



Small Business Platform for Conservative Leadership Candidates

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CFIB
CANADIAN FEDERATION
OF INDEPENDENT BUSINESS
In business for your business™



Small business platform for Conservative leadership candidates

Running a small business is no easy feat. It means no vacation or sick days, dealing with complicated red tape, no pensions, long hours on the job, and many unique challenges. The pandemic made things even more complicated, and the negative impacts of COVID-19 will be felt by a large number of small businesses for many years to come.

Despite all this, our members love what they do, and our communities are richer for it. During this leadership race, many small business owners are looking at each candidate to see what their plan will be to help their small business succeed now and in the future.

The Canadian Federation of Independent Business (CFIB) represents 95,000 small-and-medium-sized enterprises (SMEs) in every sector of the economy and every province. We are solely funded by our membership and take direction from them

through regular surveys on a variety of issues. As a candidate for the leadership of the Conservative Party of Canada, our members are looking at your platforms to set up small businesses for success.

CFIB's Small Business Platform sets out our recommendations that will help entrepreneurs start or grow their businesses. We ask you to include our recommendations in your platform to send a strong signal that you support entrepreneurs and small businesses across Canada.

Here is a summary of our recommendations:

- 1- Ensuring the **cost of doing business** does not increase.
- 2- Implementing policies to deal with the **shortages of labour**.
- 3- Help hardest-hit small businesses recover from **COVID-19 debt**.
- 4- Find a way to **lower credit card fees** for small merchants.
- 5- **Reduce red tape**.
- 6- Provide a timeline for returning to a **balanced budget**.
- 7- Help businesses deal with **supply chain disruptions**.



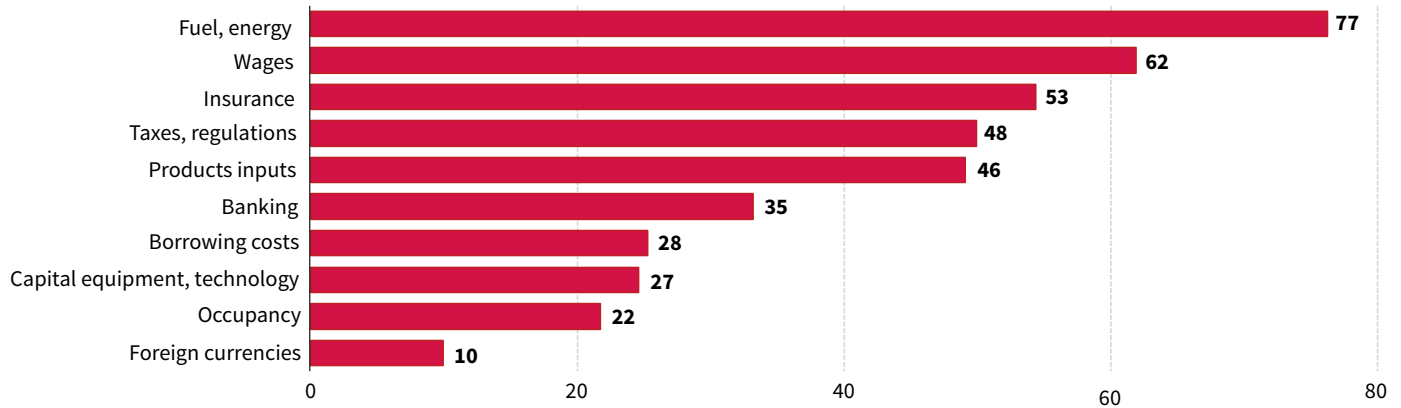
The following paragraphs briefly outline some of the most important priorities for our members and you will find the detailed list of our recommendations at the end of this document.

1 - Not increasing the cost of doing business

This is the number one priority with 4 out of 5 (81%) members listing “Do not increase the cost of doing business” as their top concern for 2022. Our members are facing several cost increases in various areas (see **Figure 1**). Any future legislation must not further increase the cost of doing business.

Figure 1

What types of inputs costs are currently causing difficulties for your business?



Source: CFIB, Your Business Outlook Survey, June 2022, June 2-14, 2022, final results, n = 700.

As we move out of the pandemic and into recovery, policymakers must remain cognizant of supporting small businesses by not increasing payroll taxes and other business taxes and fees at a time when they can scarcely afford it. Small business owners are looking for a clear commitment that these taxes will not go up. It is also important not to create new programs that would increase payroll taxes and the cost of doing business.

Recommendations on the cost of doing business

- Apply the federal small business tax rate on the first \$600,000 of active business income instead of the current \$500,000.
- Lower the federal small business tax rate from 9% to 8%.
- Repeal the carbon tax or at least freeze it at the current level.
- Freeze upcoming CPP increases or introduce a rebate for small businesses.
- Split EI premiums 50/50 between employers and employees.
- Increase the Lifetime Capital Gains Exemptions for non-farms to \$1,000,000.
- Exempt spouses from the income-splitting test.



2 - Addressing the shortage of labour

A long-term problem in Canada, the shortage of labour has been exacerbated by the pandemic and will require a plan to address the issues felt throughout Canada. CFIB's report "*Labour shortages are back with a vengeance*" found that **55%** of small businesses are experiencing shortages of labour, and nearly two-thirds (**63%**) of SMEs affected by labour shortages could not find job applicants with the right skill set or experience, while **52%** reported a lack of any candidates at all. While wage increases have often been touted as the solution, **47%** of SMEs who raised wages did not find it helpful in attracting workers. Many SMEs have been more successful in using other solutions to deal with labour shortages including automation and hiring through the Temporary Foreign Worker Program (TFWs). (see **Figure 2**)

Figure 2

	Utilization rate	Success rate
Investing in automation	33%	81%
Using Temporary Foreign Worker program	16%	52%
Allowing greater flexibility with work hours	70%	38%

Source: CFIB, Your Voice – September 2021 survey, September 9–27, 2021, final results, n = 1,048.

The pandemic has shifted the relationships between employers and employees, pushing employees out of certain sectors. Nearly **24%** of SMEs reported that employees switched industries due to the pandemic. This trend was even higher among businesses in social services (**37%**) and hospitality (**48%**). Small businesses have been doing all they can to attract workers, but they need politicians to do their part by adopting policies that increase productivity, connect job seekers with employers and not put the cost of hiring out of reach.

There is no magic solution, but business owners are looking for a clear plan on how to address shortages of labour in Canada.

Recommendations on helping businesses deal with the shortages of labour

- Improving and streamlining immigration processes to bring more workers into Canada faster and ensuring a good fit between immigration and positions to fill.
- Stimulating automation through programs or tax credits.
- Introducing an Employment Insurance (EI) holiday for hiring youth, seniors, and/or other underrepresented groups.
- Ensuring EI programs do not discourage individuals from returning to work.
- Add tax credits for workers' training, particularly for informal, on-the-job training.

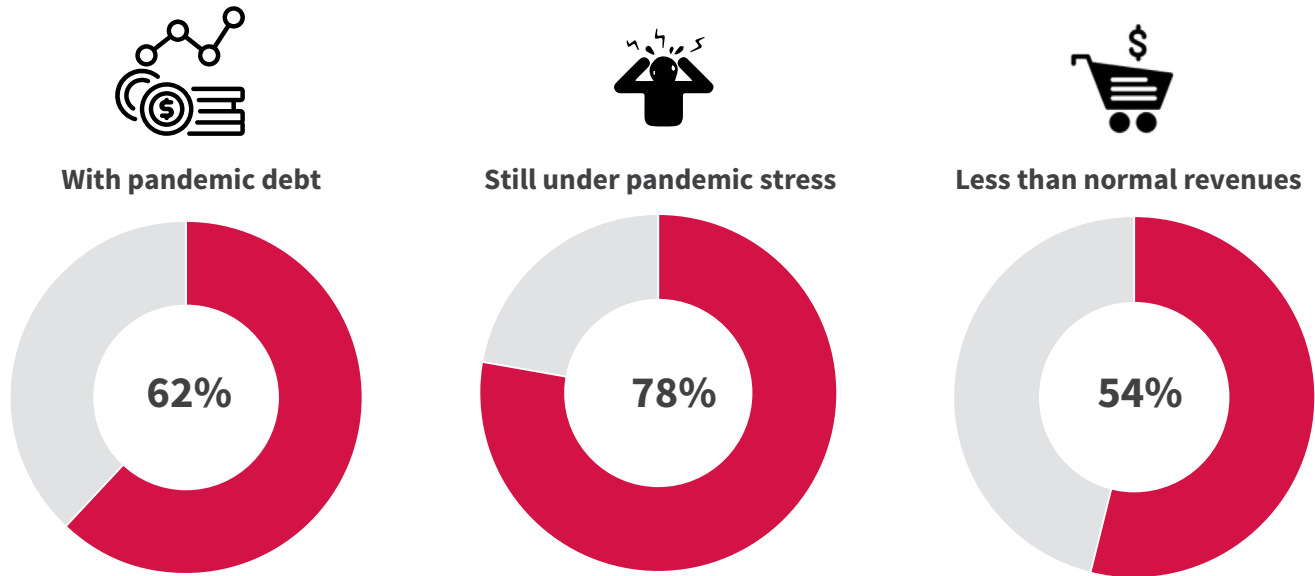


3 - Help hardest-hit small businesses recover from COVID-19 debt

It is important to keep in mind that small businesses withstood the worst of the pandemic's costs and are dealing with, on average, \$160,000 in COVID-19 related debt. Throughout the pandemic, CFIB has regularly updated its Small Business Recovery Dashboard to illustrate the state of small businesses. Our latest data shows that small businesses are still feeling the impacts of the pandemic, with **54%** making less than normal revenues and **62%** dealing with pandemic debt. More than three quarter are reporting still being under pandemic stress (see **Figure 3**). Therefore, policies must be introduced to help hardest-hit small businesses tackle their COVID-19-related debt.

Figure 3

State of Small Business in Canada



Source: CFIB, preliminary results for the Your Voice – June 2022 survey, results from June 9-14, 2022, n = 2,353.

Recommendations for helping hardest-hit businesses recover from their COVID-19 debt

- Increase the forgivable portion of the CEBA loan to at least 50%.
- Include a forgivable portion to other federal COVID-19 subsidy programs, like the Highly Affected Sectors Credit Availability Program (HASCAP).
- Extend the repayment deadline of the CEBA loan for an additional year (December 2024).
- Find a pathway to support newer businesses that were excluded by CEBA.

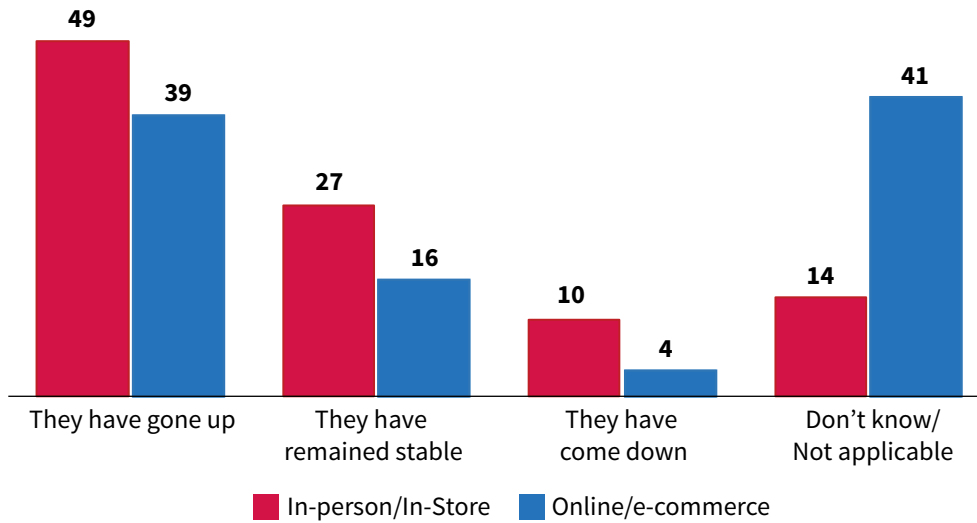


4 - Find a way to lower credit card fees for small merchants

With a long history of rising costs, hidden fees, confusing contracts and customer fraud, the credit card payments industry is particularly complex and confusing for most small businesses.

Figure 4

Generally, how have SME credit card fees changed in the last 3 years? (% of response)



Source: CFIB, Credit and Debit Cards Survey, June 10—June 25, 2021, final results, n = 4, 339.

While credit cards can be beneficial to both consumers and businesses, they also bring significant costs to small businesses. Although the accelerated growth in online payments and their associated costs have significantly affected SMEs, refusing credit cards is not a realistic option for small businesses. More than three-quarters of business owners (78%) feel that the current credit card processing rates and fees are not affordable and about one in two have seen their credit cards fees go up in the last three years (see Figure 4). As such, we encourage you to commit to lowering the average overall cost of interchange fees for merchants.

Recommendations for lowering credit card fees

- Propose policies to lower credit card merchant fees for small businesses to ensure that small merchants benefit from pricing that is similar to what is charged to larger businesses.
- Remove the ability for credit card companies to charge a merchant fee on sales taxes or find a way for them to compensate for this extra cost.
- Modernize the Credit and Debit Card Industry Code of Conduct to reflect the current market realities.
- Increase awareness around the Credit Card Code of Conduct and the role of the Financial Consumer Agency of Canada (FCAC).

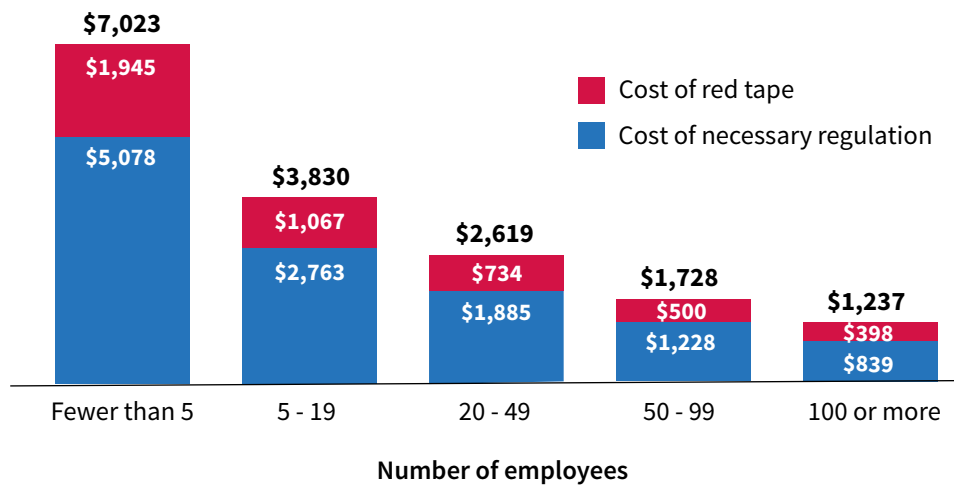


5 - Reducing red tape

Along with taxation, red tape is a top concern for small businesses. Red tape and excessive bureaucracy can limit productivity, lower investment capacity and leave business owners with less time to manage their business. The smaller the business, the higher the cost (see **Figure 5**). For SMEs, red tape not only includes all the paperwork and rules they must follow but also the level of customer service provided by the government. Not being able to get answers quickly from the federal government website or call centre, or not being able to understand the language on forms or guidance documents, can be equally frustrating and even costly for small business owners.

Figure 5

Annual regulation cost per employee, by size of business (in 2020 dollars)



Sources: Calculations based on CFIB's Survey on Regulation and Paperburden (conducted in 2020, n=4,603) and data from Statistics Canada.

We ask you to commit to a plan to reduce red tape. It is the most cost-effective way to help businesses grow and succeed. We recommend that you introduce in your platform simple and comprehensive measures for red tape reduction and a plan to reduce interprovincial trade barriers.

Reducing red tape

- Improve the Red Tape Reduction Act, and the *One-for-One Rule* so that it applies not only to regulations but to legislation and policies as well.
- Honour the intent of Bill C-208 to ensure that owners that sell their business to a family member receive the same tax treatment as businesses that sell to a third party.
- Encourage Provinces to adopt a policy of *“mutual recognition”* to internal trade, which means that any good that can be sold in one jurisdiction can be sold in other jurisdictions without meeting further requirements.



6 - Provide a timeline for returning to a balanced budget

No one disputes that spending was needed to help small businesses cope with COVID-19 restrictions and lockdowns measures. As a result, many small businesses are in a difficult situation through no fault of their own. They were asked to either shut down completely or partially their businesses to protect society. When we asked our members what worried them during the pandemic, the economic repercussion was their number one concern. (see **Figure 6**)

Figure 6

What worries you most about COVID-19 (Select all that apply)



Source: CFIB, Your Voice – June 2021 survey, June 3-30, 2021, final results, n = 4,950.

The federal deficit in 2022-23 is expected to be at **\$52.8** billion with no concrete plan to return to a balanced budget shortly.¹ Small business owners are concerned that continued deficits and growing government debt will mean a higher tax bill for them and all Canadians in the future.

A balanced budget is necessary for ensuring the long-term stability of the Canadian economy. We ask you to communicate clearly how you intend to return to a balanced budget, and how long this will take.

Recommendations on providing a timeline to balance the budget

- Communicate how you intend to go back to a balanced budget, and the timeframe that it will take to do so.
- Ensure that any new policy that would result in significant additional government spending must either be paused or studied very thoroughly (eg. cost and impact assessments) before being implemented to ensure that any new policies do not become a new tax paid by small businesses.



¹ Government of Canada, Budget 2022: A Plan to Grow our Economy and Make Life more Affordable. April 7th, 2022. <https://budget.gc.ca/2022/home-accueil-en.html>

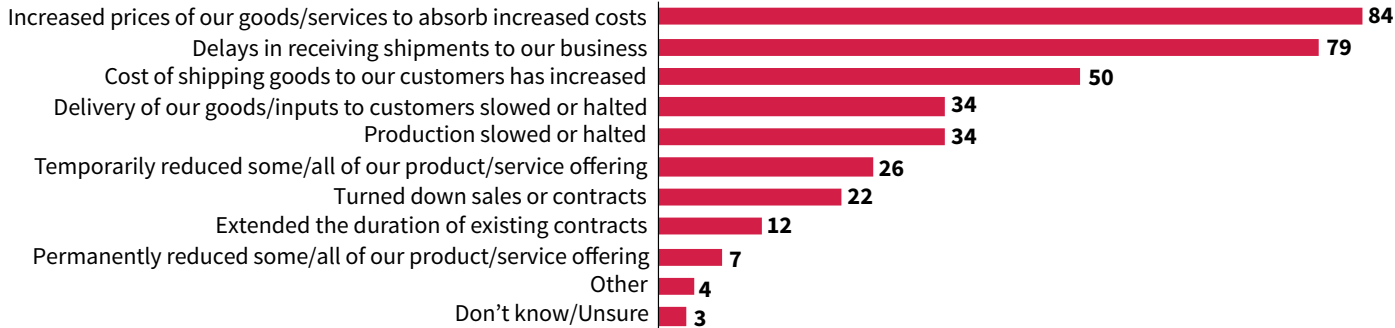
7 - Dealing the with the supply chain challenges

Recently, CFIB asked a series of questions to our members about their challenges in dealing with supply chain disruptions. These supply chain disruptions our members faced have caused increased prices, delivery delays, and businesses having to turn down sales or contracts because they are unable to fulfill orders. (see **Figure 7**)

Half of businesses (**50%**) believe that their supply chain challenges are the main reason their business has not yet returned to normal revenue. These challenges will continue to be a problem for small business owners across Canada unless measures are taken to help address these issues.

Figure 7

What impact if any, are supply chain challenges currently having on your business (Select all that apply)



Source: CFIB, Your Voice – February 2022 survey, February 9-25, 2022, final results, n = 2 911.

We understand the limitations of policymaking when it comes to supply chain disruptions and know that there are many reasons behind these disruptions. However, policymakers can ensure they do not make things more complicated and costly for businesses.

Recommendations on dealing with the supply chain disruptions

- Raise awareness for Canada-U.S. Trade Programs to make it easier and faster at the border for smaller businesses to trade and receive goods by making these programs more accessible, or creating an updated version aimed at smaller companies [e.g., *Customers Self-Assessment (CSA) Customs-Trade Partnership against Terrorism (C-TPAT), Partners in Protection (PIP)*].
- Remove the current vaccine mandates for border-crossings.
- Improve the existing supply chain capacity and infrastructure (e.g., *Port, Rail*).
- Help to increase potential sources of supply and trade opportunities from abroad and within Canada (e.g., *adopting a policy of mutual recognition for internal trade and signing new FTAs*).



Here is a recap of CFIB's recommendations to include in your Small Business Platform:



Recommendations on the cost of doing business

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If you have any questions or would like to meet to discuss this issue further, please feel free to contact us at our Ottawa office at **613-235-2373 ext.1201** or by e-mail at **Jasmin.Guenette@cfib.ca**



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