

# OTTAWA UPDATE...

GOVERNMENT RELATIONS DEPARTMENT - CREDIT UNION CENTRAL OF CANADA  
400 - 275 BANK STREET, OTTAWA, ON K2P 2L6

On May 2<sup>nd</sup> Stephen Harper's minority Conservative Government brought down its first budget since the January 2006 election. In the budget speech, Finance Minister Jim Flaherty

announced a federal surplus for 2005/06 year of \$8 billion. In general, the Minister offered a "no surprises" approach and signaled the Conservative Government's commitment to spending restraint and tax cuts for individual Canadians and business. The budget contains modest tax reductions for credit unions and more significant tax savings for large banks.



## HIGHLIGHTS BUDGET 2006

- **2006 REVIEW OF FEDERAL FINANCIAL SERVICES INSTITUTIONS LEGISLATION:** The government acknowledges that there is not sufficient time to complete the review by the current October 2006 deadline. Accordingly, a White Paper on the 2006 review will be published in the near term with legislation to be tabled in Parliament this fall. The sunset date for the federal financial institutions statutes will be extended from October 24, 2006 to April 24, 2007.
- **SMALL BUSINESS TAXATION:** Budget 2006 announces an increase in the amount of small business income eligible for the 12% rate to \$400,000 as of January 1, 2007. The rate will be reduced to 11.5% in 2008 and to 11% in 2009.
- **AGRICULTURAL:** Budget 2006 provides an additional \$2 billion over two years for the farming sector. Of the \$1.5 billion provided this year, \$500 million will be for farm support, with an additional one-time investment of \$1 billion to assist farmers in the transition to more effective programming for farm income stabilization and disaster relief. Budget 2006 confirms the government's intent to replace the Canadian Agricultural Income Stabilization (CAIS) program. The federal government will continue to consult with the provinces and territories to develop new income protection programming.
- **ANTI-MONEY LAUNDERING AND ANTI-TERRORIST FINANCING:** Budget 2006 provides \$64 million to support Canada's anti-money laundering and anti-terrorist regime and \$9 million to fund integrated enforcement teams to combat currency counterfeiting. Changes to anti-money laundering and anti-terrorist financing legislation will be tabled at the earliest opportunity.
- **MORTGAGE INSURANCE:** The Federal Government is working on arrangements to facilitate new entrants into the mortgage insurance market. The government will increase the amount of business that can be covered under the government's authority from \$100 billion to \$200 billion in order to keep pace with the increase in housing prices and growth in the mortgage market.



## ON THE TAX SIDE THE BUDGET HIGHLIGHTS INCLUDE:

- 1% cut to the GST as of July 1, 2006;
- New Universal Child Care Benefit providing families with \$100 per month for each child under six years old as of July 1, 2006;
- Reduce the general corporate tax rate to 20.5% in 2008, 20% in 2009 and 19% in 2010;
- Eliminate the corporate surtax for all corporations as of January 1, 2008 - this had already been legislated for small corporations;
- Of benefit to some credit unions, accelerate the elimination of the federal capital tax to January 1, 2006;
- Of benefit to the large banks, Budget 2006 increases the exemption from the federal capital tax on financial institutions from \$200 million to \$1 billion, and to adopt a single rate of 1.25%;

## ON THE SPENDING SIDE:

- **Infrastructure Renewal:** Budget 2006 provides \$5.5 billion over four years for a new Highways and Borders Infrastructure Fund, Canada's Pacific Gateway Initiative, the Canada Strategic Infrastructure Fund, the Municipal Rural Infrastructure Fund, and a new Public Transit Capital Trust.

## PALLISTER TO CHAIR FINANCE COMMITTEE

Conservative M.P. Brian Pallister (Portage-Lisgar, MB) has been elected Chairperson of the House of Commons Standing Committee on Finance. Pallister, a Chartered Financial Consultant, has a background in monetary issues, insurance and financial planning. *"Financial issues are at the heart of many of the concerns my constituents have communicated to me".*

The Finance Committee will consist of five Conservative Members of Parliament, four Liberals, two Bloc members and one from the NDP. Consistent with the minority standings in the House of Commons, the opposition parties will form a majority on the committee. Issues that may come before the committee will include the Budget Bill, Private Member's Business, and the review of the Bank Act. Since his election in 2000, Mr. Pallister has served on several key House of Commons Committees including Finance, Indian Affairs and Human Resources.

### OTHER COMMITTEE MEMBERS INCLUDE:

- Yvan Loubier, Vice Chair (Saint-Hyacinthe-Bagot, QC)
- Massimo Pacetti, Vice Chair (St. Leonard-St. Michel, QC)
- Diane Ablonczy (Calgary-Nose Hill, AB)
- Rick Dykstra (St. Catharines, ON)
- Luc Harvey (Louis-Hébert, QC)
- John McCallum (Markham-Unionville, ON)
- John McKay (Scarborough-Guildwood, ON)
- Michael Savage (Dartmouth-Cole Harbour, NS)
- Thierry St-Cyr (Jeanne-Le Ber, QC)
- Garth Turner (Halton, ON)
- Judy Wasylycia-Leis (Winnipeg North, MB)

