



Federal Pre-Budget Submission 2018

October 2017

The Sarnia Lambton Chamber of Commerce is a catalyst empowering businesses to succeed.



The Sarnia Lambton Chamber of Commerce is a nationally accredited membership organization representing over 700 businesses who together employ approximately 17,000 employees in the Sarnia-Lambton area. The Chamber has been fostering prosperity in our community for 112 years by empowering business to succeed and by initiating major tourism, health and educational projects that have a lasting impact to this day.

We thank the Standing Committee on Finance for inviting us to comment on the 2018 federal budget.

Over 95% of our members are small businesses and what we are hearing from them is they are finding it increasingly difficult to succeed because of increasing costs and regulations, labour market changes, and trade uncertainty. Cumulatively, these factors can lead to profoundly negative consequences, including job losses, inflation, and business closures.

There is much to be said about how the federal government can tackle these challenges, but the past couple of months (and especially this week) have made it very busy for us and I must first address the most recent events, which have left our members confused and uncertain, which is never good for business.

As you know, about two and a half weeks ago the Government concluded its rushed, dead-of-summer consultations on the most significant corporate tax changes in 50 years. Then it was revealed that Revenue Canada was going to start taxing employee discounts. There was a huge outcry and the Government backtracked. Now this week (which also happens to be Small Business Week) the government announced a small business tax reduction and its intention to rethink the proposed corporate tax changes.

The government appears to have heard the enormous outcry by business organizations and is scrambling to make improvements. After months of uncertainty, we are now informed that capital gains on intergenerational business transfers will not be touched, that income splitting will be permitted for family members involved in a business to some degree and that a maximum of \$50,000 annually can be invested passively in a company. But that's all we know. The details remain to be seen and other announcements are expected this week. So, as you can understand, we have been a bit pre-occupied and cautiously waiting to see what happens.

Of course, we are pleased to see that finally, the federal government is fulfilling its campaign promise to lower the small business tax rate to 9%. This is something that Chambers of Commerce and Boards of Trade across Canada have been calling on for years. It will indeed help our members reinvest back into their business and the economy and to become more competitive. Unfortunately, it will not come soon enough. The reduction is already two years delayed, it will not be fully implemented

until 10 months after the next federal election, and it's hard to say how much it will offset new costs of the proposed corporate tax changes.

We are also pleased to see that the Federal Government appears to be backtracking on the flawed and unfair corporate tax reforms. When the Government released its white paper in July, our members were left reeling, not just by the measures proposed in the document, but also by the tone and language used.

We welcome further improvements, but it must be done in consultation with the business community. The devil is in the details and we know that it will take the expertise of accountants, tax preparers and those affected to understand the real impacts.

In fact, what would be fair to business and to all taxpayers would be a full, independent review of the tax system. Chambers and Board of Trade across Canada are calling for an immediate and thorough review. The United States is conducting one, so it is critical that Canada do the same to remain competitive. We cannot risk losing professionals, entrepreneurs and start-ups to the US.

Now, before my time is up, I will quickly mention a number of other priorities that we think the 2018 budget could address to help business.

1. The first is increasing the GST/HST tax filing threshold for small businesses from \$30,000 to \$50,000 and indexing it to inflation.
2. The second is developing a national bioeconomy strategy so that communities like Sarnia-Lambton can attract new businesses and develop bioeconomy clusters.
3. The third is enabling VIA Rail to improve its financial position and services by supporting its plan to invest in a high frequency corridor using dedicated tracks.
4. The fourth is establishing a task force to harmonize the transportation of oversized load shipments across the country.

I would be happy to answer any questions about these recommendations. Thank you.