

Responsible Leadership

February 26, 2008

Overview

Introduction

Canadians have reason to be confident about the future. We have the strongest fiscal position of any Group of Seven (G7) country. And the Government is providing leadership at home and abroad based on its long-term economic plan, *Advantage Canada*.

The October 2007 Economic Statement took important steps on this plan by providing broad-based tax relief of \$60 billion over this and the next five years.

Budget 2008 will build on this by:

- Cutting the federal debt by \$10.2 billion in 2007–08.
- Reducing taxes, including a new Tax-Free Savings Account and help for manufacturers and processors.
- Managing spending responsibly.
- Investing in the future of Canada and showing leadership at home and abroad.

These actions by the Government, along with our solid fundamentals, will support Canada's economy as it faces uncertain times arising from the U.S. economic slowdown and global financial turbulence.

Tax-Free Savings Account (TFSA)

- Canadians need all the help they can get to save money.
- The TFSA will allow Canadians to watch their savings grow tax-free throughout their lifetimes.
- Canadians can contribute up to \$5,000 every year to their TFSA and carry forward unused room to future years. There is no lifetime limit and no tax on investment income earned, including capital gains.
- The TFSA can be used any way you like—for example, to buy a new car, pay for an emergency, finance a child's wedding or bankroll a dream family vacation.

Economic Leadership

Maintaining Strong Fiscal Management

Budget 2008 demonstrates leadership in the face of recent economic challenges in ways that enhance our long-term prosperity.

- For 2007–08, the Government plans to reduce the federal debt by \$10.2 billion.
- By 2012–13, total debt reduction since the Government took office will exceed \$50 billion.
- As of 2009–10, the Tax Back Guarantee will account for \$2 billion in personal income tax reductions financed from debt interest savings.
- The Government has completed the first round of its reviews of departmental programs and spending to ensure taxpayers' dollars are spent effectively.
- The management and governance of Employment Insurance will be improved through the creation of a new Crown corporation.

Strengthening Canada's Tax Advantage

Budget 2008 builds on decisive and timely tax reductions for individuals, families and businesses introduced since 2006.

- A new Tax-Free Savings Account with an annual contribution limit of \$5,000 to help Canadians save.
- A further \$1 billion in support for Canada's manufacturing sector with an additional three years of accelerated capital cost allowance treatment for new investment in machinery and equipment.
- Improvements to the scientific research and experimental development program.
- Reductions in the tax compliance burden on small businesses.
- Increased withdrawal choices for holders of life income funds.

Tax Relief Today...

- Actions taken by the Government since 2006 will provide \$21 billion in incremental tax relief—equivalent to 1.4 per cent of Canada's economy—to Canadians and Canadian businesses this year.

...and Tomorrow

- The Government will have reduced the overall tax burden for Canadians and businesses by almost \$200 billion by the end of 2012–13.

Investing in the Future

The world is changing. Budget 2008 helps Canada compete on the world stage with investments in people, knowledge, communities, traditional industries and infrastructure.

Investing in People

- \$350 million for a new Canada Student Grant Program, beginning in 2009, and rising to \$430 million by 2012–13.
- \$123 million over four years to streamline and modernize the Canada Student Loans Program.
- \$25 million over two years to establish a new scholarship award for top Canadian and international doctoral students, dedicated to the memory of former Governor General Georges Vanier.
- \$3 million over two years for Canadian recipients of Canada Graduate Scholarships who wish to study abroad.
- \$21 million over two years to establish up to 20 university research chairs to attract top science leaders.
- \$20 million to the Canada Gairdner International Awards for health research.
- \$60 million per year to fully exempt the first \$3,500 of earned income from the Guaranteed Income Supplement calculation to support seniors.
- \$22 million over two years to modernize and speed up the immigration system.

Investing in Knowledge

- \$80 million per year to Canada's three university granting councils for research.
- \$15 million per year for the Indirect Costs of Research program.
- \$140 million for Genome Canada.
- \$250 million over five years for an Automotive Innovation Fund to support research and development investments in the automotive sector.

Communities and Traditional Industries

- \$90 million to extend the Targeted Initiative for Older Workers to 2012.
- \$72 million over two years for farm programs and to improve access to \$3.3 billion in advance payments.
- \$22 million over two years to streamline and improve the environmental regulation of aquaculture.

Community Development Trust

- This new assistance is above and beyond the Community Development Trust announced in January 2008, which will provide \$1 billion to provinces and territories to assist workers and communities that are experiencing hardship due to international economic volatility.

Investing in Infrastructure

- Making the Gas Tax Fund, which will reach \$2 billion in 2009–10, a permanent measure to help municipalities finance their long-term infrastructure needs.
- \$500 million in support of capital investments in public transit.
- Announcing the establishment of PPP Canada Inc. to support public-private partnerships.

A Sound and Efficient Financial Sector

- Advancing the Capital Markets Plan for Canada, including the recent launch of an expert panel on securities regulation.
- Strengthening the ability of the Bank of Canada to support financial stability and updating treasury risk guidelines for Crown corporations.

Leadership at Home

Supporting People in Need

Budget 2008 commits to helping those who need the care and support of their fellow Canadians with:

- \$110 million to the Mental Health Commission of Canada to develop best practices to help those in need.
- \$282 million over this and the next two years to expand the Veterans Independence Program to support the survivors of veterans.

Protecting the Health and Safety of Canadians

Budget 2008 helps modernize and strengthen Canada's safety systems for food, consumer and health products with:

- \$170 million over two years to improve the safety of food and natural health products and to heighten awareness of the links between pollution and illness.
- New tax measures to reduce the availability of contraband tobacco products.

Strengthening Partnerships With Aboriginal Canadians

The Government has made significant progress in supporting Aboriginal Canadians. Budget 2008 builds on this progress by allocating:

- \$70 million over two years for measures to foster Aboriginal economic development.
- \$70 million over two years to improve First Nations education outcomes.
- \$147 million over two years to improve First Nations and Inuit health outcomes.
- \$43 million over two years for prevention-based models of child and family services on reserves.
- \$330 million over two years to improve access to safe drinking water in First Nations.

A Vision for a New North

Budget 2008 helps create new economic opportunities in the North with:

- A 10-per-cent increase in the Northern Residents Deduction to attract skilled workers to northern Canada.
- \$34 million over two years for geo-mapping of natural resources.
- A one-year extension of the Mineral Exploration Tax Credit.

Ensuring a Cleaner, Healthier Environment

Budget 2008 includes new measures to strengthen and implement Canada's ecoACTION plan for clean air and water with:

- \$66 million over two years to set up the regulatory framework for industrial air emissions.
- \$250 million for research and demonstration of carbon capture and storage.

- An increased capital cost allowance rate for carbon dioxide pipelines.
- \$300 million to support nuclear energy and maintain nuclear safety.
- Expanded tax incentives for clean energy generation.
- \$21 million over two years to improve environmental law enforcement.

Investing in Culture and Sports

Budget 2008 sustains our cultural institutions and invests in sports with:

- \$25 million to make the 2010 Olympic and Paralympic Torch Relays a symbol of national pride.
- \$24 million over two years to support summer Olympic athletes.
- \$9 million over two years for capital and operating investments in Canada's National Museums.

Tackling Crime and Bolstering Security

Budget 2008 helps make Canadians safe and secure in their homes and on streets with:

- \$400 million for provinces and territories to recruit 2,500 new police officers.
- \$122 million over two years to implement a new vision for the federal correctional system.
- \$32 million over two years to enhance the work of the Public Prosecution Service of Canada.
- \$30 million per year to the National Crime Prevention Strategy.

Leadership Abroad

Canada First Defence Strategy

Protecting Canadians and Canada is fundamental. Budget 2008 reinforces this responsibility with:

- Stable, predictable new funding to support the Canada First Defence Strategy with annual increases in defence spending of 2 per cent starting in 2011–12, providing an additional \$12 billion over 20 years.
- \$43 million over two years to help the Communications Security Establishment keep pace with new advances in technology.

International Assistance

Canadians are compassionate and generous. Budget 2008 provides the necessary resources and direction to help Canada reassert its influence in global affairs with:

- Funds to deliver on our promise to double international assistance to \$5 billion by 2010–11.
- Funds to make Canada the first G8 country to meet its commitment to double aid to Africa.
- \$450 million over three years to the Global Fund to Fight AIDS, Tuberculosis and Malaria.
- \$100 million in additional funds for reconstruction and development in Afghanistan.
- \$50 million over two years to launch a Development Innovation Fund.
- \$89 million over two years to add new staff, embassies and missions to enhance Canada's overseas network.

Improving Our Borders

Budget 2008 invests in borders with:

- \$75 million over two years to fund Canada Border Services Agency operations.
- New electronic passports for Canadians, to be introduced in 2011, which will be valid for 10 years.

- \$14 million over two years to expand the joint Canada-U.S. NEXUS program for low-risk frequent travellers.
- \$26 million over two years to facilitate the processing of visas and enhance border security through the use of biometric data.
- \$15 million over two years to establish a permanent facility to enhance security in the Great Lakes/St. Lawrence Seaway region.
- \$29 million over two years for initiatives under the Security and Prosperity Partnership of North America.

How Can I Get More Information on Budget 2008?

Information is available on the Internet at www.fin.gc.ca or by phoning:

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