



HALIFAX CHAMBER OF COMMERCE

WRITTEN SUBMISSION TO THE STANDING COMMITTEE ON FINANCE

OCTOBER 2ND, 2018

PATRICK SULLIVAN

PRESIDENT & CEO

The Halifax Chamber of Commerce is a best-practice, business advocacy organization that continuously strives to make Halifax an even more attractive city in which to live, work, and play. Together, the approximately 1,600-member businesses and their over 65,000 employees, act as a single powerful voice through the Chamber to promote local business interests. I am very happy to be able to submit our comments and recommendations to you for the 2019 Federal Budget.

Recommendations

Recommendation #1: *The Government of Canada should conduct a comprehensive and independent review of Canada's tax system to produce one that promotes fairness, reasonableness, simplifies and streamlines for greater efficiency and competitiveness in the global markets.*

Recommendation #2: *The Government of Canada provide Canadian entrepreneurs and current businesses with the supportive regime needed to stay relevant and competitive in the digital marketplace and promote innovative services, goods and business practices.*

Recommendation #3: *The Government of Canada should deliver balanced budgets that provide our economy with stability and ensure global competitiveness.*

Tax Burden

Nearly 85% of our business members are small businesses. These businesses are the engine of the economy and are reflective of the economy. Small entrepreneurs who tend to be middle class Canadians. When we meet with these businesses, at roundtables, site visits and at events, the tax burden is often the largest issue they face daily. As Nova Scotia already has the highest tax rate for businesses in the country, federally imposed taxes on Nova Scotian businesses can be the roadblock stopping an entrepreneur from starting their own company. While we continue to be pleased the reduction of taxes on business to 9% by 2019, we think more needs to be done to help Canadian businesses overcome obstacles to grow, create jobs and enhance the vibrancy of the communities in which they operate. To ensure this outcome we ask the Committee for an overhaul of the Canadian Income Tax Act to develop a more simplified tax system. We believe that a comprehensive review of the tax laws should result in a corporate tax system that is simple, fair and efficient. Tax code changes for the 2019 Federal budget should come with a goal of simplification and fairness. Taxes imposed on businesses can reduce the rate of return and can impact the rate and location of investment. A company's decision to invest can be very sensitive to the rate of return on their capital. We want to ensure that measures currently in the Income Tax Act, like those changes to Passive Income do not further reduce business investment, especially in a province, like Nova Scotia, where high corporate taxes already are a large burden to investment.

With the drop in the US tax rate, Canada has lost a significant competitive advantage. Canada's METR rate has been lower than the US since 2006¹ which has been beneficial for our business competitiveness, influencing many businesses to not only do businesses within Canada but set up shop here as well. The large reduction in America's tax rate has shrunk our METR margin and reduced our relative tax competitiveness. Not only is this number important for our global market competitiveness it also reflects an entrepreneur's choice to work and open a business in Canada, something that is extremely beneficial to our labour market supply and demand.

Recommendation: The Government of Canada should conduct a comprehensive and independent review of Canada's tax system to produce one that promotes fairness, reasonableness, simplifies and streamlines for greater efficiency and competitiveness in the global markets.

Business & Infrastructure Investment

With many business managers and economists concerned about the deteriorating environment for corporate investment, due to our tax system and the reduction in US taxes, we look to the government to provide business with the information and support they need to flourish and grow. We look for such things as tax reductions, targeted measures and direct business investment to regain our diminishing global competitiveness. Our members are still encouraged by the Federal Infrastructure Framework which will help our communities be more connected, represented and available of business growth. Investment in physical infrastructure is an important step in ensuring Canadian new and current businesses have the right space for their organization, but in the new digital age, the Federal

¹ The Globe & Mail, January 8th, 2018- Why Canada needs a Comprehensive Tax Review

Government should focus on implementing digital infrastructure policies that facilitate the development of new technologies, patented inventions, intellectual property and innovative processes. As others have mentioned, Canada can continue to build its competitive venture capital industry which incentivizes investors through tax credits and exemptions for investments in technology. The Federal Governments support in providing rural Nova Scotia with broad-band internet is a step in the right direction to ensuring all Nova Scotians can open a business where they live.

Recommendation: The Government of Canada provide Canadian entrepreneurs and current businesses with the support needed to stay relevant and competitive in the digital marketplace and promote innovative services, goods and business practices.

Balanced Budgets

The Halifax Chamber of Commerce is concerned with the lack of plan for future balanced budgets. The 2018 Budget projected a deficit of over \$18 billion and did not consider how the new initiatives will be paid for and did not leave much wiggle room if there is a downturn in the economy. We do not want to see an increase in taxes if the government, in the future, needs to increase its revenues for spending on areas such as health, infrastructure and debt repayment.

Recommendation: The Government of Canada should deliver balanced budgets that provide our economy with stability and global competitiveness.

We want to thank the Commons Standing Committee on Finance for the opportunity to submit our recommendations for the 2019 Federal Budget.

Sincerely,

Patrick Sullivan
President & CEO
Halifax Chamber of Commerce