

The Federal Budget: What's in It and Why It Matters

The federal budget is making headlines—and for good reason. Whether you run a business or manage a large enterprise, understanding the budget can help you anticipate changes that may affect your organization. This explainer breaks down key terms and concepts to help businesses better understand what the budget includes and how it may impact planning, decision-making and day-to-day operations.

What is the federal budget?

The federal budget is the Government of Canada's financial plan. It outlines how the federal government expects to collect and spend money over the next year.

Who decides what goes in the budget?

The Minister of Finance puts together the budget in conjunction with various government departments and the Prime Minister. The budget is then presented to Parliament for debate and approval.

Where can I read the budget?

You can find the full budget along with easy-to-read summaries on the Government of Canada's [website](https://www.canada.ca/en/govcanada/budget).

What's in the budget?

The federal budget includes:

- ▶ **Revenue forecasts** (how much money the government expects to collect)
- ▶ **Spending plans** for things like housing, infrastructure, trade and defence
- ▶ **Deficit or surplus projections** (whether the government thinks it will spend more or less than it collects)
- ▶ **New policy announcements** and funding priorities

Does the budget include changes to the tax code?

Yes. The budget often introduces changes to tax rates, tax credits and other rules that affect individuals and businesses.

What about new programs?

Yes, the budget may announce new investments in things like housing, infrastructure, defence, innovation, or support for small businesses and workers.

Why should businesses pay attention?

The federal budget is more than just numbers—it sets the tone for the economic year ahead. For businesses, it can signal:

- ▶ Changes to corporate or small business tax rates
- ▶ New funding programs or grants
- ▶ Shifts in consumer spending due to tax or benefit changes
- ▶ Economic trends that may affect hiring, investment or growth

Glossary of Key Budget Terms

- ▶ **Capital spending:** This term is traditionally defined as investments in long-term assets like infrastructure, buildings or equipment. However, for the purposes of the Canadian federal budget, it's now defined more broadly to include any government expenditure or tax incentive intended to increase the capital stock in Canada.
- ▶ **Debt:** The total amount of money a government owes to lenders, including any accumulated deficits.
- ▶ **Deficit:** When the government spends more than it collects in a given year.
- ▶ **Fiscal year:** The 12-month period used for government budgeting, running from April 1 to March 31.
- ▶ **Program spending:** Money allocated to specific government initiatives or services.
- ▶ **Tax credits:** Reductions in the amount of tax owed, often used to encourage certain behaviors or support specific groups.
- ▶ **Transfer payments:** Funds the federal government provides to provinces, territories or individuals to support programs like healthcare or education.