

CCAB Analysis of Budget 2023



Prepared by the **Canadian Council for Aboriginal Business**

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**This briefing presents the business specific followed by the Indigenous specific announcements in Budget 2023.*

Summary

Businesses:

- There is minimal support specifically for Indigenous businesses within Budget 2023. Budget 2023 does include many items for businesses that have potential to provide opportunities for businesses including CCAB members and Indigenous businesses overall. These include incentives and tax credits for clean electricity and technology development; infrastructure such as trade corridors and transmission lines; supports for industries such as manufacturing, forestry, mining, agriculture, dairy, biofuels, tourism, and media; and supports for workers. Other supports include efforts to reduce predatory lending, the implementation of a right to repair, and the lowering of credit card fees for small businesses.

Indigenous Community and People Specific Items:

- New federal government spending on Indigenous specific items in 2023-24 will amount to \$900M, with an additional \$2.3B in increases to previously planned funding.
- Government spending on Indigenous specific items for 2023-24 is targeted at service delivery, Indigenous engagement in major projects, health, housing, supporting the security of Indigenous women, girls, and 2SLGBTQI+ peoples, First Nations children, and settlements.

Support for Businesses and Other Opportunities for Members

Chapter 3 is dedicated to “A Made-In-Canada Plan: Affordable Energy, Good Jobs, and a Growing Clean Economy”, some commitments made in and since Budget 2022 relating to this include:

- Expanding access to the Small Business Deduction for businesses as they grow from small to medium enterprises.
- Launching a \$15B Canada Growth Fund focused on reducing emissions, diversifying our economy, and supporting supply chain restructuring.
- \$1.5B over 5 years to establish a Canadian Innovation and Investment Agency
- \$97M over 5 years in intellectual property and research taking next steps towards a world-class IP regime.
- Review of the Scientific Research & Experimental Development (SR&DE) Program.
- \$750M to grow Global Innovation Clusters.
- \$35M over 5 years through CanExport to help SMEs secure IP in foreign markets.

- \$3.8B over 5 years for Canada’s first-ever Critical Minerals Strategy.

New commitments to support businesses and the economy in 2023 include:

An Investment Tax Credit for Clean Electricity (p. 79)

- A proposal to introduce a 15% refundable tax credit for eligible investments in:
 - Non-emitting electricity generation systems: wind, concentrated solar, solar photovoltaic, hydro (including large-scale), wave, tidal, nuclear (including large-scale and small modular reactors);
 - Abated natural gas-fired electricity generation (which would be subject to an emissions intensity threshold compatible with a net-zero grid by 2035);
 - Stationary electricity storage systems that do not use fossil fuels in operation, such as batteries, pumped hydroelectric storage, and compressed air storage; and,
 - Equipment for the transmission of electricity between provinces and territories.
- Both new projects and the refurbishment of existing facilities will be eligible. Taxable and non-taxable entities such as Crown corporations and publicly owned utilities, **corporations owned by Indigenous communities**, and pension funds, would be eligible for the Clean Electricity Investment Tax Credit.

A Clean Electricity Focus for the Canada Infrastructure Bank (p. 80-81)

- An announcement that the Canada Infrastructure Bank will invest at least \$10B through its Clean Power priority area, and at least \$10B through its Green Infrastructure priority area. This will allow the Canada Infrastructure Bank to invest at least \$20B to support the building of major clean electricity and clean growth infrastructure projects. These investments will be sourced from existing resources.

Supporting Clean Electricity Projects (p. 81)

- \$3B over 13 years, starting in 2023-24, to Natural Resources Canada to:
 - Recapitalize funding for the Smart Renewables and Electrification Pathways Program to support critical regional priorities and Indigenous-led projects, and add transmission projects to the program’s eligibility;
 - Renew the Smart Grid program to continue to support electricity grid innovation; and,
 - Create new investments in science-based activities to help capitalize on Canada’s offshore wind potential, particularly off the coasts of Nova Scotia and Newfoundland and Labrador.

The Atlantic Loop (p. 81)

- The federal government is committed to advancing the Atlantic Loop—a series of interprovincial transmission lines that will provide clean electricity between Quebec, New Brunswick, and Nova Scotia—and is currently negotiating with provinces and utilities to identify a clear path to deliver the project by 2030.

An Investment Tax Credit for Clean Technology Manufacturing (p. 83-84)

- A proposal for a refundable tax credit equal to 30% of the cost of investments in new machinery and equipment used to manufacture or process key clean technologies, and extract, process, or recycle key critical minerals, including:
 - Extraction, processing, or recycling of critical minerals essential for clean technology supply chains, specifically: lithium, cobalt, nickel, graphite, copper, and rare earth elements;
 - Manufacturing of renewable or nuclear energy equipment;
 - Processing or recycling of nuclear fuels and heavy water;
 - Manufacturing of grid-scale electrical energy storage equipment; - Manufacturing of zero-emission vehicles; and,
 - Manufacturing or processing of certain upstream components and materials for the above activities, such as cathode materials and batteries used in electric vehicles.
 - The investment tax credit is expected to cost \$4.5B over five years, starting in 2023-24, and an additional \$6.6B from 2028-29 to 2034-35. The credit would apply to property that is acquired and becomes available for use on or after January 1, 2024, and would no longer be in effect after 2034, subject to a phase-out starting in 2032.

Delivering the Canada Growth Fund (p. 85-86)

- An announcement that the government intends to introduce legislative amendments to enable the Public Sector Pension Investment Board (PSP Investments) to manage the assets of the Canada Growth Fund to deliver on the Growth Fund's mandate of attracting private capital to invest in Canada's clean economy.

Contracts for Difference (p. 87)

- An announcement that the government will consult on the development of a broad-based approach to carbon contracts for difference. This would complement contracts for difference offered by the Canada Growth Fund.

An Investment Tax Credit for Clean Hydrogen (p. 88)

- An announcement regarding the details of the Clean Hydrogen Investment Tax Credit with the following key design features:
 - The levels of support will vary between 15 and 40% of eligible project costs, with the projects that produce the cleanest hydrogen receiving the highest levels of support.
 - The Clean Hydrogen Investment Tax Credit will also extend a 15% tax credit to equipment needed to convert hydrogen into ammonia, in order to transport the hydrogen. The tax credit will only be available to the extent the ammonia production is associated with the production of clean hydrogen.
 - Labour requirements will need to be met to receive the maximum tax credit rates. If labour requirements are not met, credit rates will be reduced

by ten percentage points. These labour requirements will come into effect on October 1, 2023.

Growing Canada's Biofuels Sector (p. 89)

- An announcement that the federal government will engage with the biofuels industry to explore opportunities to promote its growth in Canada. This will include an examination of different support mechanisms that could support the sector in meeting the growing demand for low emissions fuels.

Enhancing the Reduced Tax Rates for Zero-Emission Technology Manufacturers (p. 90)

- A proposal to extend the availability of reduced rates for zero-emission technology manufacturers by another three years, such that the reduced tax rates would no longer be in effect for taxation years starting after 2034, subject to a phase-out starting in 2032.
- A proposal to extend eligibility for the reduced rates to include the manufacturing of nuclear energy equipment and the processing and recycling of nuclear fuels and heavy water, effective for taxation years beginning after 2023.
 - These enhancements of the reduced tax rates are expected to cost \$20M over five years, starting in 2023-24, and an additional \$1.3B from 2028-29 to 2034-35.

Supporting Clean Technology Projects (p. 90)

- A proposal to provide \$500M over ten years to the Strategic Innovation Fund to support the development and application of clean technologies in Canada. The Strategic Innovation Fund will also direct up to \$1.5B of its existing resources towards projects in sectors including clean technologies, critical minerals, and industrial transformation.

Expanding Eligibility for the Clean Technology Investment Tax Credit (p. 91)

- A proposal to expand eligibility for the Clean Technology Investment Tax Credit to include geothermal energy systems that are eligible for capital cost allowance Classes 43.1 and 43.2. The Clean Technology Investment Tax Credit would be available to businesses investing in such property that is acquired and becomes available for use on or after the day of Budget 2023. Projects that will co-produce oil, gas, or other fossil fuels would not be eligible for the Clean Technology Investment Tax Credit.
- The budget also proposes to modify the phase-out of the Clean Technology Investment Tax Credit. Rather than starting the phase-out in 2032, the tax credit would now begin to phase out in 2034 and would not be available after that year.
 - Including geothermal systems in this measure is expected to cost \$185M from 2023-24 to 2027-28. This will bring the total expected cost of the Clean Technology Investment Tax Credit to about \$6.9B over the same period.

Getting Major Projects Done (p. 92-93)

- \$1.3B over six years, starting in 2022-23, and \$55.4M ongoing, to the Impact Assessment Agency of Canada, the Canada Energy Regulator, the Canadian Nuclear Safety Commission, and ten other federal departments, to continue to improve the efficiency of assessments for major projects;
- \$10.6M for Natural Resources Canada's Centre of Excellence on Critical Minerals to provide direct assistance to critical mineral developers in navigating regulatory processes and government support measures; and,
- \$40M to Crown-Indigenous Relations and Northern Affairs Canada to support Northern regulatory processes.
- An announcement that, by the end of 2023, the government will outline a concrete plan to improve the efficiency of the impact assessment and permitting processes for major projects, which will include clarifying and reducing timelines, mitigating inefficiencies, and improving engagement and partnerships.
- In addition, Budget 2023 proposes to provide \$11.4M over three years, starting in 2023-24, to Crown-Indigenous Relations and Northern Affairs Canada to engage with Indigenous communities and to update the federal guidelines for federal officials to fulfil the Crown's duty to consult Indigenous peoples and accommodate impacts on their rights.

Enhancing the Carbon Capture, Utilization, and Storage Investment Tax Credit (p. 93-94)

- Budget 2023 proposes that the Investment Tax Credit for Carbon Capture, Utilization, and Storage:
 - Include dual use heat and/or power equipment and water use equipment, with tax support prorated in proportion to the use of energy or material in the carbon capture, utilization, and storage process, subject to certain conditions;
 - In addition to Saskatchewan and Alberta, be available to projects that would store CO₂ using dedicated geological storage in British Columbia;
 - Require projects storing CO₂ in concrete to have their concrete storage process validated by a third-party based on an ISO standard prior to claiming the investment tax credit; and,
 - Include a recovery calculation for the investment tax credit in respect of refurbishment property
- The proposed changes are expected to cost about \$520M over five years, beginning in 2023-24. Once legislated, the tax credit will be retroactively available to businesses that have incurred eligible CCUS expenses, starting in 2022.

Fair Pay for Workers Who Build the Clean Economy (p. 96)

- An announcement regarding additional details on the labour requirements for the Clean Technology and Clean Hydrogen Investment Tax Credits.
 - To be eligible for the highest tax credit rates, businesses must pay a total compensation package that equates to the prevailing wage. The definition of prevailing wage would be based on union compensation, including benefits and pension contributions from the most recent, widely applicable multi-

employer collective bargaining agreement, or corresponding project labour agreements, in the jurisdiction within which relevant labour is employed.

- Additionally, at least 10% of the tradesperson hours worked must be performed by registered apprentices in the Red Seal trades.

Ensuring Fairness for Canadian Workers with Federal Reciprocal Procurement (p. 96)

- An announcement that the government will undertake targeted engagement with provinces and territories, industry stakeholders, and workers and unions on concrete reciprocal procurement measures, so they can be implemented in the near term. The proposed measures will include placing conditions on foreign suppliers' participation in federally-funded infrastructure projects, applying strict reciprocity to federal procurement, and creating a preference program for Canadian small businesses.

Doubling the Tradespeople's Tool Deduction (p. 97)

- Budget 2023 proposes to double the maximum employment deduction for tradespeople's tool expenses from \$500 to \$1,000.
 - This change would take effect for the 2023 taxation year and would reduce federal revenues by \$11M over six years, starting in 2022-23.

Supporting Employee Ownership Trusts (p. 99)

- A proposal to introduce tax changes to facilitate the creation of Employee Ownership Trusts.

Investing in Canada's Labour Market Transfer Agreements (p. 99)

- \$625M proposed investment in 2023-24 in the Labour Market Transfer Agreements to ensure Canadians continue to have access to the supports they need to get their next job.

Continuing to Support Seasonal EI Claimants (p. 99)

- A proposal to extend support for seasonal workers until October 2024. The cost of this measure is estimated at \$147M over three years, starting in 2023-24.

Protecting Jobs with Timely Access to Work-Sharing Agreements (p. 100)

- \$5.4M proposed over three years, starting in 2023-24, to Employment and Social Development Canada (ESDC) to ensure that the Work-Sharing Program provides timely support to Canadian workers and businesses.

Continuing Support for the Student Work Placement Program (p. 101)

- \$197.7M proposed in 2024-25 to the Student Work Placement Program to continue creating work-integrated learning opportunities for students through partnerships between employers and post-secondary education institutions.

Strengthening Canada's Trade Corridors (p. 102-104)

- To further strengthen Canada's transportation systems and supply chain infrastructure, Budget 2023 proposes to:
 - Provide \$27.2M over five years, starting in 2023-24, to Transport Canada to establish a Transportation Supply Chain Office to work with industry and other orders of government to respond to disruptions and better coordinate action to increase the capacity, efficiency, and reliability of Canada's transportation supply chain infrastructure;
 - Collaborate with industry, provinces, territories, and Indigenous Peoples to develop a long-term roadmap for Canada's transportation infrastructure to better plan and coordinate investments required to support future trade growth;
 - Provide \$25M over five years, starting in 2023-24, to Transport Canada to work with Statistics Canada to develop transportation supply chain data. This measure will be advanced using existing Transport Canada resources;
 - Introduce amendments to the Canada Transportation Act to provide the Minister of Transport with the authority to compel data sharing by shippers accessing federally regulated transportation services;
 - Introduce amendments to the Canada Transportation Act for a temporary extension, on a pilot basis, of the interswitching limit in the prairie provinces; and,
 - Launch a review of the Shipping Conferences Exemption Act.

Using College Research to Help Businesses Grow (p. 111)

- \$108.6M proposed over three years, starting in 2023-24, to expand the College and Community Innovation Program, administered by the Natural Sciences and Engineering Research Council.

Investing in Canada's Forest Economy (p. 112)

- \$368.4M proposed over three years, starting in 2023-24, with \$3.1M in remaining amortization, to Natural Resources Canada to renew and update forest sector support, including for research and development, Indigenous and international leadership, and data. Of this amount, \$30.1M would be sourced from existing departmental resources.

Establishing the Dairy Innovation and Investment Fund (p. 112)

- \$333M proposed over ten years, starting in 2023-24, for Agriculture and Agri-Food Canada to support investments in research and development of new products based on SNF, market development for these products, and processing capacity for SNF-based products more broadly.

Supporting the Adoption of Nitrogen Management Practices (p. 113)

- \$34.1M proposed over three years, starting in 2023-24, to Agriculture and Agri-Food Canada's On-Farm Climate Action Fund to support adoption of nitrogen management practices by Eastern Canadian farmers.

Providing Interest Relief for Agricultural Producers (p. 113)

- \$13M proposed in 2023-24 to Agriculture and Agri-Food Canada to increase the interest-free limit for loans under the Advance Payments Program from \$250,000 to \$350,000 for the 2023 program year.
 - Additionally, the government will consult with provincial and territorial counterparts to explore ways to extend help to small agricultural producers who demonstrate urgent financial need.

Other new commitments found in Budget 2023 include:

Making Life More Affordable (p. 32)

- An announcement regarding the federal government's intention to introduce changes to the *Criminal Code* to lower the criminal rate of interest from the equivalent of 47 per cent APR (annual percentage rate) to 35 per cent APR, and to launch consultations on whether the criminal rate of interest should be further reduced.
- An announcement that the government has secured commitments from Visa and Mastercard to lower fees for small businesses, while also protecting reward points for Canadian consumers offered by Canada's large banks. (p. 37)
- An announcement that the government will work to implement a right to repair, with the aim of introducing a targeted framework for home appliances and electronics in 2024. (p. 38)

Supporting the Canadian Screen Sector (p. 140)

- \$40M proposed over two years, starting in 2023-24, to the Department of Canadian Heritage for the Canada Media Fund to make funding more open to traditionally underrepresented voices, and to increase funding for French-language screen content.

Supporting the Growth of Canada's Tourism Sector (p. 140)

- \$108M proposed over 3 years, on a cash basis, starting in 2023-24, to the Regional Development Agencies to support communities, small businesses, and non-profit organizations in developing local projects and events to increase local tourism opportunities for business and communities.
- \$50M proposed over 3 years, on a cash basis, starting in 2023-24, to Destination Canada to attract major international conventions, conferences, and events to Canada.
 - In July 2022, the federal and provincial governments announced the Atlantic Growth Strategy. Areas of focus will include infrastructure, trade and investment, broadband, innovation, labour and skills, and clean technology.

Building on Canada's Anti-Racism Strategy (p. 142)

- \$25.4M proposed over five years, starting in 2023-24, and \$0.6M ongoing, to the Department of Canadian Heritage to continue to support Canada's Anti-Racism

Strategy and fight all forms of racism, including but not limited to anti-Indigenous racism, anti-Black racism, anti-Asian racism, antisemitism, Islamophobia.

Advancing Gender Equality in Canada (p. 144)

- \$160M proposed over three years, starting in 2023-24, for the Women's Program to provide funding to organizations in Canada that serve women.

Local Food Infrastructure Fund Top-Up (p. 145)

- \$10M proposed in 2023-24 to top up the Local Food Infrastructure Fund.

Building Communities Through Arts and Heritage (p. 148)

- \$14.0M proposed over two years, starting in 2024-25, for the Department of Canadian Heritage to support the Building Communities Through Arts and Heritage program.

Refocusing Government Spending to Deliver for Canadians (p. 183)

- A proposal to reduce spending on consulting, other professional services, and travel by roughly 15% of planned 2023-24 discretionary spending in these areas. This will result in savings of \$7.1B over five years, starting in 2023-24, and \$1.7B ongoing. The government will focus on targeting these reductions on professional services, particularly management consulting.
- Budget 2023 proposes to phase in a roughly 3% reduction of eligible spending by departments and agencies by 2026-27. This will reduce government spending by \$7.0B over four years, starting in 2024-25, and \$2.4B ongoing. Reductions will not impact direct benefits and service delivery to Canadians; direct transfers to other orders of government and Indigenous communities; and the Canadian Armed Forces
- The government will also work with federal Crown corporations to ensure they achieve comparable spending reductions, which would account for an estimated \$1.3B over four years starting in 2024-25, and \$450M ongoing.
 - In total, these proposals represent savings of \$15.4B over the next five years.

Realigning Previously Announced Spending (p. 184)

- A proposal to reduce previously announced funding that remains unallocated or is no longer required, or to delay it where the pace of implementation is slower than originally envisioned. This will result in savings of \$6.4B over six years, starting in 2022-23.

Effective Government Programs (p. 184)

- An announcement regarding the introduction of cross-government program effectiveness reviews, to be led by the President of the Treasury Board. The first review will examine skills training and youth programming, to determine, by Budget

2024, whether improvements can be made to help more Canadians develop the skills and receive the work experience they need to have successful careers.

Support for Indigenous Peoples

Chapter 4 is dedicated to “Advancing Reconciliation and Building a Canada that Works for Everyone” and underlines a series of ongoing actions made in and since Budget 2022 concerning: (p. 121)

- \$4.9B to enhance and reform services for Indigenous children, expand Indigenous-led mental wellness services, and support communities as they respond to and heal from the ongoing impact of residential schools;
- \$4.3B over seven years to support Indigenous housing initiatives;
- \$1.6B over five years, starting in 2023-24, to implement Canada’s first National Adaptation Strategy, which is currently being finalized with input from provinces, territories, National Indigenous Organizations, and other stakeholders; and,
- \$1.1B over seven years, starting in 2023-24, to conserve and protect nature in Canada and around the world, including \$800M to support up to four Indigenous-led conservation initiatives;

New commitments found in Budget 2023 include:

Supporting Indigenous Governance, Capacity, and Participation in Decision-Making (p. 125-126)

- \$76.3M in 2023-24 to Indigenous Services Canada to continue to support the administrative capacity of First Nations governments and tribal councils delivering critical programs and services to their members;
- \$19.4M over five years to Crown-Indigenous Relations and Northern Affairs Canada for the Northern Participant Funding Program to increase the participation of Indigenous Peoples and other Northerners in environmental and regulatory assessments of major projects; and,
- \$1.6M over two years, starting in 2023-24, to the Canadian Northern Economic Development Agency for the Northern Projects Management Office to increase capacity for federal participation in environmental assessments and consultation with Indigenous communities on major projects in the territories.

Building an Economy that Works for Indigenous Peoples (p. 127)

- \$5M in 2023-24 to Indigenous Services Canada to support the co-development of an Economic Reconciliation Framework with Indigenous partners that will increase economic opportunities for Indigenous Peoples, communities, and businesses by building on the foundation’s set out in the *National Indigenous Economic Strategy* and *RoadMap* project;
- \$8.7M in 2023-24 to Natural Resources Canada to support deeper engagements with Indigenous partners, including Indigenous rights-holders, towards the development of the National Benefits-Sharing Framework;

- An announcement that the Canada Infrastructure Bank will provide loans to Indigenous communities to support them in purchasing equity stakes in infrastructure projects in which the Bank is also investing. These loans will be sourced from the Canada Infrastructure Bank's existing funding envelope;
- \$30M over five years, starting in 2023-24, to Indigenous Services Canada to enhance the Reserve Land and Environment Management Program, ensuring First Nations can develop capacity to exercise increased responsibility over their lands, resources, and environment;
- A commitment to negotiate a renewed operating funding formula with the Lands Advisory Board to ensure the continued growth and success of First Nation Land Management; and,
- \$35.3M over three years, starting in 2023-24, to Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) and Natural Resources Canada (NRCan) to co-develop, with the Lands Advisory Board, a new First Nations-led National Land Registry.

Supporting Indigenous Health Priorities (p. 129)

- \$810.6M over five years, beginning in 2023-24, to support medical travel and to maintain medically necessary services through the NonInsured Health Benefits (NIHB) Program, including mental health services, dental and vision care, and medications.
- \$16.2M over three years, beginning in 2023-24, for interventions to reduce rates of tuberculosis in Inuit communities.

Supporting Safe and Affordable Housing in Indigenous Communities (p. 130)

- \$4B over seven years, starting in 2024-25, to implement an Urban, Rural, and Northern Indigenous Housing Strategy, currently under co-development with Indigenous partners. This commitment builds on the government's provision of \$300M in the 2022 budget to support housing in urban, rural, and northern Indigenous communities.

Implementing the National Action Plan to End the Tragedy of Missing and Murdered Indigenous Women and Girls (p. 130)

**this funding is in addition to the \$2.2B provided in 2021*

- \$20M over four years, starting in 2022-23, to support Indigenous-led projects for safer communities through the Pathways to Safe Indigenous Communities Initiative.
- \$95.8M over five years, starting in 2023-24, and \$20.4M ongoing to help Indigenous families access information about their missing and murdered loved ones, and to enhance victim services to support their healing. This funding would renew existing programming and expand it to include support for families of 2SLGBTQI+ Indigenous victims who are men.

- \$2.6M over three years, starting in 2023-24, to support the National Family and Survivors Circle in keeping families and survivors at the centre of the implementation of the National Action Plan and the Federal Pathway.
- \$2.2M over five years, starting in 2023-24, to establish an oversight mechanism to monitor and report on the progress of implementation.
- \$1.6M over two years, starting in 2023-24, to support the Ministerial Special Representative appointed to provide advice and recommendations on the creation of an Indigenous and Human Rights Ombudsperson.
- \$2.5M over five years, starting in 2023-24, to facilitate and coordinate work on advancing the National Action Plan by establishing a standing Federal-Provincial-Territorial-Indigenous table on Missing and Murdered Indigenous Women, Girls and 2SLGBTQI+ People.

Supporting First Nations Children (p. 131)

- \$171M in 2022-23 to Indigenous Services Canada to ensure First Nations children continue to receive the support they need through Jordan's Principle.
- \$444.2M over three years, starting in 2022-23, to support Peguis First Nation in Manitoba and Louis Bull Tribe First Nation in Alberta to exercise jurisdiction over their child welfare systems and make decisions about what is best for their children and families.

Gottfriedson Band Class Settlement Agreement (p. 132)

- \$2.8B as part of the Band Class settlement, to establish a trust to support healing, wellness, education, heritage, language, and commemoration activities. The government will also propose legislative amendments to exclude the income and gains of the trust from taxation.