

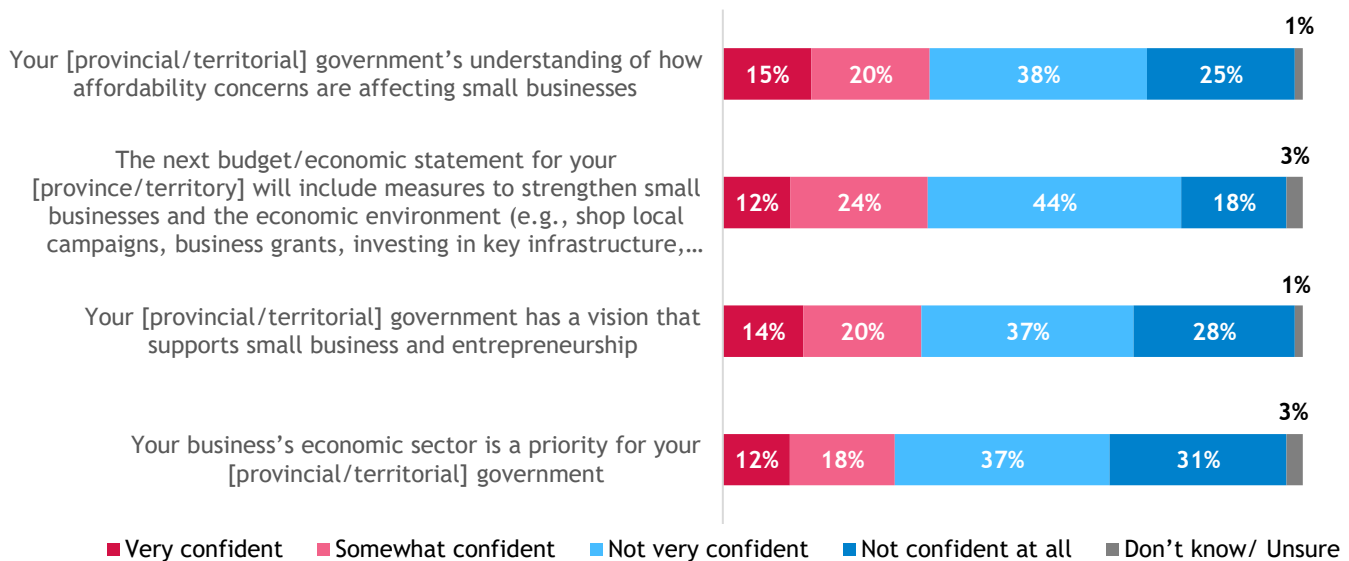
Manitoba small business priorities for the 2023-24 budget

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As the Manitoba government examines and determines its spending priorities for the 2023-24 budget, economic recovery and affordability measures for small businesses should be a top priority. With small businesses still recovering from the pandemic and dealing with new economic challenges, the government needs to ensure small businesses are not burdened with additional costs and provided with relief measures. The 2023-24 provincial budget is an opportunity to change the perception of the majority of Manitoba small businesses who are not confident the government is paying enough attention their priorities (see Figure 1).

Figure 1

Please indicate your level of confidence in each of the following. (Select one for each line)

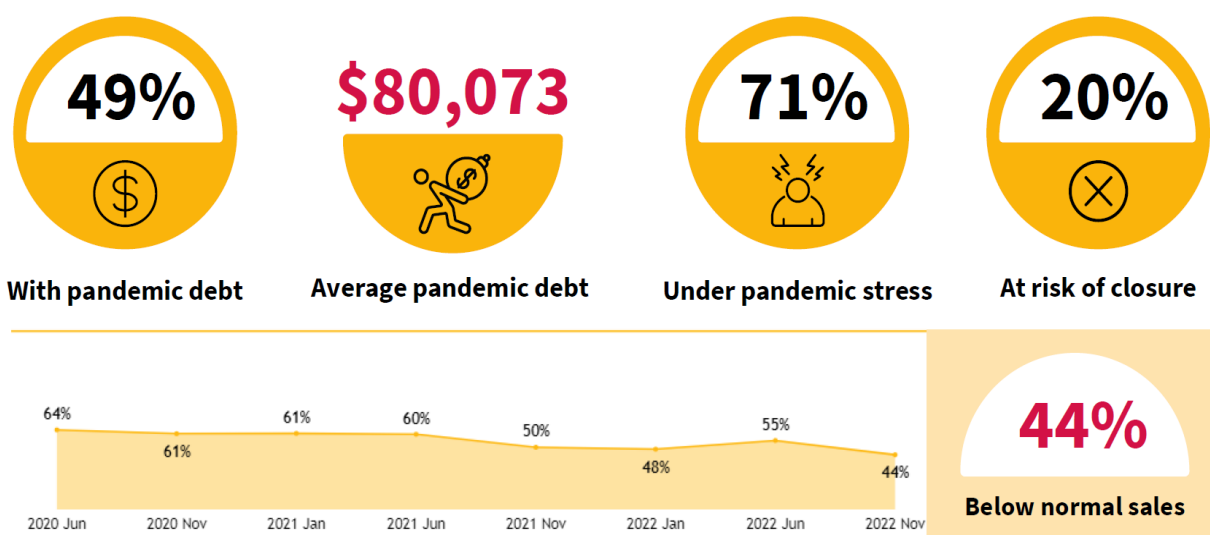


Source: CFIB, Your Voice Survey - October 6-12, 2022. Preliminary results: MB n=216.

Current State of Small Businesses

CFIB's [Small Business Recovery Dashboard](#) shows Manitoba small businesses are still facing a long and tough road to economic recovery. Nearly half (44%) of Manitoba small businesses have yet to return to normal sales and an alarming 20 per cent of businesses are considering permanently closing. According to a recent CFIB survey, half (49%) of Manitoba businesses are still carrying COVID-related debt while the majority are still dealing with significant stress caused by the pandemic (Figure 2).

Figure 2
Manitoba Small Business Recovery Dashboard



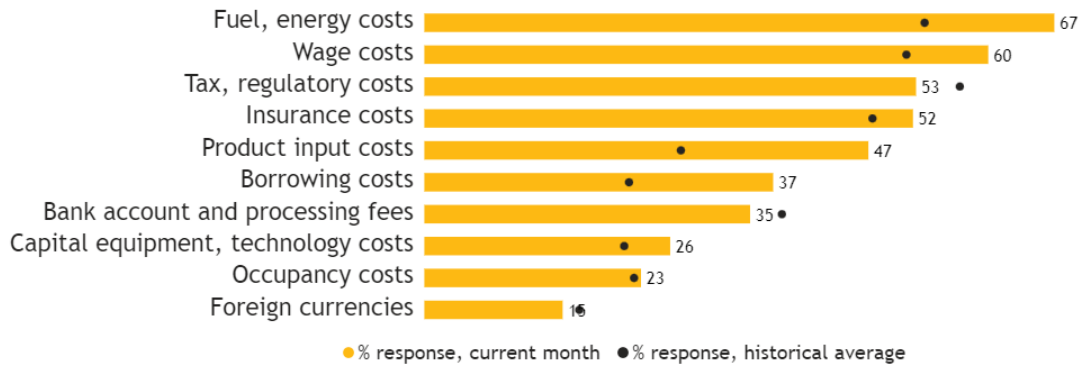
Source:

CFIB, preliminary results for the Your Voice - November 2022 survey, results from November 10-16, 2022, n=2,024. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of +/- 2.2%, 19 times out of 20

Manitoba small businesses are struggling to get back to normal while at the same time impacted by increasing costs from rising inflation and interest rates. All of this is putting small businesses in a difficult position. CFIB's [January Business Barometer](#) notes that while small business confidence has slightly increased since December 2022, overall confidence levels still remain quite low. The top cost constraints identified by small businesses are fuel and energy costs (67%), wage costs (60%), and tax/regulatory costs (53%) (Figure 3).

Figure 3

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



Survey question: What types of input costs are currently causing difficulties for your business?

Cost Constraints in Canada

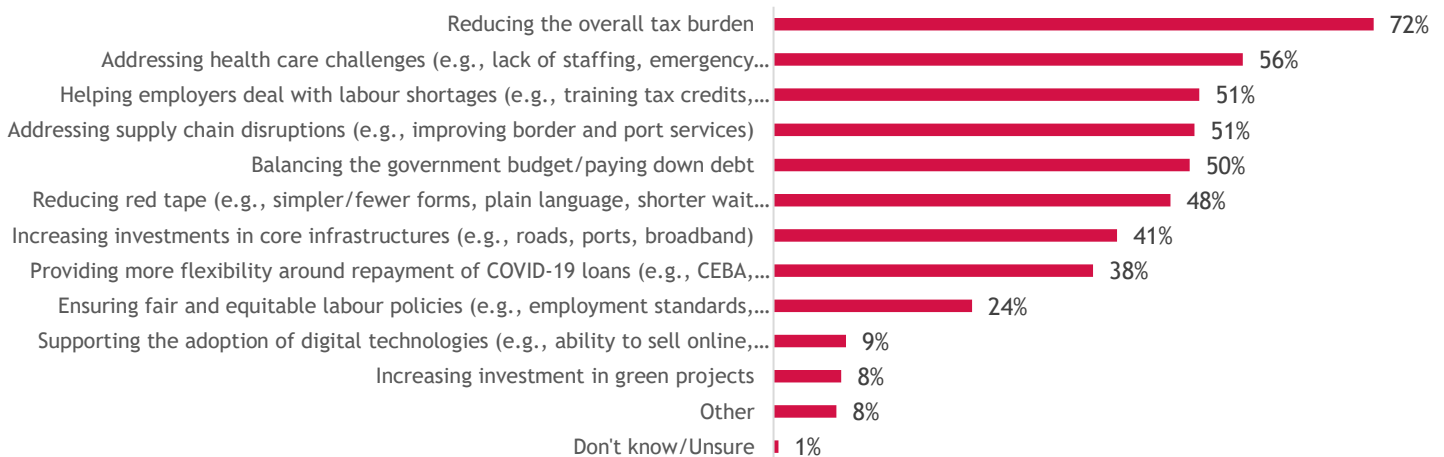
— % response, current month — % response, historical average

Manitoba Small Business Priorities for the 2023-24 Budget

When surveyed in the fall, Manitoba small businesses stated that they would like governments to focus on reducing the overall tax burden (72%), addressing health care challenges (56%), helping employers deal with labour shortages (51%), addressing supply chain disruptions (51%), and balancing the government budget/paying down debt (50%) (Figure 4).

Figure 4

Heading into the fall, what would you most like governments to focus on?



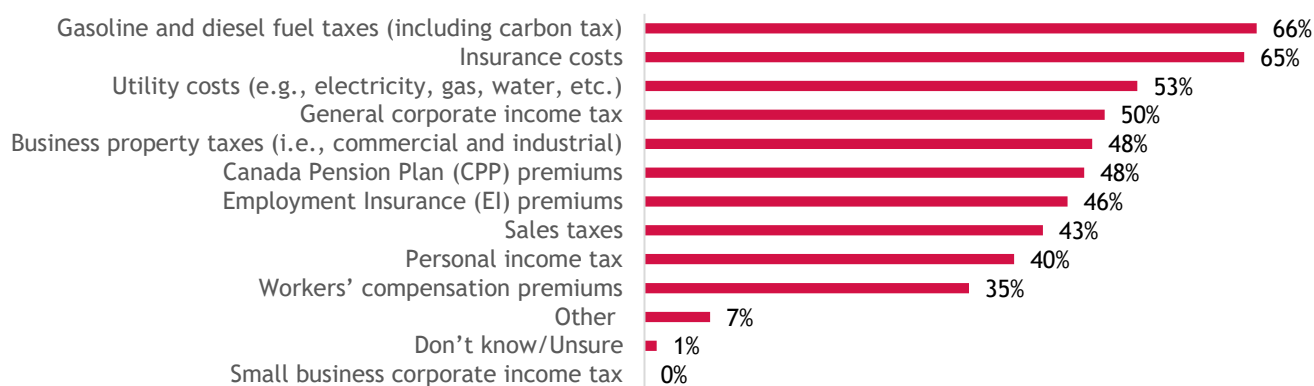
Source: CFIB, Your Voice Survey - September 2022, September 8 - September 13, Final Results, MB n=172.

Reducing small business costs

Small business owners are looking for the Manitoba government to find ways to continue to ease the overall tax burden on their business, coupled with a plan to balance the budget and pay down debt (see Figure 4). The Manitoba government can help ease the overall tax burden on small businesses by working to reduce gasoline and fuel taxes and utility costs (Figure 5). We appreciate that Manitoba has a 0% small business corporate tax rate. However, we recommend the Manitoba government consider following what Saskatchewan has done and raise the small business corporate tax rate threshold to \$600,000 to exempt more small businesses from the stress of the general corporate income tax.

Figure 5

Which of the following taxes and costs are the most harmful to the operation of your business? (Select all that apply)

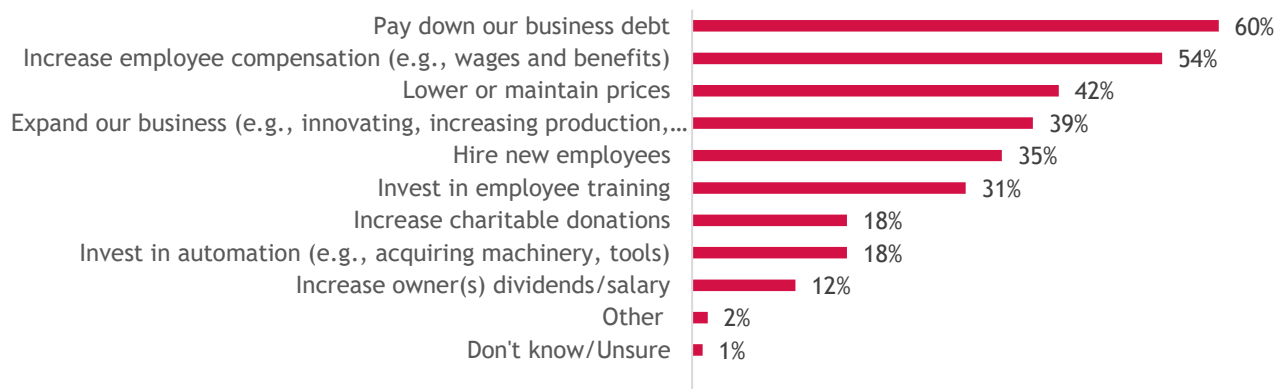


Source: CFIB, Your Voice Survey - October 6-12, 2022. Final results: MB n=225.

Manitoba small businesses have also indicated that insurance costs are a significant constraint on their business operations (65%) (Figure 6). CFIB is calling on the provincial government to reduce insurance corporation taxes as these costs ultimately fall on everyday Manitobans and small businesses. We also urge the province to be more transparent as to how these tax dollars are collected and distributed.

Figure 6

If governments were to reduce the overall burden of taxes and fees, what would your business do with the savings generated?



Source: CFIB, Your Voice Survey - September 2022, September 8 - September 13, Final Results, MB n=170.

Overall, providing some tax relief will directly benefit the survivability of small businesses and the labour force, as 60 per cent of Manitoba small businesses say they would use tax savings to pay down business debt and 54 per cent would re-invest into their own employees (see Figure 6).

Canada Pension Plan (CPP)

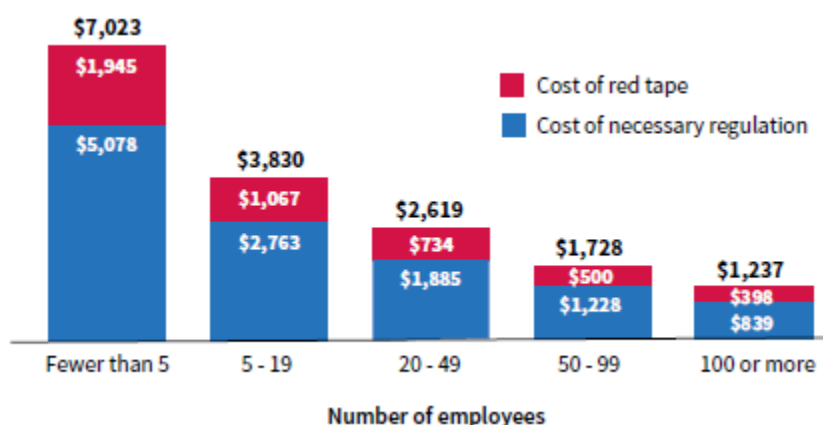
CFIB has been calling on provincial governments to take a leadership role in stopping future increases to the CPP. The CPP system is in the middle of phased increases through to 2025. As of January 1, 2023, the premium rate, and the Yearly Maximum Pensionable Earnings (YMPE) have increased, costing employees and employers up to \$255 more in contributions per employee, a 7.3% increase over 2022. EI premiums are also set to increase by as much as 5.2% per employee as of January 1st. Altogether, the increases in CPP and EI could add up to \$325 per employee to the employer payroll. This represents an increase of 6.7% from 2022. Simply put, small businesses cannot afford to absorb these further cost increases. CFIB recommends the Manitoba government take a leadership role in opening discussions with other provinces to stop further CPP premium increases.

Reducing red tape

The Government of Manitoba has made significant strides in reducing red tape. Along with taxation, red tape continues to be a top concern for small businesses, and it is imperative for the government and Premier to continue the work on reducing red tape. 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 7). 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 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 7

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.

The Manitoba government received the highest grade on CFIB’s first [internal trade report](#). We continue to recommend governments across Canada move quickly to adopt a mutual recognition agreement encompassing all federal, provincial, and territorial regulatory measures that impose requirements on

the sale or use of all goods and services — such that any good or service that may be sold or used in one province may be readily sold or used in all other provinces and territories without having to meet any additional requirements.

Labour policies and Workers Compensation Board (WCB)

A long-term problem in Manitoba and across the country is the shortage of labour and this has been exacerbated by the pandemic. Solving this issue will require action from all governments. CFIB’s latest shortage of labour report found that 48% of Manitoba 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, 35% of SMEs on a national level who raised wages did not find it helpful in attracting workers. Instead, automation which was only used by 33% of SMEs it had the biggest success rate of 81%. We recommend the government look at lowering the cost of automation technology through tax credits (see Figure 8).

Figure 8

	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. Nationally, 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 governments to do their part by adopting policies that increase productivity, connect job seekers with employers, and make automation technology more affordable. Small businesses do not need governments to introduce new provincial payroll costs such as employer paid sick days.

Across the country, there are calls for paid sick leave policies funded by either the government or employers. In the case of government paid sick days, we are concerned the cost of this policy will be transitioned to Manitoba businesses in the form of employer-paid sick days as seen in British Columbia, which went from 3-days of government subsidized sick days to 5-days of employer paid sick days. For many Manitoba small businesses that are only now entering economic recovery, the cost of this policy is simply untenable. CFIB survey results show 76 per cent of Manitoba small businesses do not support the implementation of permanent, employer-paid sick leave in any capacity. With these survey results in mind and a comparative case study from B.C., we strongly urge the government does not introduce government mandated employer paid sick days.

Regarding Workers Compensation Board (WCB), CFIB continues to call on the WCB to keep premiums low and not accumulate large surpluses as it deprives employers of crucial resources that could be re-invested into their business. CFIB appreciates that the Manitoba WCB has provided refunds totalling over \$250 million over the past 4 years (2019-2022). We are urging provincial government to go one step further and introduce legislation that would require a distribution of surplus funds to employers once the funded target (130%) has been reached. This legislation has been implemented by the Ontario government and we encourage you to explore adopting similar legislation.

Figure 9

Surplus Distribution Policies, Workers' Compensation Boards, by Jurisdiction¹

	YT	NT/NU ²	BC ³	AB	SK	MB	ON ⁴	QC ⁵	NB	NS ⁶	PEI ⁷	NL ⁸
Rebate Policy exists – Yes/No	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes
Funding ratio for rebate %	Above 129%	Above 135%	Na	Above 128%	Above 122%	Above 130%	Above 114%	Na	Above 125%	Na	Above 140%	Above 140%

Source: Workers' compensation boards

Notes:

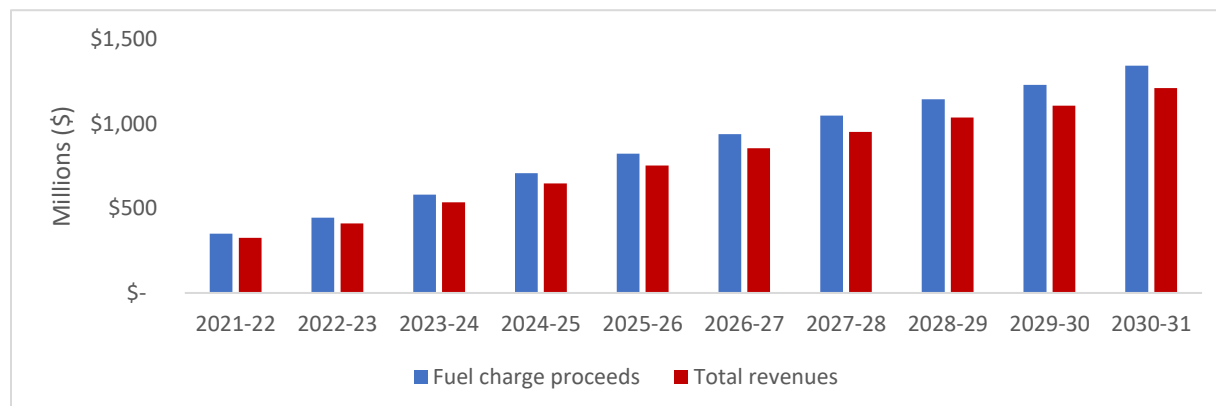
- Boards can use their own discretion in deciding whether to issue a rebate, and its amount.
- Discretionary rebate if funded ratio exceeds 135% for two successive years.
- Excess funds are used to discount premium rates.
- Discretionary rebate if funded ratio is equal to or above 115%, mandatory rebate if funded ratio is above 125%.
- Excess funds are used to discount premium rates.
- In 2020, the board eliminated the unfunded liability, going forward the aim is to develop funding parameters (i.e. upper and lower thresholds).
- If funded ratio is between 125% and 140%, the board will adjust annual revenue requirements, based on assessment rate adjustments.
- Premium rate reduction if funded ratio is greater than 120%, but less than 140%.

Environmental policy

Given that the constitutionality of the federal consumer carbon tax was upheld by the Supreme Court of Canada, the federal carbon tax backstop applies in Manitoba. This leaves Manitoba with an opportunity to develop its own carbon tax like other provinces have done. Under the federal government's A Healthy Environment and A Healthy Economy (HEHE) climate plan, the federal carbon tax is set to rise by \$15 per year from \$50 per tonne in 2022 until it reaches \$170 per tonne in 2030.

Figure 10

Annual Carbon Tax Collected and Total Revenue for the Federal Government from Manitoba



Source: Office of the Parliamentary Budget Officer, March 24, 2022, A Distributional Analysis of Federal Carbon Pricing under A Healthy Environment and A Healthy Economy, Table B-1.

According to research done by the [Parliamentary Budget Office](#), the federal government is set to collect approximately \$8.6 billion dollars in Manitoba carbon taxes from the 2021-22 fiscal year to 2030-31. Although the federal government will return \$2.5 billion to small businesses in backstop jurisdictions through direct payments by March 2025, the amount remains significantly lower than what SMEs pay in carbon taxes. The Manitoba government should look to develop a made-in-Manitoba carbon tax that ensures carbon tax rebates are equitably distributed to small businesses.

We understand the Manitoba government is currently planning to transition to a full Extended Producer Recycling (EPR) program. Given the very slow rate of economic recovery, it is our strong recommendation for the government to increase the planned \$1 million in gross revenue small business exemption to \$2 million to include more small businesses.

Municipal priorities

One of the top concerns for Manitoba small businesses is property taxes, and 48% of Manitoba small businesses cite them as a harmful cost to their business (Figure 5). Property taxes are also profit insensitive for small businesses, meaning that businesses have to pay them whether or not they're bringing in any revenue.

We recognize and appreciate that the province has committed to phasing out education property taxes by implementing the Education Property Tax Rebate program. We recommend that the Manitoba government remain committed to phasing out education property taxes, and in the meantime, find a way to make the rebate percentage more equal between residential/farm property owners and other property owners (i.e. commercial property owners).

Furthermore, Manitoba small businesses find it important for the provincial government to assist municipalities in dealing with municipal issues, like affordable housing, property damage from crime, and construction mitigation. We call on the provincial government to work with municipalities to address issues pertaining to crime, housing, and construction mitigation as well as to reduce the rising costs of property taxes.

Recommendations

Manitoba small businesses face new economic challenges in the form of rising inflation and interest rates along with struggling to pay back pandemic related debt. CFIB appreciates and acknowledges the actions already taken by the Manitoba government to help relieve some of the cost pressures small businesses are facing. In addition to Education Property Tax Rebates, we also appreciate measures such as increasing the minimum threshold of the Health and Post-Secondary Education Tax Levy to \$2 million, introducing the Small Business Minimum Wage Adjustment Program to help small businesses with rising wage costs, and creating a Tax Competitiveness Working Group to help ensure Manitoba remains competitive with its neighbours.

These types of cost relief measures are essential, and we would be encouraged to see the government continue to build upon them in the 2023-24 budget. The direction and decisions made in the 2023-24 budget will be vital to a successful economic recovery and survival of our small businesses. CFIB

recommends the Manitoba government incorporate the following recommendations while finalizing the 2023-24 budget:

Reducing small business costs

- Keep small business tax rate at 0%.
- Raise the small business corporation income tax threshold to \$600,000.
- Continue raising the small business threshold for the Health and Education Levy - particularly given upward pressure on wages (raise to \$2.5M).
- Continue to provide Education Property Tax Rebates as the tax is being phased out. Strive for tax fairness for commercial property owners.
- Increase Manitoba's Basic Personal Amount to at least the national average (approx. \$12,228), keep tax brackets indexed to inflation.
- Continue efforts to achieve tax competitiveness (i.e. Tax Competitiveness Working Group). Consider revisions to Manitoba's income tax brackets and rates that would make Manitoba more comparable to Saskatchewan and Alberta.

Red Tape Reduction

- Continue to reduce costly red tape and continue to champion efforts to reduce barriers to inter-provincial trade. The large majority (80%) of Manitoba small business owners believe governments should prioritize removing as many barriers as possible to the flow of goods, services and workers between provinces and territories. For example:
 - Registering for workers' compensation in one province/territory should permit workers to work in all provinces/territories.
 - A professional license or certification granted in one province/territory should be automatically recognized in all provinces/territories (such as long-term care workers, other health care workers, etc.) (i.e., Bill - 81 (Sask.), or Ontario's plans to allow out-of-province health-care professionals to practice in Ontario without needing to recertify).
 - Canadians should be allowed to order Canadian alcohol products (wine, beer and craft spirits) directly from any province/territory.

Labour policies and Workers Compensation Board (WCB)

- Continue the Small Business Minimum Wage Adjustment Program - as minimum wage is set to increase twice this year.
- Add tax credits for workers' training, particularly for informal, on the job training and automation technology.
- Do not implement employer paid sick days or new statutory holidays.
- Take action to address labour shortages; for example: reduce the complexity, red tape, and cost associated with hiring newcomers, better promote existing hiring and training programs, work to

recruit and retain recent graduates, and enhance training opportunities for groups that are underrepresented in the workforce.

- Workers Compensation Board:
 - Continue to provide WCB refunds when surplus money is available.
 - Legislate the Worker's Compensation Board's surplus refund policy and require the Board to refund 100% of its annual surplus (example: Ontario).
 - Keep premium rates low.

Environmental policy

- Work with the federal government to establish a made-in-Manitoba carbon tax program and change how the tax is redistributed so that small businesses are rebated an amount similar to what they have paid.
- Continue to urge the federal government to keep fertilizer emission reduction targets voluntary, reduce the total tax burden on agri-businesses, and work with the federal government to improve business risk management programs (e.g. Agri-Stability).

Other priorities

- Assist municipalities with issues pertaining to crime, housing, and construction mitigation and reduce rising costs of property taxes.
- If new COVID restrictions become necessary, immediately re-launch supports for businesses.