

## **Department of Finance Canada**

### **A Strong, Growing, and Resilient Economy**

#### **Backgrounder**

**April 7, 2022**

As the global economy changes, Canada has everything we need to thrive. Our workforce is one of the most educated in the world. We have world-class research institutions and abundant sources of clean energy. We are the only country in the world with free trade access to the entire G7 and European Union.

But other countries are moving fast in the international competition for investment and innovation. We need to do more to ensure Canadian businesses—of all sizes—are able to succeed.

Budget 2022 outlines the additional steps that need to be taken—the steps that will create new, good-paying jobs for Canadians; help more people join the middle class; and set Canada up to be an economic leader for decades to come.

#### **Launching a World-Leading Canada Growth Fund**

Budget 2022 proposes to establish the Canada Growth Fund to attract substantial private sector investment to help meet important national economic policy goals:

- To reduce emissions and contribute to achieving Canada's climate goals;
- To diversify our economy and bolster our exports by investing in the growth of low-carbon industries and new technologies across new and traditional sectors of Canada's industrial base; and
- To support the restructuring of critical supply chains in areas important to Canada's future prosperity—including our natural resources sector.

The fund will be initially capitalized at \$15 billion over the next five years, and will target three dollars of private capital for every one dollar that it invests.

#### **Creating a Canadian Innovation and Investment Agency**

In Canada, a new innovation and investment agency—similar to those that have had success in Finland and Israel—will proactively work with new and established Canadian industries and businesses to help them make the investments they need to innovate, grow, create jobs, and be competitive in the changing global economy.

- Budget 2022 announces the government's intention to create an operationally independent federal innovation and investment agency, and proposes \$1 billion over five years to support its initial operations.

#### **Cutting Taxes for Canada's Growing Small Businesses**

Small businesses currently benefit from a reduced federal tax rate of 9 per cent on their first \$500,000 of taxable income, compared to a general federal corporate tax rate of 15 per cent. A business no longer has access to this lower rate once its level of capital employed in Canada reaches \$15 million. However, phasing out access to the lower tax rate too quickly—and then requiring a small business to pay more in tax—can discourage some businesses from continuing to grow and create jobs.

- Budget 2022 proposes to phase out access to the small business tax rate more gradually, with access to be fully phased out when taxable capital reaches \$50 million, rather than at \$15 million.

This measure would apply to taxation years that begin on or after April 7, 2022.

### **Canada's Critical Minerals and Clean Industrial Strategies**

Critical minerals—used in everything from phones to airplanes—are in global demand, and Canada has a fortunate abundance of them. In total, Budget 2022 proposes to provide:

- Up to \$3.8 billion in support over eight years, on a cash basis to implement Canada's first Critical Minerals Strategy, which will create thousands of new, good-paying jobs across the critical minerals supply chain in Canada.

### **Better Supply Chain Infrastructure**

To help build more resilient and efficient supply chains, Budget 2022 proposes to provide \$603.2 million over five years to Transport Canada, including:

- \$450 million over five years to support supply chain projects through the National Trade Corridors Fund, which will help ease the movement of goods across Canada;
- \$136.3 million over five years to develop industry-driven solutions to use data to make our supply chains more efficient; and
- \$16.9 million over five years to continue making Canada's supply chains more competitive by cutting needless red tape, including working to ensure that regulations across various modes of cargo transportation (e.g., ship, rail) work effectively together.

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