

# CANADIAN CONSTRUCTION InSITES

## A Wild Spending Spree Masquerades as a Budget



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It was released after the fiscal year had already begun. Much of its contents had been pre-empted by a scramble of campaign-style spending announcements. And it was quickly labelled a “blatantly political document”, and worse. It’s debatable whether the Trudeau

Government’s 8th budget is deserving of the term.

It’s certainly not what most of us would think of as a budget, for our households and businesses. It does not take into account the hard realities we are all facing as we work to recruit people, buy or stay in a home, grow a business, make the tough choices that finite resources require, and contribute to setting the country up for long-term success.

The government is continuing with unsustainable spending driven by an ever-expanding laundry list of questionable priorities and ineffective strategies – proposing another \$52.9 billion boost

in spending over the next five years.

With the credit cards already maxed (Canada faces a \$1.2 trillion debt) and spending flowing freely, taxes are where things had to give. The government selected a big tax increase that it suggests will only impact the “ultrarich”. The truth is that this major capital gains tax change – the first in 25 years, and not one the Liberals campaigned on – will reverberate negatively and widely through the Canadian economy in the coming years.

But what’s even more troubling is, as one commentator put it, that there is “not a single measure in the budget aimed at boosting business investment generally”. And as goes business

investment, so goes paycheques, a stronger economy and Canada’s global competitiveness.

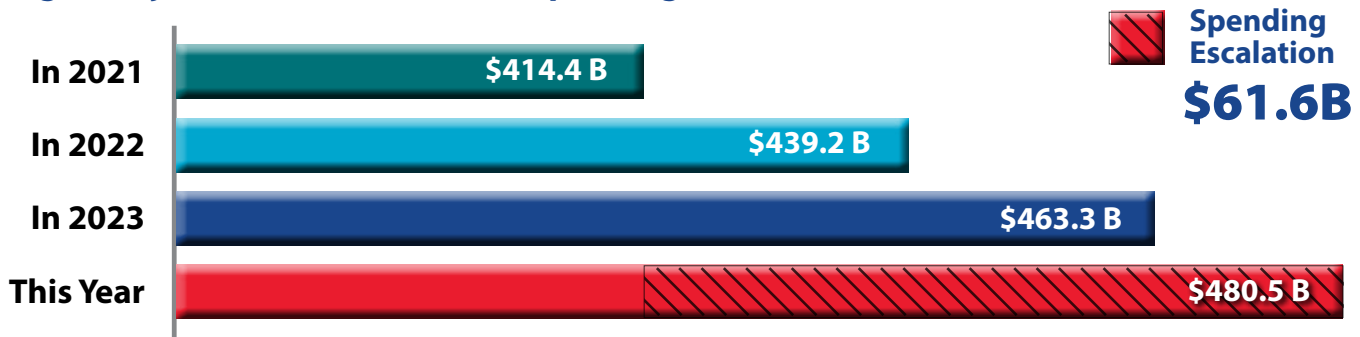
Following closely on the heels of stark warnings from the Bank of Canada and many top economists about Canada’s crisis-level lack of productivity growth, Budget 2024 may well be remembered as a missed opportunity of historic proportions.

*“The government is continuing with unsustainable spending driven by an ever-expanding laundry list of questionable priorities and ineffective strategies.”*

## The Ever-Moving Goal Posts on Government Spending

The Trudeau Government has consistently ratcheted up spending projections from one budget to the next – now saying, for example, that it will spend \$66.1B more in the current fiscal year than it told us it would just three years ago.

### Budget Projections of Government Spending\* for Fiscal 2024/25

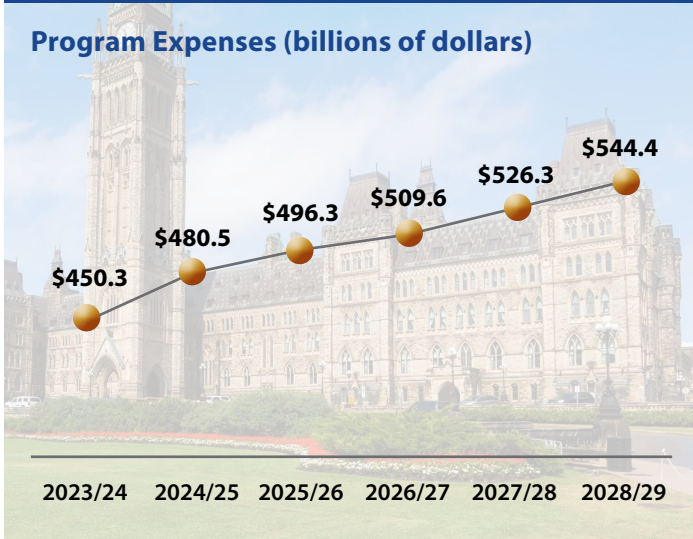


\* Total program expenses, excluding net actuarial losses Source: Budget Documents

# The Budget in Four Graphs

## The Trudeau Government Plans to Spend Much More

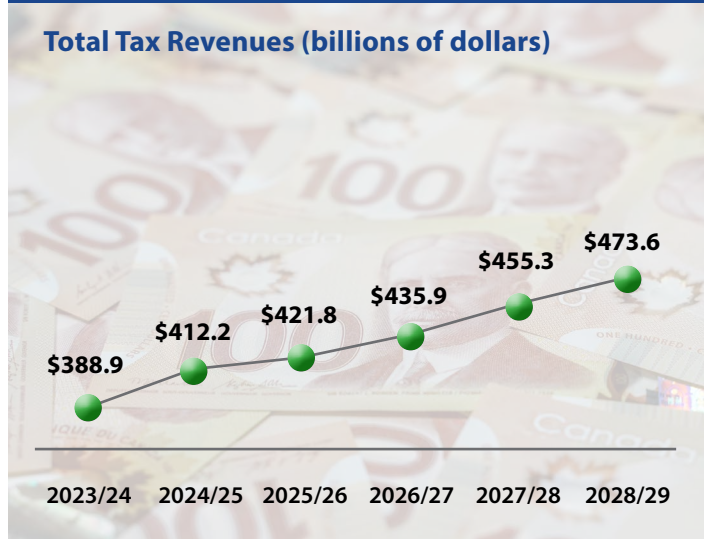
Program Expenses (billions of dollars)



Spending will be **\$94.1B higher** in 2028/29 than in 2023/24.

## And to Tax You to Pay for Some of That Spending

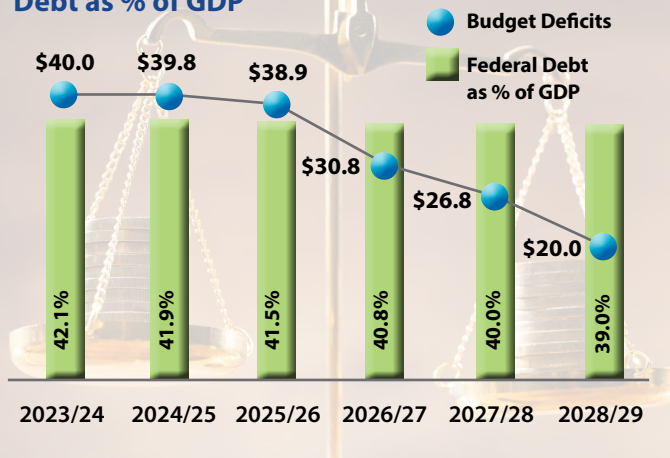
Total Tax Revenues (billions of dollars)



Tax Revenues will be **\$84.7B higher** in 2028/29 than in 2023/24.

## Yet Still Has No Plan to Balance the Budget

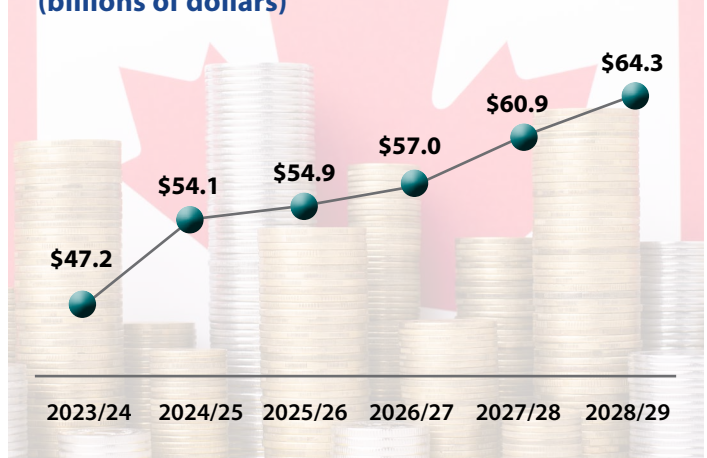
Budget Deficits (billions of dollars) and Federal Debt as % of GDP



The Liberals promised “modest short-term deficits” of **< \$10 billion** for 3 years when first elected in 2015.

## Leaving Debt Servicing Costs Set to Soar

Interest Payments to Service the Debt (billions of dollars)



Ottawa spends **more on interest** that it does on health care.

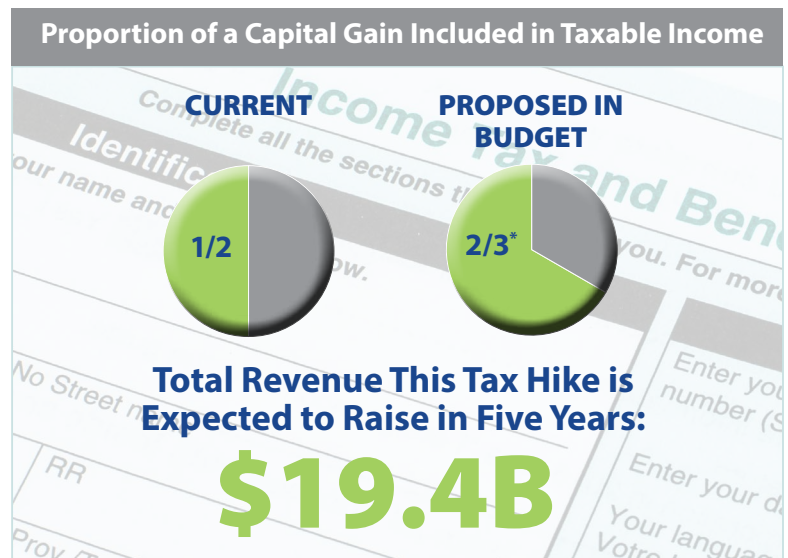
# The Capital Gains Tax Grab

## “Demoralizing, Depressing and Disincentivizing”

Those three “D”s were one commentator’s take on the impact of the biggest tax hike in the budget, which is on capital gains on the sale of assets such as real estate and stocks. Who will pay? Entrepreneurs, small business owners, contractors, consultants, doctors, lawyers, dentists, and other professionals.

One major tech sector association immediately labeled the budget “hostile” and called this specific measure a “disastrous tax hike on investments”, while another sector leader noted that it is arriving at “the worst possible time”. Even in the measured words of a major bank: “In our current economic environment, it is at best unhelpful in promoting capital investment that Canada desperately needs”.

The Ontario Medical Association has noted that it could even impact access to health care, given the increased tax burden it will create for professional medical corporations.



\* For individuals this will apply to capital gains above \$250,000; gains on primary residences are exempt.

***“When you get \$5 billion a year from a tax measure, it’s not targeted to the super rich. It’s targeted at large businesses, to entrepreneurs, to innovators, which I think will be very detrimental to the business and investment climate in Canada.”***

– Robert Asselin, Former Finance Department Policy and Budget Director

## Downsides of This Tax Hike



Further disincentive to invest in Canada, and a further drag on productivity growth



Negative impact on real estate development and housing construction



Disincentive for entrepreneurs to start new companies, for venture capitalists to fund them, and for risk-taking and business growth generally



Accelerated “brain drain” of talent to U.S. and elsewhere



A flurry of efforts to sell assets before June 25 effective date, and then an economically harmful “lock in” effect on holding assets afterwards



Government will confiscate a bigger portion of one-time gains, such as on the sale of a recreational or investment property

# Reaction Roundup: Experts and Pundits Weigh In

Outside of the Liberal cabinet and raving partisans, there hasn't been much favourable reaction to this month's federal budget. And, nearly 60 per cent of Canadians told a pollster prior to the budget that they already believed federal finances had grown too large.<sup>1</sup>

***"Perceptions matter. A lot of people will be running away with the message that the government doesn't want to see more business investment, doesn't want wealthy and highly educated individuals to thrive."***

– Jimmy Jean, Chief Economist, Desjardins

***"The federal government's inability to make choices and rein in spending will have a negative impact on the lives and livelihoods of all Canadians."***

– Goldy Hyder, President & CEO, Business Council of Canada

***"It remains unclear whether the government is unaware of how badly Canada's economy has actually been performing, or whether it does not care, or whether it just does not know what to do about it. Possibly, it is a little of all three."***

– Andrew Coyne, The Globe & Mail

***"What worries me the most about the capital gains changes is the potential to demotivate Canadians from getting into business in the first place, or working hard to grow a small business to a medium-sized business."***

– Dan Kelly, CEO, Canadian Federation of Independent Business

***"The budget is not so much a financial plan as a glossy re-election brochure that attempts to convince voters that they need to keep Trudeau in power if they want to enjoy his continued generosity."***

– John Ivison, National Post



Construction InSites covers issues and current developments relating to the construction sector federally and within the provinces represented by Merit Canada. It is produced regularly for member contractors, policy makers and commentators, and for all Canadians with an interest in one of the nation's most important industries.

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<sup>1</sup>Angus Reid Institute