

Dear Premier,

A year ago, B.C.'s business community urged you to make improving British Columbia's economy a top priority. We warned that B.C.'s fiscal and economic trajectory was deeply concerning and called for urgent action to restore confidence, improve competitiveness, and spur growth in private-sector investment.

Since then, we appreciate the government's focus on accelerating major capital projects, its efforts to develop a new *Look West* industrial strategy, and its leadership on removing interprovincial trade barriers. To be fully effective, however, these steps need to be complemented by measures that improve the broad conditions under which firms of *all sizes* and in *all sectors* can invest, scale and compete.

Budget 2026 should be seen as an opportunity to rebuild business confidence and make British Columbia a more attractive place for private sector investment. To that end, we offer three recommendations:

1. Exempt all capital investment from the Provincial Sales Tax (PST). Currently, B.C. has the highest marginal effective tax rate on new capital investment in Canada at 25.6 per cent – far above the national average of 15.6 per cent and Alberta's 12 per cent. Exempting capital inputs from PST will reduce B.C.'s disadvantage. When businesses invest in the latest plant, tools, technology and equipment, workers become more productive. [Research](#) shows this measure could increase annual income per worker by between \$700 and \$1,700. We urge the government to implement this measure as a permanent exemption to give businesses confidence about making long-term commitments to B.C. However, recognizing the fiscal context, this permanent measure could be phased in gradually.

2. Establish a credible path to cut the deficit in half within three years and return taxpayer-supported debt to sustainable levels. If B.C. matched the federal government's savings target of 2 per cent of all planned expenditures, it would mean roughly \$5.8 billion of savings over three years, enough to cut the projected 2027/2028 deficit nearly in half. Without a credible path to reduce the deficit, the province sends negative signal to households and businesses that taxes will need to be substantially higher in the future to stabilize the government's fiscal situation.

3. Continue to show leadership on removing interprovincial trade barriers by issuing a commencement regulation for Part (1)(2)(1) of the [Economic Stabilization \(Tariff Response\) Act \(Bill 7\)](#). The Act unilaterally accepts other province's regulatory standards by allowing both goods *and* services legally sold in other provinces to be sold in B.C. Implementing the Act would make the province a leader in opening markets across Canada. We also support

the government's intention to support the expansion of the Canada Mutual Recognition Framework to include food and services.

These recommendations come at a time when economic pressures are growing. The province faces a projected \$11.6-billion deficit this fiscal year and \$12-billion shortfalls thereafter. Employment growth has stalled. The unemployment rate has climbed to a four-year high of 6.4%. GDP per capita fell almost 2% in 2024, the steepest decline in Canada. Small business confidence remains among the lowest nationally. Nearly 60,000 British Columbians have moved to other provinces over the past year, the largest outmigration since the late 1990s and mid 1970s.

These numbers point to a clear need to improve broader investment conditions. A stronger, more productive economy is the engine of higher wages, stronger revenues, and the growth needed to sustain public services and reduce affordability pressures.

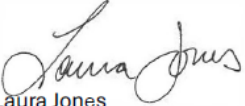
In addition, we ask the province to do everything it can to reduce uncertainty for business to avoid having more capital "quietly quit" the province. This includes putting forward the strongest possible defense of private property rights, being open and transparent about land use negotiations and transfers, and ensuring that labour, tax, and environmental policies are not working against the objective of attracting more private sector investment.

We also note that B.C.'s relatively high-top marginal personal income tax rate – the fourth highest in North America – continues to discourage the retention and attraction of the highly skilled workers needed to base and expand high productivity businesses. The province risks subsidising the education of high skilled workers, only to lose them to other jurisdictions. The province should consider addressing this as soon as reasonably possible.

A year ago, we urged you to take action to improve the economy. Today, we write with some specific recommendations to help you achieve your goal of making British Columbia Canada's economic engine. We continue to stand ready to help in any way we can.

Regards,




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cc: Minister of Finance, Hon. Brenda Bailey