

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



August 2023



## Recommendations

- I. Build Trade-Enhancing Infrastructure
- II. Ease the Burden of Doing Business
- III. Facilitate the Transition to Net-Zero
- IV. Enable an Innovative Economy
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## **Introduction**

Canada's competitiveness is slipping. As Members of this Committee know, we must achieve much stronger growth if we are to maintain our standard of living and continue to provide the services Canadians require.

The Canadian Chamber continues to urge the government to focus on growth driven by the private sector: many of the measures included in our submission, including regulatory reform, and dismantling internal barriers, will cost little or nothing, but will generate future wealth and investment. Budget 2024 is the opportunity to implement a decisive strategy to attract the investment needed for strong, sustainable growth and a successful net-zero transition.

In the aftermath of the pandemic, our international competitors continue to outpace us, but our opportunities are clear. Geopolitical conditions have introduced insecurity and disrupted the rule of law and traditional trading relationships. While Canada is also exposed to this problem, we are unique among free societies in our potential to underwrite global economic security through our abundant natural resources.

We now have an opportunity to show the world we can, quite literally, deliver the goods.

The Canadian Chamber of Commerce's pre-budget submission has been shaped by our member councils and committees, on behalf of our broader membership of 200,000 businesses of every size, from all regions and economic sectors of Canada.

Additionally, the Canadian Chamber of Commerce is seeking the government's ongoing and expanded support for the Business Data Lab (BDL). Looking ahead, business survival and success will require continued access to the BDL's user-friendly tools and insights, so businesses can be agile in response to rapidly shifting economic trends. With funding set to expire in March 2024, we are requesting a three-year expansion of the BDL's successful partnership with Statistics Canada as it builds toward self-sufficiency. This extension would not only preserve the valuable business data assets already curated, but also maintain and expand the impressive suite of innovative BDL outputs and real-time data made freely available to Canadian businesses, municipalities, academic researchers, and community groups.

The Canadian Chamber of Commerce is eager to partner with government on the strategy that will allow us to respond to this moment. Given the headwinds we face, collaboration between policymakers and the business community is more critical than ever before.

## **Build Trade-Enhancing Infrastructure**

Clear priorities on trade infrastructure projects that yield measurable economic returns are critical. Government can work with provinces, the private sector, communities, and Indigenous peoples to resolve supply chain challenges to enable the Canadian exports the world needs.

- 1) **Commit to long-term investment through a Canada Trade Infrastructure Plan.** Canada must build and maintain trade infrastructure that reliably and efficiently transports goods to and from market. Domestic and international trade corridors should solidify supply chains and establish Canada as a reliable business partner.



- 2) **Expand abilities to head off preventable threats to supply chains.** Recurring labour disruptions continue to inflict damage to Canada's economy and reputation. Government should consider providing new dispute resolution tools, including the authority to the federal cabinet to compel binding arbitration for the resolution of a labour dispute in sectors that are essential to Canada's supply chains, including railways and ports.
- 3) **Abandon introducing Anti-Replacement Worker Legislation.** Any actions that introduce more volatility and disruption to supply chain processes will only raise costs on Canadians and businesses, and further undermine our trading relationships.
- 4) **Act to reduce interprovincial trade barriers by establishing a public registry.** A public registry will raise awareness of barriers to inter-provincial trade and encourage governments to justify or eliminate them.

## **Ease the Burden of Doing Business**

Regulators and businesses must work together to prevent undermining Canada's economic growth and competitiveness. To avoid losing the next generation of talent and innovation to competing nations, government must avoid imposing new business taxes that further drive away investment.

- 5) **Launch a comprehensive independent review of the tax system.** Canada must reform the tax system to make it simpler and more fair.
- 6) **Accelerate regulatory modernization.** Acting to modernize our regulatory framework can improve environmental, social and economic protections while increasing investment, growth and jobs.
- 7) **Add an economic and competitiveness mandate for regulators.** An economic mandate for regulators would encourage manageable regulations that support economic growth and take into account our competitiveness in the global marketplace.
- 8) **Ensure regulatory alignment.** Government must look to ease the regulatory burden facing Canadian business, and work with industry and our international trading partners to ensure regulatory efficiency and alignment.
- 9) **Defer implementation of Pillar 2 of the OECD tax deal in Canada.** Consensus and coordination with our primary trading partners, the U.S. and the EU, is essential for achieving a successful path forward.
- 10) **Abandon the Digital Services Tax.** Current legislation imposes complex retroactivity, invites trade retaliation, and risks doubly taxing revenue.
- 11) **Extend the Accelerated investment incentive.** Postponing the 2024 phase-out period and 2027 end date will promote investment in productive assets.
- 12) **Align SR&ED tax credit criteria with the ITA.** Using more restrictive criteria than established by the *Income Tax Act* for Scientific Research and Experimental Development tax credits stymies business investment and innovation in software, manufacturing, and construction.
- 13) **Eliminate or amend the tax on share buybacks.** If enacted, it should protect Canadian SMEs by including an exemption threshold and be limited to instances when public companies acquire their own shares on the market for cancellation.



- 14) **Eliminate notifiable and reportable transaction reporting rules that adversely affect compliant taxpayers.** As currently drafted, these rules can penalize taxpayers when an advisor or promoter fails to comply with reporting obligations, even if the taxpayer has properly reported.
- 15) **Preserve the spirit of Bill C-208 provisions for family business transfers.** Consulting Canadian businesses to preserve legislative provisions passed by Parliament would give businesses certainty for tax compliance.
- 16) **Reconsider annual, automatic indexing of beer, wine, and spirits excise duties.** Current legislation is too rigid and does not allow Parliament to consider market or operating environment changes when imposing new taxes.

## **Facilitate the Transition to Net-Zero**

A plan is needed to encourage capital investment that will make Canada a global leader in sustainable finance, while producing and exporting sustainably produced energy, carbon dioxide-removal technologies, clean fuels, critical minerals, and finished goods.

- 17) **Increase funding for Indigenous participation in natural resource development.** Funding should be directed to Indigenous-led environmental assessments, training and skills development programs, and community consultation.
- 18) **Maximize the impact of existing flow-through share tax credits.** Relax the time limit for making qualifying expenditures, especially where regulatory delays prevent the company from spending in an allotted time frame, and make those costs eligible for the “look-back” rule.
- 19) **Lower financing costs to put mines into production.** Incorporating critical mineral pre-production costs into the new Critical Mineral Exploration Tax Credit would spur production.
- 20) **Encourage investment in currently uneconomic minerals.** Where there is limited interest in private investment, the government should assess potential benefits of support for supply chain resiliency or strategic value, including cases in which global players have significant command of global supply or pricing dynamics.
- 21) **Develop a standard definition for “net-zero aligned investment.”** Include emission reduction estimates alongside policies, and support the work of the Sustainable Finance Action Council, particularly its transition taxonomy project.

## **Enable an Innovative Economy**

Canadian businesses are well-placed to lead in high-growth sectors, but to maintain this competitive edge, we must capitalize on our advantages in Artificial Intelligence (AI), cybersecurity, and digital health.

- 22) **Protect critical infrastructure, supply chains and businesses from cyber threats.** Investment in IT and operational technology security will help critical infrastructure operators of all sizes develop and deploy prevention-first cybersecurity strategies.
- 23) **Modernize research and development programs.** Help companies undertake high-risk research where near-term returns on investment and commercialization are absent.



- 24) **Use public sector procurement to stimulate cybersecurity innovation in Canada.** Make government technology procurement practices more agile, challenge-based, and outcome-driven.
- 25) **Ensure robust intellectual property protection of innovative products.** Reasonable and reliable IP protections give innovators the confidence to invest time and significant resources into R&D that spans over many years.
- 26) **Prioritize the allocation of spectrum through measures such as increasing the quantity of spectrum available and subsidizing rural deployment.** This is important for Canadians across the country to access wireless services and benefit from deployment of 5G networks, utilize the power of the Internet of Things (IoT) and AI, and for Canadian businesses to remain globally competitive.
- 27) **Strengthen investment in agriculture.** Partner with businesses on research, product development and the commercialization of the agri-food sector, while developing policy mechanisms and supports to incentivize private-sector research and development investment.
- 28) **Encourage value added agricultural processing.** Increased capital investment in agricultural processing would help Canada meet global food demand, while promoting value-added economic activity in commodities bound for export.
- 29) **Create a SME Cyber Defence Fund.** Redirect funding from lower-priority government spending so Canada can help SMEs improve their cyber resilience and close the cybersecurity investment gap.
- 30) **Expand the Business Data Labs' partnership with Statistics Canada by three years.** With funding set to expire in March 2024, this extension would preserve valuable business data assets, while maintaining and expanding the impressive suite of innovative BDL outputs and real-time data made freely available to Canadian businesses, municipalities, academic researchers, and community groups.

## **Attract and Retain Talent**

Attracting and retaining top talent while increasing productivity is vital to Canadian businesses. However, many sectors struggle to find and retain the talent needed to grow.

- 31) **Continue to decentralize the immigration selection process and support local solutions built by communities to address community workforce needs.** Collaborate more closely with provincial, territorial and municipal governments, and with the private sector, to better understand labour market needs across the country.
- 32) **Develop strategic, skills-based immigration programs aligned with regional labour needs.** These can be leveraged to address gaps in the workforce and should be complemented by supports addressing barriers to hiring highly skilled foreign talent, enhancements to the Temporary Foreign Worker Program, and a pathway to permanent residency for agriculture and food workers.
- 33) **Expedite and reduce the complexity of foreign qualification recognition.** Accelerated progress on mutual recognition across Canada is needed for qualified newcomers to Canada to be able to contribute to the Canadian economy.
- 34) **Collaborate with provinces/territories to enable enhanced upskilling and reskilling to meet labour market needs.** Providing Canadians with flexible,



accessible, navigable education and skills development options to foster a culture of lifelong learning to create talent pipelines through targeted matchmaking programs.

## **Lead in Life Sciences**

COVID-19 made the value of the life sciences sector clear, highlighting Canada's shortcomings in domestic manufacturing and exposing a vital requirement to get Canadians the medicines they need, when they need them.

- 35) **Improve regulatory agility in life sciences and medical review processes.** Focus on flexible, timely licensing pathways that incorporate patient engagement, and launch an agile health procurement implementation process to pilot and deploy promising products and technologies increasing health system security and driving improved medical outcomes.
- 36) **Launch life sciences innovation support programs.** Incorporate the renewal of existing envelopes and add nimble streams encouraging companies to undertake higher-risk ventures.
- 37) **Include the life sciences innovation ecosystem in deployment of the Pan-Canadian Health Data Strategy.** Integrate real-world evidence to support decision making and accelerate adoption of innovation.
- 38) **Ensure appropriate scope for National Pharmacare.** Build on, rather than displace, the important role played by private payers and employers, while respecting the jurisdiction of provinces and territories.
- 39) **Integrate the life sciences sector into global supply chains.** Foster resilience and competitiveness by making Canada a part of the global solution.