FIRST CAPITAL FINANCIAL

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"If you're on a budget, I have something uglier."

After much-hyped fanfare, the minority Liberal government has announced their first federal budget. Notwithstanding the promise of transformational change, the contents of the budget are under-whelmingly threadbare in terms of tax relief for middle class Canadians.

What's notable is what's *not* in the budget, including the simplification/standardization of the Income Tax Act, the elimination of mandatory conversion ages for RRSPs to RRIFs (and locked-in RRSPs to LIFs), waiving minimum RRIF withdrawal requirements or the elimination of the GST on management fees. More, egregiously, there is little help for young Canadians looking to purchase their first home. The budget tries to make a big deal out of waiving the GST for first time homebuyers - but only on **newly built homes**, which eliminates much of this benefit for most. Here the government appears to be conflating the need to build more housing, with the need for housing to be affordable.

At best there are incremental changes including a reduction of 1% for the first income tax bracket and the acceleration of depreciation (called capital cost allowance) for business owners. The so-called luxury tax has been eliminated, but only for boats and planes, which few Canadians would actually pay. It remains on vehicles costing $100k or more, which will hit purchasers of many cars and trucks. So again, from a practical standpoint individuals and businesses will continue to be pay tax on top of tax.

If you tax anything you get less of it. A budget that would truly be transformational would be one that benefits the middle class, who is struggling with rising costs of living on virtually every good and service. The budget is not a done deal however, as the Liberals require support from at least three votes from one of the other political parties. Their asks in return are unlikely to change the fundamentals however.

For more, click <here> for further reading.

Thanks for reading!

Martin

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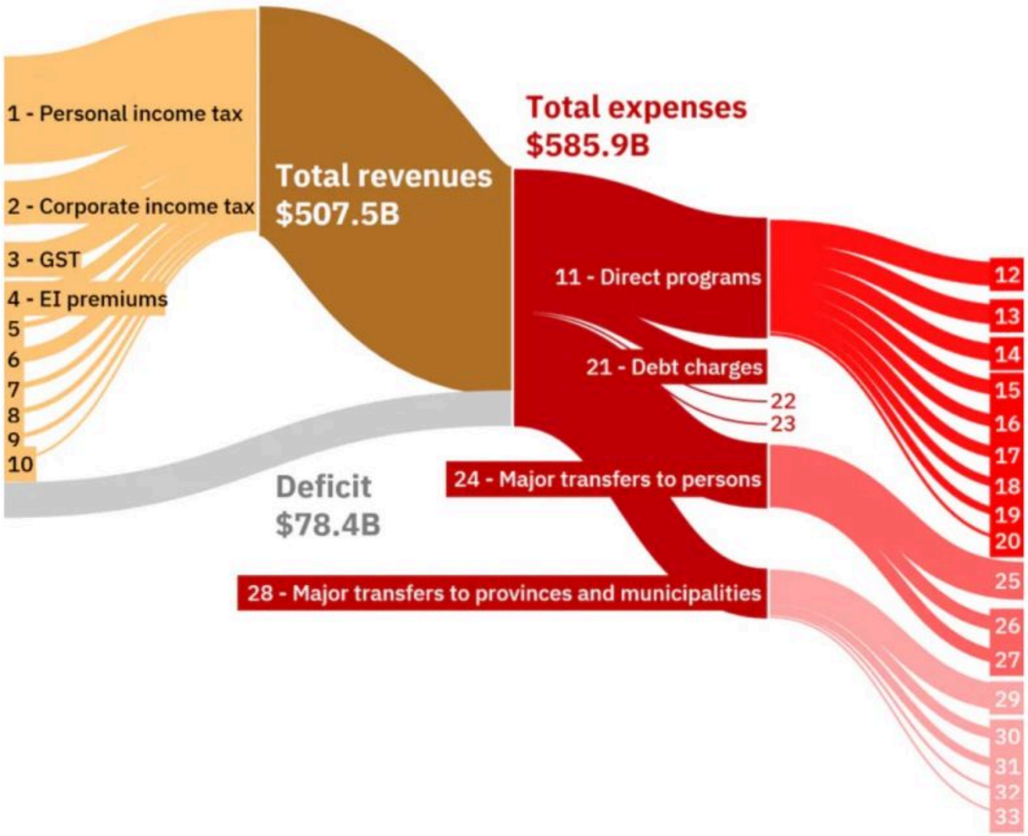
Budget 2025: Where does the money come from? Where does it go?

Federal government fiscal projections



1	Personal income tax	$237.9
2	Corporate income tax	$97.1
3	Goods and Services Tax	$54.4
4	Employment Insurance premiums	$32.2
5	Other program revenues	$31.8
6	Non resident income tax	$13.7
7	Other excise taxes and duties	$13.2
8	Enterprise Crown corporations	$11.3
9	Customs import duties	$9.9
10	Net FX and investment returns	$6.0

11	Direct program expenses	$265.8
12	Federal departments operating budgets	$52.4
13	Indigenous reconciliation and services	$43.5
14	Capital projects and equipment	$37.9
15	Defence operating funding	$32.1
16	Security public safety and justice	$27.8
17	Infrastructure and housing funding	$27.1
18	International assistance	$20.0
19	Agriculture, natural resources and climate programs	$18.3
20	Research, culture, sports and heritage programs	$6.7

21	Public debt charges	$55.6
22	Pollution pricing proceeds returned to Canadians	$5.0
23	Net actuarial losses	$5.0

24	Major transfers to persons	$143.7
25	Elderly benefits	$83.1
26	Employment Insurance benefits	$30.5
27	Canada Child Benefit	$30.1

28	Major transfers to provinces and municipalities	$110.8
29	Canada Health Transfer	$57.1
30	Equalization	$23.9
31	Canada Social Transfer	$18.7
32	Other fiscal arrangements	$6.3
33	Territorial Formula Financing	$4.8

Source1. Mackenzie (https://www.mackenzieinvestments.com/en/services/tax-and-estate-planning/federal-budget/federal-budget-2025-analysis)

Source 2 (chart): Canoe Asset Management

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