

Standing Committee on Finance (FINA)

Pre-budget consultations 2012

Sarnia Lambton Chamber of Commerce

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

Canada has diverse energy resources that are spread across the country including oil, natural gas, coal, biofuels, and uranium as well as electricity generation opportunities. Currently nearly all of Canada's energy exports are to the United States, missing a chance to access global markets. Diversification of Canada's energy markets can create new jobs and economic growth from building infrastructure, improving energy security and helping to obtain maximum value from resource production and to increase opportunities for value-added upgrading. Interprovincial energy trade is also an important part of Canada's overall energy system. These relationships are complex and have evolved from market forces and provincial/territorial energy policy. For crude oil, significant pipeline capacity exists between western Canada and Ontario, with potential capacity for shipping western crude into Quebec and Atlantic Canada. Numerous projects are now being contemplated to increase eastern Canada access to western crude. For natural gas, the mainline pipeline links BC through to Quebec; however, the increase in US shale production is reducing line volume. For electricity, the provinces trade less with each other than with the US. Although there are some interprovincial interties, unlike the United States, there is no significant grid system. An opportunity exists to improve the pan-Canadian energy trading relationship as part of the broader diversification drive. Recommendation: That the federal government works with the provinces and territories to: Support the development of key energy infrastructure to improve Canada's access to global energy markets and increase west-east oil transportation capacity within the country. Develop a Canadian policy framework that harnesses market forces to facilitate the processing of natural resources into value added products, increasing the domestic share of processing, removing economic disincentives to production and supporting the development of requisite infrastructure. Explore opportunities to enhance interprovincial electricity trade by improving transparency of provincial and territorial pricing.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

One of the concerns the Sarnia Lambton Chamber of Commerce, its members and the local municipalities that we serve directly wishes to bring to the federal government's attention is the lack of intercity transportation infrastructure that exists for small urban and more so, rural municipalities. This summer, VIA Rail has made changes to its schedules in Southwestern Ontario that will have far reaching negative implications to the movement of passengers in small urban and rural areas. Additionally, aging demographics, increased dependence on transportation services to enjoy independence/vacation/visit family/family visit will continue to trend upward for next 20 years. Elders' use of cars versus travel support as car use reduces with age and the reduction of services could contribute to the physiological phenomenon of elder social isolation etc. These are examples of why the infrastructure deficit in our

community as well as other small urban and predominately rural areas requires stable, identified funding. Should the federal government commit to guaranteed funding for transportation infrastructure in these areas it would increase the ability of these communities to attract new investment allowing for job creation and further economic growth. If this recommendation is not accepted many areas rich in natural resources as well as strong knowledge bases will find it increasingly difficult to be competitive at home and abroad. The Sarnia Lambton Chamber of Commerce recommends that the recommendation set out in the Standing Committee's report be accepted and acted upon. Recommendation: That the federal government, as committed to in Budget 2011, continue to work with provinces, territories and the Federation of Canadian Municipalities and other stakeholders to develop a long term plan for public infrastructure that extends beyond the expiry of the Building Canada plan, including guaranteed funding for rural community infrastructure projects

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

It is continually reported in the media that there will be a severe skills shortage in this country in only a few years. The federal government can further job creation by providing stable funding for workforce skills development. Initiatives are underway to alleviate some of that impeding issue by reviewing immigrant applications differently and for that we applaud the government's efforts. One way that workforce skills development could be enhanced would be to financially assist companies that offer onsite training to new hires. In this way the company benefits as no time is lost for positions that cannot be filled due to the skills shortage and it also allows for either more jobs to be created or at least to keep Canadians employed who currently do not have the perfect skill set. Recommendation: The federal government devotes dedicated funding to enhance workforce skills development while also financially assisting companies that offer onsite training in order to facilitate new hires through expansion of current government funded programs to include non-traditional areas through apprenticeship programs.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Increase the GST/HST filing threshold. The participation threshold for the Goods and Service Tax (GST) has remained at \$30,000 since introduced in 1991. The Canadian government recognized the burden it was creating for itself and small business if all businesses were required to participate in the collection and administration of the GST and the Harmonized Sales Tax (HST), and set a threshold for this reason. The current threshold impedes economic growth, it contributes and encourages the underground economy which in turn impacts job creation, economic growth and contributes to extended deficits. This low level is out of date due to inflation. If the threshold was merely indexed to the rate of inflation it would be approximately \$55,000 today. As mentioned earlier, other factors are at play as well – the threshold is not competitive with limits set by countries Canada is in competition with, and it contributes to the black market economy. Smaller businesses often face a proportionally higher burden than larger businesses in complying with a harmonized tax. Exempting them from collection and filing requirements can reduce the net burden a harmonized tax imposes. By increasing the threshold, administrative costs and compliance burdens can be reduced making businesses more competitive. Moreover, since higher thresholds reduce the number of businesses in the system, they reduce the number of returns the CRA processes, the number of businesses seeking services, the number of input

credit refunds, and the number of businesses that are subject to audit. Businesses that are approaching the current threshold may be inclined to slow their current rate of growth in order to avoid being forced into registering. Such a low threshold does not provide small business an opportunity to see if the revenue trend will continue or if it was simply a spike in sales. We believe that this policy change would be cost neutral, because the loss of government revenue associated with raising the threshold can be offset by lower administrative costs and lower input tax credit refunds. Recommendation: That the federal government increase the GST/HST threshold to \$75,000 as of January 1, 2013.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Tax filing deadline should be revised: Most personal tax returns are due on April 30th of each year. Returns that are not filed on time incur an automatic penalty of 5% on the balance owing. The ability to meet this tax filing deadline has become more difficult due to the popularity of income trusts and the extended deadline trusts have to provide information about their income allocations and designations. The majority of slips required to prepare personal returns like the Statement of Remuneration Paid (T4), Statement of Investment Income (T5) and Statement of Pension, Retirement, Annuity and Other Income (T4A), all have a filing deadline of February 28th. The RRSP deadline is set 60 days after year-end (February 29th or March 1st) as well. These deadlines ensure that personal tax filers receive the information to complete their personal tax return by early March and provide roughly 7-8 weeks to prepare and file the tax return. This has created an unnecessary burden on the system because tax preparers and the Canada Revenue Agency have to process the majority of tax returns. In 2008, the CRA extended the filing deadline to May 6th for online filing because the system was getting overloaded with the volume of filers. Currently self-employed individuals and their spouses have a “tax filing due date” of June 15th reflecting the extra time required to gather the information to prepare the return. The “balance due date” continues to be April 30th for these individuals. Similar treatment would resolve the T3 filing challenge. Extending the tax filing deadline for T3, T5013 and similar tax forms would reduce tax compliance costs as the number of assessments and adjustments from the slip matching process that is performed by the Canada Revenue Agency is reduced. Recommendation: The federal government should extend the tax filing due date for all individuals to June 15th, to be consistent with the current treatment for self-employed individuals, while keeping the balance due date at April 30th. This will improve CRA efficiency in handling returns by eliminating the present deadline crunch, while maintaining consistent revenue flow.