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# Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

**Canadian Chamber of Commerce**

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## Recommendations

This document contains 16 recommendations for the consideration of the House of Commons Standing Committee on Finance as part of its pre-budget consultation. See the background section for more information on these recommendations.

Recommendation 1: Introduce debt relief by forgiving interest payments on COVID-related government backed loans for SMEs in the hardest hit sectors.

Recommendation 2: Return to pre-pandemic deficit-to-GDP ratio levels within five years.

Recommendation 3: Remove tax barriers for childcare expenses.

Recommendation 4: Create flexible, accessible, navigable upskilling and reskilling options.

Recommendation 5: Modernize the Temporary Foreign Worker program.

Recommendation 6: Require all regulators to assess economic and business impacts in the regulatory process.

Recommendation 7: Undertake a comprehensive and independent tax system review.

Recommendation 8: Update Canada's marginal effective tax rate (METR).

Recommendation 9: Establish Economic Opportunity Zones in Canada.

Recommendation 10: Re-introduce privacy reform legislation in the next Parliament.

Recommendation 11: Expand investments in broadband through the Universal Broadband Fund.

Recommendation 12: Step up investments in cybersecurity.

Recommendation 13: Develop common standards for sustainable finance.

Recommendation 14: Execute a critical minerals strategy.

Recommendation 15: Develop a Small Business Net-Zero Strategy.

Recommendation 16: Continue facilitating the secure digitalization of SMEs.

## Background

With vaccination rates, as of August 2021, reaching leading levels amongst industrialized countries, it is critical shift our economic focus from recovery into growing the economy. Budget 2022 will come at a critical time for the Canadian Chamber's members, which includes companies of all sizes in all sectors and regions of the country. It is important that the Budget not squander the sacrifices made by Canadians but instead provide the foundations for growth.

### *Finishing the job on COVID support programs*

Canadian businesses took on unprecedented debt levels to stay afloat during the pandemic due to the collapse in consumer demand as businesses complied with public health measures. Taking on debt allowed companies to meet their financial obligations in order to bring back their staff when public conditions permitted. The Government can work to ease the debt burden on those businesses while ensuring the principal amounts – which represent taxpayer dollars – are repaid.

**Recommendation 1: Introduce debt relief by forgiving interest payments on COVID-related government backed loans for SMEs in the hardest hit sectors.** This measure should apply to the Canada Emergency Business Account (CEBA), the Business Credit Availability Program (BCAP) and the Highly Affected Sectors Credit Availability Program (HASCAP).

### *Sustaining public finances*

Sustained growth requires private sector investment to replace the government stimulus measures designed for crisis management. This is critical given public sector borrowing capacity is significantly more limited today than pre-pandemic. To protect our government finances and sustain public services, we need to get maximum mileage for every dollar spent. It is essential to restore a solid fiscal anchor.

**Recommendation 2: Return to pre-pandemic deficit-to-GDP ratio levels within five years.**

Ensure that GDP growth exceeds pre-pandemic levels by a substantial margin and that public spending is focused on generating economic growth.

### *Labour market*

The aging of Canada's workforce is a structural challenge facing the economy, existing before the pandemic and still continuing. In order to build prosperity for future generations, our country needs a workforce generating economic activity as productively as possible.

**Recommendation 3: Remove tax barriers for childcare expenses.** Make childcare an eligible business expense for SMEs, remove the requirement for the lower-income spouse to receive the childcare deduction, and permit SME owners receiving non-eligible dividend income to claim childcare expenses against that income.

**Recommendation 4: Create flexible, accessible, navigable upskilling and reskilling options.**

Developing a culture of lifelong learning can create talent pipelines through targeted matchmaking programs. This approach will help build resilient employees and businesses alike, reduce risks for all groups, and create a more diverse workforce.

**Recommendation 5: Modernize the Temporary Foreign Worker program.** Implement a Trusted Employers Program that includes both an appeals process and better alignment with regions facing chronic labour shortages.

### *Regulatory*

Canadian businesses continue to face a plethora of issues with a regulatory system that does not adequately take a competitiveness lens to regulatory policy-making. However, how we regulate is entirely within our control and can be fixed.

**Recommendation 6: Require all regulators to assess economic and business impacts in the regulatory process.** Understanding the impact of regulations on business is critical to a competitive regulatory process

### *Modernizing the tax system*

Canadians continue to face a complex tax system characterized by years of layering on changes without a holistic review of the system as a whole and whether it is competitive in the 21<sup>st</sup> century. Only by using all the tools in our toolbox – including the tax system – will we sustain long term growth.

**Recommendation 7: Undertake a comprehensive and independent tax system review.** The results will ensure our country remains globally competitive and attractive for investment given the upcoming global tax regime changes being discussed at the OECD. This should particularly include a consideration of the challenges face small businesses.

**Recommendation 8: Update Canada's marginal effective tax rate (METR).** To ensure the competitiveness of Canada's tax environment, an update is necessary to reflect tax changes announced over the last few years.

**Recommendation 9: Establish Economic Opportunity Zones in Canada.** The U.S. Treasury Department estimates that by deferring, reducing or waiving capital gains taxes on investments in more than 8,700 targeted geographic areas, Opportunity Zones will mobilize \$100 billion (USD) in private investment to create jobs. If Canada adopts a similar system, we can mobilize private capital for economic growth here.

### *Digital Economy*

As virtual activities increase, businesses and their customers must be confident that their data is protected. We also must help companies innovate to meet the digital needs of the world.

**Recommendation 10: Re-introduce privacy reform legislation.** This legislation will set a single national standard for privacy protection, preventing a patchwork of provincial rules.

**Recommendation 11: Expand investments in broadband through the Universal Broadband Fund.** Enabling more access to 5G internet in rural and remote communities will support job creation outside urban centres.

**Recommendation 12: Step up investments in cybersecurity.** Enabling businesses to write off cybersecurity-related investments will encourage investment and improve security. This measure should include software, education, training, certification and equipment in the same year those investments are made.

## Environment

There is perhaps no greater challenge facing Canadians than protecting our environment for both current and future generations. Equally, the opportunity to realize net-zero has never been greater. We must ensure Canada's pathway to net-zero allows our businesses to compete successfully, enhances investment, creates jobs for Canadians, promotes innovation, and genuinely benefits the environment. How we get there matters. Canada's business community wants to collaborate with government to develop solutions to our greatest environmental challenges and enable economic opportunities for Canadians.

**Recommendation 13: Develop common standards for sustainable finance.** These shared standards can ensure Canadian energy companies are recognized for their work to decarbonize their operations and support attracting investment into the Canadian energy sector.

## Critical Minerals

In a period of supply chain disruption, Canada has the opportunity to provide an immensely important role as a stable supplier of critical minerals.

**Recommendation 14: Execute a critical minerals strategy.** This strategy will help build extraction, value-added processing, and end-use manufacturing in Canada. Working in close collaboration with allies, Canada will reduce our reliance on unstable markets to ensure consumers have reliable access to vital products, such as battery technology and hi-tech goods, as well as for our national defence.

## Supporting SMEs

Canadians are hardworking and innovative, so it is no surprise that SMEs are Canada's biggest employers. This is also the segment of the business community most acutely impacted by the pandemic. Budget 2022 must help create an environment that helps Canada's entrepreneurs grow and create jobs during recovery and beyond.

**Recommendation 15: Develop a Small Business Net-Zero Strategy.** This strategy will provide Main Street SMEs with incentives and opportunities to participate in Canada's plan to achieve net-zero emissions.

**Recommendation 16: Continue facilitating the secure digitalization of SMEs.** The government can enhance growth by making cybersecurity part of the recently launched Canada Digital Adoption Program and by championing the development of cybersecurity standards across the country.