

9 July 2020

# Global Tax Alert

News from EY Americas Tax

## Canada: Federal Government delivers its 2020 Economic and Fiscal Snapshot

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On 8 July 2020, Canada's Finance Minister Bill Morneau delivered a 2020 *Economic and Fiscal Snapshot*, taking into account the more than CA\$230 billion<sup>1</sup> in economic measures introduced to support individuals and businesses impacted by the COVID-19 crisis. The snapshot, which outlines Canada's current economic situation, does not include any new tax measures affecting individuals or corporations.

The snapshot forecasts a budgetary deficit of \$343.2b for 2020-21, up from a deficit of \$34.4b reported for the 2019-20 fiscal year. In addition, the Government anticipates that the federal debt to GDP ratio will increase from 31.1% in fiscal 2019-20 to 49.1% for fiscal 2020-21, with the debt expected to reach \$1.2t by March 2021. As stated in the snapshot, "The toll on the broader economy in 2020 is expected to be the largest and most sudden economic contraction since the Great Depression."

The following table summarizes the fiscal projections included in the 2020 Economic and Fiscal Snapshot.

## Table A

Changes to the Fiscal Outlook since the 2019 Economic and Fiscal Update (EFU 2019)

	2019-20	2020-21
	\$b	\$b
<b>EFU 2019 budgetary balance</b>	<b>(26.6)</b>	<b>(28.1)</b>
Adjustment for risk	1.5	3.0
EFU 2019 budgetary balance (without risk adjustment)	(25.1)	(25.1)
Economic and fiscal developments since EFU 2019	0.1	(81.3)
<b>Revised budgetary balance before policy actions and investments</b>	<b>(25.0)</b>	<b>(106.4)</b>
COVID-19 Economic Response Plan	(8.1)	(227.9)
Policy actions since EFU 2019	(1.3)	(9.0)
<b>Final budgetary balance (i.e., deficit)</b>	<b>(34.4)</b>	<b>(343.2)</b>
Federal debt (percent of GDP)	31.1%	49.1%

*Note: Totals may not add due to rounding.*

Although the *2020 Economic and Fiscal Snapshot* sets out next steps in terms of planned support to the provinces and territories (currently estimated at \$14b), there are no details on the Government's plan to pay down the debt or reduce the deficit in the future or on how to further spur economic recovery.

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### Endnote

1. Currency references in this Alert are to the CA\$.

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EYG no. 004750-20Gbl

1508-1600216 NY  
ED None

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