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Co-operatives and Mutuels Canada's Analysis of the 2023 Fall Economic Statement

On November 21, 2023, Deputy Prime Minister and Minister of Finance Chrystia Freeland tabled the [Fall Economic Statement](#) (FES) on behalf of the Government of Canada. This annual statement provides an update to Parliament and Canadians on the country's finances in anticipation of the expected federal budget in early 2024.

This year's FES focuses on supporting the middle-class with targeted measures to make life more affordable such as building more homes faster, building a strong and sustainable economy that moves towards net-zero. The 131-page economic update states that over a million more Canadians are employed compared to before the pandemic, that wages have been outpacing inflation for the last nine months and that Canada will likely avoid the recession that was predicted by many.

The 2023 Fall Economic Statement did not contain any significant surprises or changes, as the Government remains steadfast on its previously announced commitments. Although not explicitly mentioned, the continued use of tax policy to encourage a strong business sector bodes well for CMC's efforts to advance tax-related files, including: ensuring the [Tax-Deferred Co-operative Share Program](#) becomes a permanent fiscal measure, securing [access to the small business deduction](#) for all co-operative entrepreneurs and related businesses, establishing a [federal co-operative investment plan](#), as well as promoting [fair taxation for indivisible reserves](#).

Federal-level advocacy is a key pillar of Co-operatives and Mutuels Canada's activities. CMC invites you to consult its recent [pre-budget submission](#), as well as a list of its policy priorities, which are available on our [website](#). For questions regarding these items or the practical implications of FES measures on your co-operative or mutual, please reach out to Daniel Brunette, Senior Director of External Affairs, at dbrunette@canada.coop.

New Measures & Programs

As per usual, many of the items announced in the FES will be further detailed in the weeks and months ahead. CMC will continue to monitor these items in order to ensure that we advocate for the benefits of the co-operative sector.

Below, you will find measures that are most likely to impact co-operatives, mutuels, our Members, and our partners. Should you wish to see the rest of the FES and its measures, please click here: [2023 Fall Economic Statement](#).

Canada's Housing Action Plan

Throughout the FES, the Government outlined the need for more construction of homes, with an emphasis on affordable housing. As a result, the Government has proposed many measures



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including incentivized rental housing construction, renter and homeowner protection, and helping Canadians become first-time home buyers. Measures that impact the co-operative ecosystem include:

- An additional \$1 billion over three years, starting in 2025-26, for the Affordable Housing Fund, which includes non-profits, co-operatives, and public housing,
- The removal of the GST from the New Co-op Rental Housing (excluding co-operative housing corporations where occupants have an ownership or equity interest). Please note the [Co-operative Housing Federation of Canada](#) will be working to clarify this component to ensure that it is fairly applied,
- An investment of \$309.3 million in new funding for the Co-operative Housing Development Program, which was announced in the 2022 Budget.

Canada Emergency Business Account (CEBA)

Created during the pandemic, the Canada Emergency Business Account (CEBA) provided \$49 billion in interest-free, partially forgivable loans of up to \$60,000 to nearly 900,000 small businesses and not-for-profit organizations, including many co-operatives. The FES outlined the following changes to the program:

- The repayment deadline for CEBA loans to qualify for partial loan forgiveness of up to \$20,000, is being extended from December 31, 2023, to January 18, 2024,
- The refinancing with financial institutions can be extended to March 28, 2024,
- The outstanding loans can be converted to three-year term loans, subject to interest of five per cent per annum, and extended to December 31, 2026.

Employee Ownership Trusts

Building on it's the tax rules announced in the 2023 Budget, the FES proposes to exempt the first \$10 million in capital gains realized on the sale of a business to an Employee Ownership Trust from taxation, subject to certain conditions. However, the FES does not mention that this incentive would also apply to [worker co-operatives](#)—CMC and the [Canadian Worker Co-op Federation](#) will continue to advocate on this important point. This incentive also sets the stage for awareness of the [business conversion to co-operatives](#), which enables the safeguarding of jobs and economic drivers within communities.

Banking and Investments

The Government announced several measures which will likely impact Canada's Credit Unions, *Caisses Populaires* and mutuels:

- Consumer-driven banking, also known as open banking or consumer-directed finance, will now be allowing consumers and small businesses to securely transfer their financial data through a digital interface with approved service providers of their choice,



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- The Financial Consumer Protection Framework was introduced—this will provide electronic alerts to Canadians when their accounts are close to exceeding the available fund,
- The Financial Consumer Agency of Canada (FCAC) will work with financial entities to improve banking features and provide more Canadians with access to low- and no-cost accounts,
- The designation of an Ombudsman for Banking Services and Investments (OBSI), as the single external and independent complaints body for Canada’s banking sector,
- As part of its commitment to supporting Canada’s Payments Modernization, the Government intends to amend the Payments Act to expand membership eligibility to payment service providers such as credit union locals that are members of a credit union central.

Reciprocal Treatment for Canadian Businesses Abroad

The Government announced that it would, going forward, consider reciprocity as a key component of new policies in order to have stronger and more resilient international supply chains and counter protectionist policies. This will ensure that countries that do not provide Canadian goods and services with a similar level of market access do not unfairly benefit from access to Canada’s markets. This approach will protect Canadian workers and businesses from global economic and trade challenges. This will be of interest to the 7.4% of co-operatives that do business internationally.

Green Bond Framework

The Government has released an updated Green Bond Framework that will support the achievement of UN Sustainable Development Goals (“SDGs”). This document broadens the scope of Canadian investments in climate action and environmental protection for investors to support, while fostering further development of the Canadian sustainable finance market. This will impact co-operatives and stakeholders involved in initiatives such as energy efficiency, clean energy, climate change adaptation as well as circular economy adapted products, production, technologies, and processes.