



Canadian
Manufacturers &
Exporters

Manufacturiers et
Exportateurs du
Canada

FEDERAL BUDGET 2015

Big wins for Canadian Manufacturers & Exporters in 2015 Federal Budget

Canada's manufacturing sector is the cornerstone of the Canadian economy, according to the federal government's Economic Action Plan 2015 — and this year's budget backs up the importance of both manufacturing and exporting with a number of important tax and investment measures that will have a very positive impact for CME members.

Here are some of the highlights of Budget 2015:

Fiscal Certainty

The Government will balance its budget this year and is projecting a \$1.4 billion surplus for 2015/16.

Rapid Depreciation for New Equipment

The budget proposes a new Accelerated Capital Cost Allowance for investments made in manufacturing and processing machinery and equipment over the next ten years. A Capital Cost Allowance at a rate of 50 per cent on a declining basis will apply on assets purchased after 2015 and before 2026. This will allow manufacturers to write-off 90 per cent of their capital investment over four years and more than 95 per cent over five years, keeping Canada in a very competitive position with respect to the tax treatment of investment in production technologies. The ten-year timeframe will encourage new investments by providing greater certainty for companies that require several years to plan and put in place new equipment. The new ACCA is expected to save manufacturers \$1.1 billion over the next four years.

Training & the Workplace

The budget will provide \$65 million over four years to industry associations to develop integrated education initiatives with Canadian colleges and universities. The initiatives will be modeled on CME's pilot with Siemens and several universities and colleges to develop a new curriculum in support of advanced manufacturing education.

"During the first phase of this initiative, Canadian Manufacturers & Exporters, Canada's largest trade and industry association, will work with Siemens Canada and several post-secondary institutions to develop a new curriculum in support of an advanced manufacturing skills certification." — Fostering Training That Responds to Employer Needs — Chapter 3.3 — Training a Highly Skilled Workforce — Economic Action Plan 2015

The Government will provide additional assistance to the provinces to harmonize apprenticeship training and support the development of a nation-wide Blue Seal Certification program aimed at improving the business skills of journeypersons and encouraging entrepreneurship.

The Government also intends to reform its Labour Market Development Agreements with the provinces to provide increased support for employer training.

Enhanced Support for Automotive and Aerospace Innovation

The budget introduces a new Automotive Supplier Innovation Program, allocating \$100 million over five years to support product development and technology demonstration by Canadian auto parts suppliers. It also allocates \$6 million to the



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development of a national aerospace supplier development initiative and \$2.5 million per year to support a new Defence Procurement Strategy aimed at providing new opportunities for Canadian manufacturers and technology companies.

Support for Trade & Global Business Expansion

The budget provides \$50 million over five years for a program announced previously by the Prime Minister to help small companies by sharing the cost of exploring new export opportunities. Another \$42 over five years will go to expanding the Trade Commissioner Service. The budget will also provide \$30 million over two years to promote agri-food exports.

A priority for CME is the establishment of a new Development Finance Initiative capitalized with \$300 million over the first five years to provide financing to Canadian businesses operating in developing countries.

The Government has committed to strengthening and improving Canada's trade remedy system – another priority for CME and particularly for Canada's steel industry. It will establish an office within Industry Canada to support the elimination of internal barriers to trade within Canada.

A new expedited entry system will also be established to make it easier for low-risk travellers from Mexico, Brazil, Bulgaria, and Romania to enter Canada – easing problems caused by visa requirements for business travel.

Continued Support for Advanced Research

The Government has made advanced manufacturing a priority in its Science & Technology Strategy. The budget now commits \$1.33 billion over six years to the Canadian Foundation for Innovation to fund state-of-the-art research facilities in Canadian colleges and universities and another \$100 million to fund digital research facilities. It also provides \$105 million over five years to support CANARIE's ultra-high speed research network. Another \$46 million per year will go to the Granting Councils to support collaborative research between colleges and universities and industry in the fields of advanced manufacturing, natural resources, energy, environment, and agriculture. In addition, the budget provides:

- \$119.2 million over two years to support R&D partnerships between industry and the National Research Council.
- \$30 million over four years to support industrial research in the satellite communications sector.
- An extension of Canada's participation in the International Space Station to 2024.
- \$243.5 million over ten years to enable Canadian participation in the construction of the Thirty Meter Telescope.
- \$45 million over five years in additional funding for the TRIMF cyclotron particle accelerator.
- \$72.3 million to maintain operations of Atomic Energy Canada's Chalk River Laboratories.
- \$56.4 million over four years to support more than 6,000 new graduate R&D internships with industry.

The Government will also soon announce new measures to streamline business access to R&D support programs. It also intends to modernize Canada's intellectual property framework by ensuring IP agents have confidential communications with clients and improve administrative practices to provide greater clarity and certainty for businesses.

Assistance for Small Business

The budget proposes to:

- Reduce EI premium rates by 21 per cent by 2017.
- Reduce the small business tax rate by 0.5 per cent annually from 11 per cent to 9 per cent over the next four years.
- Raise the maximum loan amount under the Small Business Financing Act from \$500,000 to \$1 million.
- Increase support for young and women entrepreneurs.

Total estimated support for small business = \$3.4 billion over the next four years.



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Expanding the Services of BDC and EDC

BDC is launching new initiatives to:

- Develop advisory services to support growth plans for small and medium sized companies;
- Finance acquisitions by high-growth SMEs; and
- Provide \$200 million per year in business loans and \$300 million in venture capital investments to support the development and application of information and communications technologies.

EDC is developing new initiatives to:

- Facilitate easier access to credit insurance;
- Expand its export mentoring program; and
- Increase its approval rate for receivables insurance.

Infrastructure & Resource Development

The budget provides \$750 million over two years and \$1 billion thereafter to support public transit infrastructure projects that will help alleviate congestion in urban areas.

The budget contains important measures to spur investment in liquefied natural gas facilities. The capital cost allowance for equipment will increase from 8 per cent to 30 per cent and for buildings from 6 per cent to 10 per cent. The faster write-off will provide companies a very competitive incentive to invest in LNG facilities in Canada. The maximum length of natural gas export licenses will also be extended from 25 to 40 years.

Another \$86 million will be provided over two years to extend the Forestry Innovation and Expanding Markets Opportunities Programs.

Regulatory Reforms

The budget also announces a number of important regulatory reforms:

- Where covered by a tax treaty, the Government will exempt qualifying non-resident employers from Regulation 102 requiring them to withhold income taxes on non-resident employees. This is a big win for CME's tax committee who focused attention on the issue.
- Additional funding is planned for completion of assessments under the Chemicals Management Action Plan and implementation of the Species at Risk Act.
- CRA will receive additional funding to combat aggressive tax avoidance by large businesses. New measures are also proposed to reduce tax avoidance.
- The Government plans to amend the Corporations Act to:
 - Promote gender diversity by implementing a comply or explain requirement for corporate disclosures;
 - Modernize director election and shareholder communication processes; and
 - Ban bearer instruments.