

Written submission as part of FINA
Pre-Budget Consultations in Advance
of the 2026 Federal Budget



May 2026



Introduction

The Canadian Chamber of Commerce welcomes the opportunity to participate in the House Standing Committee on Finance's consultations in advance of the 2026 federal budget. Our recommendations reflect the view of Canada's largest and most activated business network — with 400 chambers of commerce and boards of trade, 115 sectoral associations, and 200,000 businesses of all sizes, from all sectors of the economy and every part of the country — speaking to what businesses are experiencing on the ground, as well as what they need to invest, grow and compete in a rapidly changing economic landscape.

If the theme for 2025 was strengthening Canada's resilience in the face of external trade threats, then our collective focus for 2026 must be on fostering Canadian competitiveness. Now more than ever, we cannot afford to burden businesses with excessive red tape and permitting delays, weak capital formation, prohibitive taxation and a high-cost operating environment, especially with the United States presenting an attractive alternative.

The urgency we bring to this issue will determine not only our ability to preserve Canada's economic security today, but also whether we establish the conditions for sustained growth that the next generation of Canadian business leaders will rely on.

To meet the moment, government must prioritize private sector growth by taking a hard look at the federal regulatory burden, accelerating project and government approvals, and dismantling internal trade barriers that continue to fragment our domestic market. For small and medium-sized enterprises (SMEs) in particular, reducing unnecessary complexity and improving the ease of doing business could make the difference between pursuing growth in Canada or looking elsewhere for opportunity.

While we commend the federal government's action on many of these fronts, without a renewed focus stated clearly in Budget 2026, we risk losing momentum and undermining that progress. The Canadian Chamber stands ready to work with the government and all political parties to seize this moment. The challenges we face are significant, but so too is the opportunity and, with the right policy choices, Canada can strengthen its competitiveness, support national unity through economic growth and position itself as a leader in an increasingly uncertain global economy.



Recommendations

Building a Competitive Environment for Investment

Canada cannot compete globally with a tax and regulatory system that is increasingly perceived as slower, more complex and less investment-friendly than peer jurisdictions.

- **Conduct a comprehensive review of the *Income Tax Act*.** Tax code complexity is a significant barrier to growth and has become a burden on Canadian businesses. A review with a focus on simplifying business compliance and reducing administrative costs for government would be an important step. Regarding a global minimum tax, Canada should conduct a side-by-side approach to the OECD's Pillar II framework to ensure Canadian businesses remain on a level playing field with their U.S. counterparts.
- **Temporarily increase the small business tax rate income threshold to \$100 million.** While Canada effectively incubates businesses, many decide to leave once they reach scale due in part to the sharp increase in tax burden when businesses exceed the \$50 million threshold. Increasing it to \$100 million would help retain them.
- **Extend the Productivity Super Deduction and expand eligibility.** Extending the deduction and other tax measures announced in Budget 2025 to at least 10 years and expanding eligibility to include 6G technologies and fibre optics will maintain this as a rules-based, automatic tax incentive, providing the certainty needed to unlock investment, accelerate digital transformation and strengthen productivity and competitiveness.
- **Review Excessive Interest and Financing Expense Limitation (EIFEL) rules to ensure competitiveness.** Canadian firms have fewer domestic opportunities to raise equity than competitors in Europe and the U.S. and have historically relied more heavily on debt financing. However, under the EIFEL rules, interest deductibility is capped at 30 percent of taxable income, placing Canadian firms at a disadvantage and constraining investment.
- **Leverage the successful flow-through share model for Artificial Intelligence (AI) deployment and digital infrastructure.** Canadian businesses are investing in digital infrastructure, but not at a pace that matches international competitors.
- **Conduct a comprehensive review of the federal procurement system.** Modernize federal procurement, including for the new Defence Investment Agency, to reduce administrative barriers and increase access, particularly for SMEs, as well as reduce delays for vendors applying for critical security clearances.
- **Modernize our regulatory system.** Canada's current framework is fragmented, slow, and overly complex, having not kept pace with technological change or global competition. This has resulted in delays, higher business costs, and reduced investment as capital shifts to more predictable jurisdictions. The government should embed an economic competitiveness lens across all regulatory instruments, digitize and streamline processes, strengthen transparency and consultation, advance harmonization and reliance on trusted standards and adopt frameworks that track and deliver measurable net reductions in cumulative regulatory burden.



- **Expand Clean Technology Manufacturing Investment Tax Credit eligibility.** Making mine development expenses at existing operations eligible would protect jobs, sustain domestic processing capacity, and enable near-term increases in mineral production. Targeted support for brownfield expansions, leveraging existing infrastructure, permits, workforce and Indigenous partnerships, offers the most efficient path to accelerate investment and output in the near term. Additionally, including the manufacture of Direct Air Capture machinery and equipment would help unlock Canada's decarbonization potential by supporting the full carbon dioxide removal value chain.
- **Advance patent box legislation to spur growth.** Implement a globally competitive patent box regime with a preferential tax rate on income derived from intellectual property developed and commercialized in Canada, which will support innovation, commercialization, and long-term investment.
- **Harmonize federal real-time payroll reporting with Revenu Québec.** Move the real-time payroll reporting project into a formal planning phase, building on the \$44 million investment for the Canada Revenue Agency in 2021.

Closing the Productivity Gap

Canada has world-class research capacity, but commercialization, technology adoption, and labour market responsiveness continue to lag that of competing economies.

- **Develop a talent strategy based on economic demand.** Persistent skills mismatches, gaps in domestic talent pools, underemployment of newcomers, and slow training responsiveness are impacting our productivity and competitiveness. Canada's economic growth requires an integrated talent strategy that links immigration, skills development and workforce participation to real-time economic demand, while aligning immigration selection and retention to sectoral and regional labour market needs rather than intake-driven immigration planning.
- **Modernize skills recognition, talent matching, and skills development.** Working in collaboration with the provinces and territories, accelerating the full utilization of skills through a coordinated national approach to credential recognition and skills-based hiring would unlock existing talent supply and reduce structural labour shortages. Government should also incentivize faster, more flexible upskilling and reskilling by scaling micro-credentials with national quality assurance and labour market alignment, expanding lifelong learning accounts and modernizing apprenticeships by incentivizing completion and modular delivery.
- **Build an employer-driven workforce development system.** The government should reorient training investments toward employer-led, demand-driven models that tie funding to employment outcomes and employer validation and scale sectoral workforce partnerships in high-demand industries.
- **Enable AI adoption for SMEs.** While Canada is widely regarded as a global leader in AI research and innovation, it continues to lag in adoption, especially among SMEs. Clear guidance, simplified compliance tools, targeted supports (such as ongoing coaching, access to open data portals, and linking SMEs undergoing the same process), along with metrics to benchmark Canada's AI adoption performance against G7 economies, should be pursued to encourage broader AI adoption.



- **Strengthen real-time communication between government and industry.** The Canadian Centre for Cyber Security plays a critical role in protecting national infrastructure and regularly collaborates with industry leaders to respond to evolving threats. This effort should be enhanced through the development of a real-time, accessible platform that integrates government intelligence with industry insights.
- **Ensure departments are resourced to be quantum ready.** Quantum technologies will fundamentally reshape the economy, with immediate implications for data security. With a 2030 target for quantum readiness across government systems, departments and agencies must be sufficiently resourced and encouraged to partner with Canadian industry to deploy AI and quantum solutions.
- **Continue investing in cyber defence.** Budget 2025 outlined \$10.9 billion of spending to support Canadian cyber defence. This level of investment should continue; however, the Canadian Armed Forces and Department of National Defence should engage with industry to leverage expertise and capabilities across the country.

Economic Security and Strategic Resilience

In an increasingly fragmented global economy, economic resilience and national security are now deeply interconnected. Canada must strengthen domestic resilience in strategically important sectors and supply chains amid geopolitical uncertainty.

- **Put in place a strategy to protect medical supply chains.** Emerging U.S. policy risks — from Most-Favored-Nation drug pricing proposals to potential Section 232 investigations targeting medical devices — threaten to disrupt cross-border medical supply chains that Canadians rely on for timely access to critical care. The government should respond with a clear, proactive strategy that safeguards open and predictable trade in medical goods, and advances policies that encourage investment in domestic manufacturing and life sciences innovation.
- **Establish a national critical minerals traceability program.** The program should be supported by dedicated funding that covers extraction, processing, and circularity, going beyond basic supplier tracking to capture production conditions, environmental footprint, responsible practices, and ESG performance, reinforcing Canada's high standards and competitive advantage. With the European Union set to introduce mandatory traceability requirements by 2027 (including the Digital Battery Passport), early alignment will be essential to maintain market access and strengthen supply chain resilience.
- **Establish a Canadian Resources Advisory Council.** Modelled on the Advisory Committee on Canada-U.S. Economic Relations or U.S. National Petroleum Council, this body would bring together government, industry, and Indigenous leadership to identify barriers, advance practical solutions, and support the responsible development of Canada's energy resources. It would provide independent, strategic advice to the Minister of Energy and Natural Resources, with a mandate focused on accelerating project development, strengthening partnerships with Indigenous communities, and positioning Canada as a global energy leader.



- **Accelerate targeted amendments to the Clean Fuel Regulations.** Increasing compliance flexibility, strengthening incentives for domestic renewable fuels, and retaining credits for exports would help restore balance to the credit market. These changes would reduce cost pressures on consumers, and support Canada's broader sustainable economic objectives.
- **Protect supply chains by giving parties and government the tools to resolve labour disputes.** Trade is built on trust; if Canadian companies cannot get their goods to market, we risk losing those markets while compromising efforts to diversify our trading relationships. The government should amend the *Canada Labour Code* to provide new dispute resolution tools for all federally regulated transportation infrastructure, such as creating a new special mediator process, as well as establishing the authority for the federal cabinet to act when collective bargaining fails.
- **Incent provincial and territorial progress on internal trade.** While there has been significant progress across levels of government on removing barriers to internal trade, current momentum could be lost if parties do not remain at the table and continue working toward One Canadian Economy. As originally proposed in the 2024 Fall Economic Statement (which was not enacted), the federal government should consider applying conditions on major federal transfers to provinces and territories requiring the elimination of specific barriers to interprovincial trade and labour mobility.
- **Enhance the competitiveness of Canada's agriculture and agri-food sector.** Global cost pressures and tightening margins are putting strain on producers and processors, while regulatory timelines and uncertainty can delay access to new tools and innovations. Building on the ambition of reforming the mandates of the Pesticides Regulatory Directorate and the Canadian Food Inspection Agency in the 2026 Spring Economic Update, the government must work with department officials and industry to ensure that legislative changes lead to tangible improvements to regulatory processes that increase competitiveness of the agriculture and agri-food sector.