Exploitation Online	0	4	9	9	0	0	22
Giving Canadians Better Access to Public Legal Education and Information	0	2	2	2	2	2	8
Supporting Access to Family Justice in the Official Language of One's Choice	0	0	4	4	4	4	17

Chapter 4 - Delivering Real Change

millions of dollars

	2018– 2019	2019– 2020	2020– 2021	2021– 2022	2022– 2023	2023– 2024	Total
Protecting Community Gathering Places from Hate Motivated Crimes	0	2	2	2	2	2	10
Part 4. Public Safety and Justice Total	65	529	695	468	285	281	2,323
Part 5. Canada's International Engagement							
Increasing Canada's International Assistance Envelope	0	0	0	0	0	700	700
<i>Less: Funds from Previous Budgets or Fall Statements</i>	0	0	0	0	0	-600	-600
Renewing Canada's Middle East Strategy	0	666	721	2	2	2	1,394
<i>Less: Existing International Assistance Envelope Resources</i>	0	-213	-213	0	0	0	-426
Reinforcing Canada's Support for Ukraine	0	36	34	36	0	0	106
<i>Less: Existing International Assistance Envelope Resources</i>	0	-2	-2	-2	0	0	-6
Part 5. Canada's International Engagement Total	0	488	540	36	2	102	1,167
Part 6. Better Government							
Investing in Service Canada	0	124	112	62	9	0	305
<i>Less: Funds from CPP Account</i>	0	-21	-24	-12	-7	0	-64
<i>Less: Projected Revenues</i>	0	-1	-2	-2	-2	-2	-7
Improving Client Services at the Canada Revenue Agency	0	38	40	41	41	38	198
<i>Foregone Revenues</i>	0	25	25	25	25	25	125
<i>Less: Funds Sourced from Existing Departmental Resources</i>	0	-30	-30	-30	-30	-30	-148
Improving Immigration Client Service	0	18	25	0	0	0	43
Helping Travellers Visit Canada	0	38	40	0	0	0	79
Resolving Income Security Program Disputes More Quickly and Easily	0	36	46	59	57	57	254
<i>Less: Funds from CPP Account</i>	0	-8	-14	-15	-14	-14	-65
<i>Less: Projected Revenues</i>	0	-11	-32	-33	-35	-36	-148
Ensuring Proper Payments for Public Servants	22	366	74	77	8	8	554
<i>Less: Funds existing in the Fiscal Framework</i>	-18	0	0	0	0	0	-18
Part 6. Better Government Total	3	574	260	171	53	46	1,108
Part 7. A Fair Tax System for All Canadians							
Improving Tax Compliance	0	23	43	44	48	59	217
<i>Less: Projected Revenues</i>	0	-65	-76	-76	-76	-76	-369
Strengthening Canada's AML-ATF Regime	0	16	28	35	42	39	161
<i>Less: Funds Sourced from Existing Departmental Resources</i>	0	-4	-5	-5	-2	0	-16
Adjusting the Rules for Cannabis Taxation	0	0	0	0	0	0	0
Improving Access to the Canada Workers Benefit Throughout the Year	0	4	1	0	0	0	4
Small Business Deduction - Farmers and Fishers	0	0	0	0	0	0	0
Closing Tax Loopholes	0	-25	-105	-90	-75	-55	-350
Part 7. A Fair Tax System for All Canadians Total	0	-52	-114	-92	-63	-33	-354
Chapter 4 - Net Fiscal Impact	68	1,750	1,635	829	495	630	5,406

Notes: "0" indicates a nil amount or small amount (less than \$500,000).