

Provincial Summary¹

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Business owners in Canada are responsible for collecting, remitting, and/or paying several types of taxes based on their business type, location, and business structure. Among the types of taxes are corporate income taxes, personal income taxes, sales taxes, property taxes, and carbon taxes. None, however, are as impactful on businesses growth as payroll taxes. Generally, payroll taxes increase the cost of labour, total business costs and take time away from running a business—limiting the resources required to spur business growth and competitiveness through investments, innovation, and job creation. Ultimately, reducing the amount of taxes on businesses—in particular payroll taxes—would help boost their competitiveness and growth.

Key Findings from CFIB Surveys on Taxation in Alberta

Tax Burden is Affecting Business Growth

84%

of business owners say
tax burden is their top
concern

81%

of business owners say
payroll taxes affects business
growth the most

Reducing Taxes Would Help Businesses Grow

91%

of business owners say
reducing taxes helps growth
the most

The Problem with Payroll Taxes for Businesses Owners



Profit Insensitive

Payroll taxes must be paid, whether a business is profitable or not.



Administrative Burden

Reporting and remitting payroll taxes takes time away from running a business.



Regressive

As small businesses are more labour intensive than larger businesses, payroll taxes place a disproportionate burden on smaller businesses.

Employer Payroll Tax Burden in 2019 – How does Alberta Stack Up?

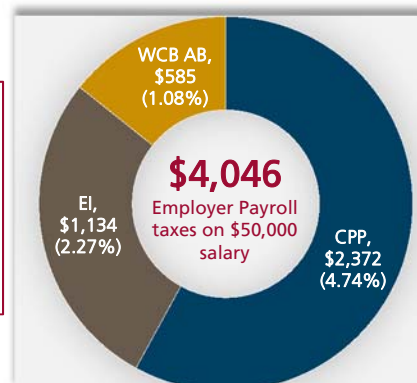
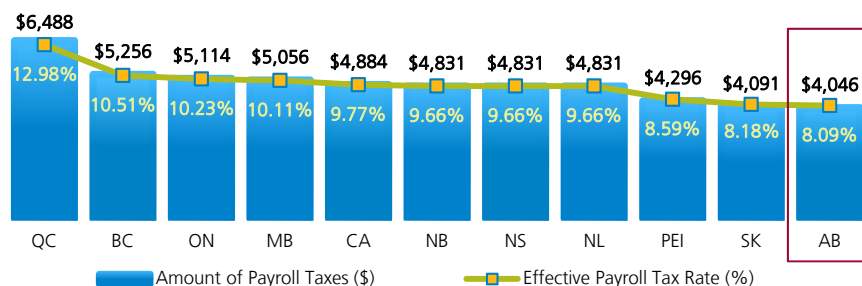
Payroll burden on employers is assessed using the effective payroll tax rate – i.e. payroll taxes as a percentage of salary – on a small business with 50 employees, each earning a typical salary of \$50,000 resulting in a total payroll of \$2.5 million.^{2,3} The findings show that employers in Alberta face a burden of \$4,046 on a \$50,000 salary, or 8.09% effective payroll tax rate (see Figure 1).

¹ This summary is based on CFIB's main report on payroll taxes in Canada — [Taxing Payroll: A Barrier to Business Growth and Competitiveness](#).

² Small business is defined as having 1 to 99 paid employees. Source: Statistics Canada. *Key Small Business Statistics* - January 2019.

³ Average national wage of \$50,760 was rounded to \$50,000 for simplification. Source: Statistics Canada, Table: 14-10-0204-01 (formerly CANSIM 281-0027). 2017.

Figure 1: Effective Employer Payroll Tax on a \$50,000 salary, by Province in 2019



Note: CFIB calculation, based on a small business with 50 employees and a payroll of \$2.5 million.

Focus on Job Creation

Comparisons across the provinces reveals that our sample business pays the lowest level of payroll taxes in Alberta. However, it is important to note that Alberta's \$15 minimum wage puts a hefty price tag on creating jobs, in particular entry-level jobs. According analysis from the CFIB, provincial employers are facing a \$10,739 increase per year on each entry-level, minimum wage job compared to 2015.^{4,5} This is due to added wage costs and the higher payroll taxes (i.e. CPP, EI, workers' compensation) that went along with the rise of the minimum wage from \$10.20 to \$15. Further, it is often more costly to hire youth with less work experience as training costs are as much as double that of a hire with previous experience. Given such circumstances, business owners are often forced to trim back their plans to create jobs as young workers with limited skills are substituted for more experienced workers, face a reduction in hours, and can lose their jobs altogether. In fact, when business owners were asked, "what are the barriers to hiring more youth in your business?," 65% of Alberta business owners responded that minimum wage increases have been the biggest obstacle.

Lowering the Payroll Burden in Alberta

Taxes imposed on small businesses create an uncompetitive business environment for them. Steps need to be taken to provide employers with the opportunity to invest in their business and increase the pay, benefits and training opportunities for their staff. Helping businesses afford competitive job conditions not only has a direct positive outcome for workers, but also for the overall economy. With this aim in mind, CFIB has the following recommendations in order to implement a fairer and more progressive payroll tax system in Alberta:

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| General Recommendations | <ul style="list-style-type: none"> ✓ Introduce a training wage for new employees over the age of 18 as a way to facilitate job creation and recognize the big investment small businesses make in entry-level jobs. ✓ Freeze the minimum wage for the next term of the government to grant some predictability and reprieve to business owners who have been scrambling to keep up with such a large increase in the minimum wage. |
| WCB Alberta | <ul style="list-style-type: none"> ✓ To avoid volatility in premium costs, workers' compensation boards must practice continued vigilance on administration costs and regularly review the rate-setting process. ✓ WCB Alberta should review its funding ratio to ensure the board's financial position is sound but not overly cautious, and publicly release the findings. Further, when the board exceeds its targeted funding position (128% - ratio of total assets to liabilities), surplus funds should be rebated to employers in the year they are realized. ✓ Regularly review the board's efficiencies (e.g. every 5 years). |

Note, for a complete list of CFIB's recommendations pertaining to the general payroll tax system in Canada refer to the full report.⁶

⁴ Queenie Wong. *How Much Will The Cost of Entry-level Jobs Go Up in Alberta*. CFIB. 2018.

⁵ CFIB calculation

⁶ This summary is based on CFIB's main report on payroll taxes in Canada — [Taxing Payroll: A Barrier to Business Growth and Competitiveness](#).