

March 21, 2007

## **Analysis of Budget 2007**

Budget 2007 contains a little something for just about everyone. However, in terms of the elements of interest to CPISC members, the Budget offers, among other things, tax relief for small businesses, additional funding for training and skills development and tax provisions aimed specifically at the manufacturing sector.

### ***Knowledge Advantage***

"One of the most effective means to counter [an aging population and a slow rate of workforce growth] is to maximize the contribution of the existing labour force and to increase the participation of those groups currently under-represented in the labour market, such as recent immigrants, persons with disabilities, Aboriginal Canadians and older workers." (*Budget 2007*, p. 212)

Budget 2007 offers the following:

Transferring an additional \$800 million per year, beginning in 2008-2009, to the provinces and territories specifically for post-secondary education

Working with the provinces and territories, universities, colleges, students and employers to report to Canadians on the results obtained for this increased investment, focusing particularly on the number of students graduating and outlining the benefits of post-secondary education

Strengthening the links between colleges and the private sector through the College and Community Innovation Program that supports research between firms and colleges

Working with the provinces and territories to develop bilateral agreements to make training and skills development more widely available

Starting in 2008-2009, providing \$500 million per year to the provinces and territories, on an equal per capita basis, to provide labour market training to help people who are not eligible for employment-insurance-related training get the skills they need, especially literacy and basic skills upgrading, job readiness assistance, wage subsidies, on-the-job training and workplace-based skills

Providing an additional \$105 million to the Aboriginal Skills and Employment Partnership for training leading to sustainable employment

Improving the Temporary Foreign Worker Program by committing a \$50.5 million over two years

Providing \$13 million in funding to the Foreign Credential Referral Office over two years, in order to make labour market information and credential assessment and recognition requirements available to prospective immigrants and newcomers to Canada.

### ***Entrepreneurial Advantage***

“Regulation has become so complex that many businesses, especially small businesses, apply much of their energy to coping with complicated rules and trying to navigate a cumbersome regulatory system.” (*Budget 2007*, p. 181)

Budget 2007 offers the following:

Reducing the federal paper burden on small business through a two-step approach:

-by September 2007, all government departments and regulatory bodies will establish an inventory of requirements and obligations with which businesses must comply

-by November 2008, ensure a 20% reduction in the paper burden

Reducing the tax compliance burden on small business by decreasing the frequency of their tax remittance and filing requirements

Working with the provinces and territories to reduce internal trade barriers, making it easier for goods, investments and skilled workers to move across the country.

### ***Tax Advantage***

“Canada’s manufacturing and processing (M&P) sector is a significant contributor to our economy.” (*Budget 2007*, p. 235)

Budget 2007 offers the following:

Allowing manufacturing and processing businesses to write off their capital investments in machinery and equipment acquired on or after March 19, 2007 and before 2009, using a special two-year 50% straight-line rate, after taking into account the half-year rule that treats assets as if they had been purchased in the middle of the year

Increasing the capital cost allowance rate from 4% to 10% for buildings used in manufacturing and processing for eligible property acquired on or after March 19, 2007

Increasing the capital cost allowance rate from 45% to 55% for computers acquired on or after March 19, 2007

Increasing the lifetime capital gains exemption for small business owners from \$500,000 to \$750,000, on dispositions on or after March 19, 2007

Encouraging older workers to stay in the labour market by permitting phased retirement – beginning in 2008, an employer could simultaneously pay a partial pension to an employee aged 55 or over who is entitled to an unreduced pension while providing further pension benefit accruals to the employee

For the entire text of the documents, click here [www.fin.gc.ca/](http://www.fin.gc.ca/)