

# 2024 EXECUTIVE SUMMARY



Following weeks of housing, affordability, and defence announcements, the Trudeau government has unveiled Budget 2024: Fairness for Every Generation. Since summer 2024, the federal liberals have upped their focus on young Canadians who feel that they can't catch a break and their parents who are concerned about their children and grandchildren's success and prosperity.

Deputy Prime Minister and Minister of Finance Chrystia Freeland announced \$39.2 billion over five years and has not been shy in spending on big-ticket items as the government looks to an election in 2025. This accounts for several new measures that had been previewed - \$8.5 billion in housing and a defence policy with multiyear commitments priced at just under \$10 billion.

While pundits and journalists mused if there was anything left to be unveiled on Budget Day, significant increases to capital gains taxes, focusing on the 'ultra-rich' was the government's answer on how they will pay for these multi-billion-dollar commitments.

The government has underscored that they have maintained their 'fiscal anchors' while rolling out significant spending measures. This is reflected in the projected deficit for 2024-2025 is relatively unchanged from the Fall Economic Statement 2023 at \$39.8 Billion.

Having faced criticism from Premiers about overreach into their domain, the government is demonstrating their resolve in program delivery, working directly with municipalities in many cases even if it means increased tensions among Canada's Premiers. This is most acutely seen in their housing and pharmacare programs.

# 2024

## EXECUTIVE SUMMARY



While the government has kept a busy communications schedule in their pre-budget rollout, don't expect that to change now that the Budget has been unveiled. The federal liberals will continue to hit the pavement post-budget covering all corners of the country to talk to as many Canadians as they can reach.

### **CONCLUSION**

With nearly half a trillion dollars of spending unveiled in Budget 2024, significant changes to capital gains taxes is how the government will pay for significant housing commitments. Cell phone bills, bank fees, and grocery prices continue to remain a focus for the government as they continue to tackle the affordability crisis and corresponding public opinion numbers.

It is anticipated that this Budget will pass with the support of the NDP as the government has fulfilled its commitment to deliver on pharmacare and neither party is looking to trigger an election this year. Pierre Poilievre and the federal conservatives will continue their 'axe the tax' campaign and drive their message advocating for change in government come the next election.

The coming months will see what results come from earlier changes made to the Competition Bureau which has been the government's response in many of these sectors. Will millennials and Gen X and Zs feel that the federal liberals are listening to their concerns is yet to be reflected in poll numbers but the government will certainly continue to sell their plan from coast to coast to coast over the next number of weeks.



# HOUSING

Budget 2024 unveiled the government's housing strategy to build 3.87 million new homes by 2031. This will be done in partnership with municipalities, provinces and territories over the coming months and years as they drive towards delivering on this commitment.

While their pre-budget rollout has focused on new housing, it is worth noting that the government has indicated that they want to restrict the purchasing of single-family homes by large corporate investors. Consultations will be launched with further details to come in the Fall Economic Statement.

The government is also mulling a new tax on vacant residentially zoned land to unlock additional units which is something to watch for in the Fall Economic Statement.

Several program areas were included in yesterday's budget like the Apartment Loan Construction Program, the Canada Builds Program and significant investments in Indigenous Housing and campus housing.

## KEY INFO

- Restrict the purchasing of single-family homes by large corporate investors
- Mulling a new tax on vacant residentially zoned land

## 3.87 MILLION NEW HOMES BY 2031





# PHARMACARE

After months of deliberations with the NDP and the introduction of legislation, the government has allocated \$1.5 billion over five years in its long-anticipated first phase of a national pharmacare program with contraception and diabetes medications as the first to be rolled out. The budget did not specify when Canadians will no longer have to pay for these medications and contraceptives as it's subject to negotiations with the provinces and territories and have set aside \$59 million for this program.

**\$1.5 BILLION OVER FIVE YEARS FOR THE FIRST PHASE OF A NATIONAL PHARMACARE PROGRAM**

## KEY INFO

- Funding allocation to the first phase of a national pharmacare program
- The budget did not specify when Canadians will no longer have to pay





# CAPITAL GAINS

The biggest tax measure in the budget was a significant change to the capital gains tax rate which is projected to boost government revenues by \$19.4 Billion over the next five years. This revenue will be generated by a change to the inclusion rate on capital gains over \$250,000 which starting on June 25, 2024, will rise from one-half to two-thirds of the capital gains income. This change will apply to both individuals and corporations. Capital gains of less than \$250,000 will continue to be taxed at the current one-half inclusion rate. At the same time, the government is also introducing a Canadian Entrepreneurs' Incentive which will allow owners of qualified businesses to pay a one-third inclusion rate on up to \$2 million on capital gains and is boosting the lifetime capital gains exemption for all Canadians to \$1.25 million.

## KEY INFO

- Significant change to the capital gains tax rate
- Change will apply to both individuals and corporations
- Introducing a Canadian Entrepreneurs' Incentive

**BOOST  
GOVERNMENT  
REVENUES BY  
\$19.4 BILLION  
OVER THE NEXT  
FIVE YEARS**



# ECONOMIC AND FISCAL FORECAST

The budget offers a mixed economic forecast based on a survey of private-sector economists. The pre-budget survey found that the expectations for 2024 have been modestly upgraded with the economy now expected to grow by 0.7% in 2024 and avoid a recession. However, the long-term forecast was slightly downgraded with the economy now expected to grow by 1.9% next year and 2.2% in 2026.

Inflation is expected to continue moderating, dropping from 3.9% last year to 2.5% in 2024 and stabilizing around 2% going forward.

Interest rates are expected to drop from a peak of an average of 4.8% in 2023 to 4.1% in 2024, 3.7% in 2025, and then stabilize at 2.7% for the following three years.

## ECONOMY TO GROW BY 0.7% IN 2024 AND AVOID A RECESSION

While the government has announced significant new spending in the budget which plans for \$535 Billion in spending, the projected deficit for 2024-25 is relatively unchanged from the Fall Economic statement at \$39.8 Billion. This is possible because the new spending announced in the budget has been offset by a combination of higher revenues thanks to better economic conditions than projected last fall, the booking of savings from the recent expenditure review, and the tax changes included in the budget which are expected to generate more revenue. Going forward the deficit for 2025-26 is projected at \$38.9 Billion and \$30.8 Billion for 2026-27 dropping to \$20 Billion by 2028-29.

The higher interest rates and the growth of the deficit mean that the cost of interest continues to rise with interest payments for 2024-25 reaching \$54.1 Billion this year. The debt-to-GDP ratio is projected to decline following a rise last year with it declining from 42.1% in 2023-24 to 41.9% this year and down to 39.0% by 2028-29.



# THE CARBON TAX

The price on carbon pollution has been the political football with the opposition and Premiers increasing the temperature on the government on this issue. Six-hundred thousand small and medium-sized businesses (those with 499 or fewer employees) will receive \$2.5 billion in carbon-price rebates through the CRA but the money will flow separately from tax refunds on an annual basis. While this political argument will continue amongst political parties in Ottawa and with Premiers, the federal government will continue to highlight rebates going directly to Canadians.

## KEY INFO

- Medium-sized businesses to receive carbon price rebates
- Separately from tax refunds on an annual basis
- Federal government will continue to highlight rebates going directly to Canadians

**MEDIUM-SIZED  
BUSINESSES WILL  
RECEIVE \$2.5  
BILLION IN CARBON-  
PRICE REBATES**



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