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For Immediate Release

Investment Industry Association of Canada (IIAC) Responds to 2021 Federal Budget

Toronto, ON, April 19, 2021 – Canadians looked forward to a federal budget that properly balanced tightly focused support for a pandemic-beset economy and initiatives for renewed investment spending to achieve eventual recovery—all within a credible fiscal framework. On these counts, the budget has fallen short. “The 2021 budget measures do little to improve the country’s long-term prospects and the plan raises concerns about vulnerability of public finances to higher interest rates. The budget measures will not inspire confidence among domestic and foreign investors, nor encourage much support from the credit-rating agencies,” said Ian Russell, President and CEO of the Investment Industry Association of Canada (IIAC).

Just last month, the International Monetary Fund (IMF) stated the recent rise in public debt requires a medium-term fiscal anchor to ensure fiscal sustainability and a credible fiscal framework. The federal government failed to establish a clear plan to budget balance that will gradually restore the federal net debt-to-GDP ratio to its pre-pandemic levels of 30 percent. Indeed, the budget provided no fiscal anchor to impose discipline in public spending, simply stating the government is committed to “reducing the federal debt as a share of the economy over the medium-term.”

“The priority should have been to impose effective measures to spur business investment spending and risk taking to strengthen the foundation of the business sector and re-build the small business sector, critical for Canada’s recovery in both the short and long term,” said Russell. “Productive capacity has been hammered as many businesses have closed, supply chains disrupted, and core industries have contracted. It is disappointing the government did not introduce a market-driven tax incentive, such as a personal tax credit, to encourage Canadians to invest in the equity shares of qualified small- and medium-sized businesses, similar to the successful U.K. Enterprise Investment Scheme, to stimulate small and medium-sized business growth and investment.”

This is not the time to announce new expensive, well-meaning initiatives to widen the social safety net, such as a national childcare program. The policy priority should be for the economy to emerge from the pandemic doldrums and to re-vitalize business and employment opportunities on the road to recovery.

The IIAC has called on the federal government to improve the efficiency of the tax system to stabilize public finances and make room for productive spending in the future. The federal government did not make any announcements in this regard in the budget. The emphasis should be on making tax bases as broad and comprehensive as possible, and reviewing tax expenditures (exemptions, deductions, credits, and rebates) with a view of eliminating or scaling back those that are not meeting intended policy goals or delivering value for money.

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