

December 14, 2023

Hon. Adrien Sala
Minister of Finance
Room 103 Legislative Building
450 Broadway
Winnipeg, MB R3C 0V8

Subject: CFIB Submission - Manitoba small business priorities for the 2024-25 provincial budget

Dear Minister Sala,

On behalf of the Canadian Federation of Independent Business (CFIB) and our over 4,000 small business members in Manitoba, we are pleased to present you the enclosed submission outlining small business priorities for the upcoming 2024-25 budget.

As the Manitoba government determines its priorities for the 2024-25 budget, economic recovery and affordability measures for small businesses must be top of mind. Small businesses are still recovering from the impacts of the pandemic and facing many economic challenges including debt, rising interest rates, labour shortages and high inflation.

CFIB appreciates and acknowledges the actions the provincial government has already taken to provide cost relief for small businesses, such as pausing the collection of the provincial fuel tax for six months. To build upon these efforts, CFIB recommends the Manitoba government consider incorporating the following recommendations while finalizing the 2024-25 budget:

1. Help small businesses address rising costs

- Keep the small business tax rate at 0%, and consider raising the small business corporation income tax rate threshold from \$500,000 to \$600,000;
- Continue with the plan to phase out Education Property Taxes, and consider increasing the commercial rebate from 10% to 20%;
- Increase Manitoba's personal income tax bracket thresholds to \$47,000 and \$100,000 for the 2024 tax year, with a return to annual indexing in 2025;
- Follow through on platform commitments to freeze Manitoba Hydro rates until more businesses have had the chance to recover, and expand the fuel tax exemption to include propane;

2. Focus on Red Tape Reduction

- Continue to reduce costly red tape and continue to champion efforts to reduce barriers to inter-provincial trade. The large majority (89%) of Manitoba small business owners believe governments should prioritize removing as many barriers as possible to the flow of goods, services and workers between provinces and territories. For example:
 - A professional license or certification granted in one province/territory should be automatically recognized in all provinces/territories (such as long-term care workers, or other health care workers, etc.) (i.e. Ontario's "As of Right" Legislation); and
 - Registering for workers' compensation in one province/territory should permit workers to work in all provinces/territories.

3. Help small businesses deal with payroll costs/labour challenges

- Commit to stable, predictable changes to the minimum wage - no more than the rate of inflation; and avoid introducing paid sick days;
- Increase the Health & Post Secondary Education Tax Levy (Payroll Tax) exemption threshold to \$2.5 million and commit to decreasing tax rates - particularly given upward pressure on wages;
- Help deal with labour shortages by:
 - Reducing the complexity, red tape, and costs associated with hiring newcomers;
 - Better promoting existing hiring and training programs; and
 - Enhancing training opportunities for groups that are underrepresented in the workforce.
- Ensure the Workers Compensation Board (WCB) continues to provide refunds when surplus money is available by legislating the WCB's surplus refund policy (example: Ontario).

4. Help address crime and community safety challenges

- Work together with all levels of government to help address underlying social problems (i.e. housing, mental health, and addictions) in order to improve community safety outcomes; and
- Increase and expand the security rebate program to offer \$2,000 per business for the cost of repairs due to vandalism, and up to \$1,000 for prevention measures (similar to British Columbia's Securing Small Business Rebate Program).

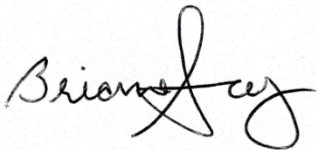
5. Help echo CFIB's calls on the federal government regarding the carbon tax

- Advocate to the federal government to change their policies associated with the carbon tax by:
 - Expanding the carbon tax exemption to all forms of heating fuels, including natural gas and other sources used by small business;

- Halting future carbon tax increases, including the hike planned on April 1, 2024; and
- Ensuring businesses are eligible for rebates or refunds equivalent to the full share of the fuel charge costs they incur (CFIB estimates 40%).

Thank you for your attention to these important matters. We look forward to discussing our recommendations with you during our meeting in January. In the meantime, please do not hesitate to reach out to Brianna.Solberg@cfib.ca or by phone at 306-713-8071 if you have any questions.

Sincerely,



Brianna Solberg
Director of Legislative Affairs



SeoRhin Yoo
Policy Analyst

cc: Hon. Jamie Moses, Minister of Economic Development, Investment, Trade and Natural Resources
Hon. Ron Kostyshyn, Minister of Agriculture
Hon. Matt Wiebe, Minister of Justice and Attorney General
Hon. Malaya Marcelino, Minister of Labour and Immigration
Hon. Tracy Schmidt, Minister of Environment and Climate Change
Hon. Lisa Naylor, Minister of Transportation and Infrastructure, and Consumer Protection and Government Services
Hon. Bernadette Smith, Minister of Housing, Addictions and Homelessness

Manitoba small business owners’ priorities for the 2024-25 budget

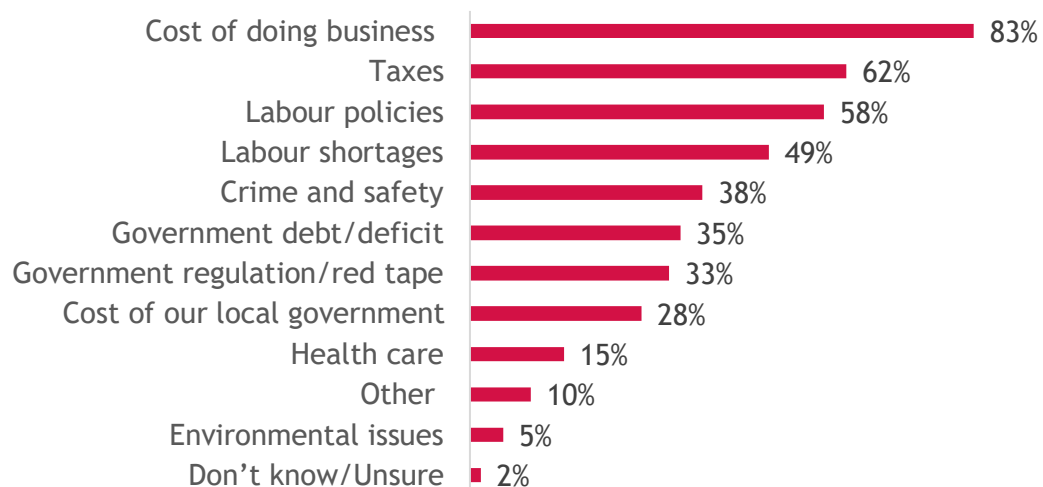
*Brianna Solberg, Provincial Affairs Director, Prairies and Northern Canada
SeoRhin Yoo, Policy Analyst, Prairies and Northern Canada*

As the Manitoba government determines its priorities for the 2024-25 budget, economic recovery and affordability measures for small businesses must top of mind. Small businesses are still recovering from the impacts of the pandemic and facing many economic challenges including debt, rising interest rates, labour shortages and high inflation.

According to recent CFIB survey results, only 10% of Manitoba's small businesses feel confident in the provincial government's vision for supporting business and entrepreneurship.¹ This lack of confidence underscores the need for budget 2024-25 to demonstrate the provincial government's commitment to fostering an economic environment where small businesses can thrive. This can be accomplished by ensuring small businesses are not burdened with additional costs or taxes given that the cost of doing business is a serious concern for 83% of Manitoba small businesses (Figure 1).

Figure 1

Which of the following are a serious concern for your business? (Select all that apply)



Source: CFIB, Your Voice Survey - September 2-16, 2023. MB Final results.

¹ CFIB, Your Voice Survey - November 6-25, 2023. MB Final results.

Current State of Small Businesses

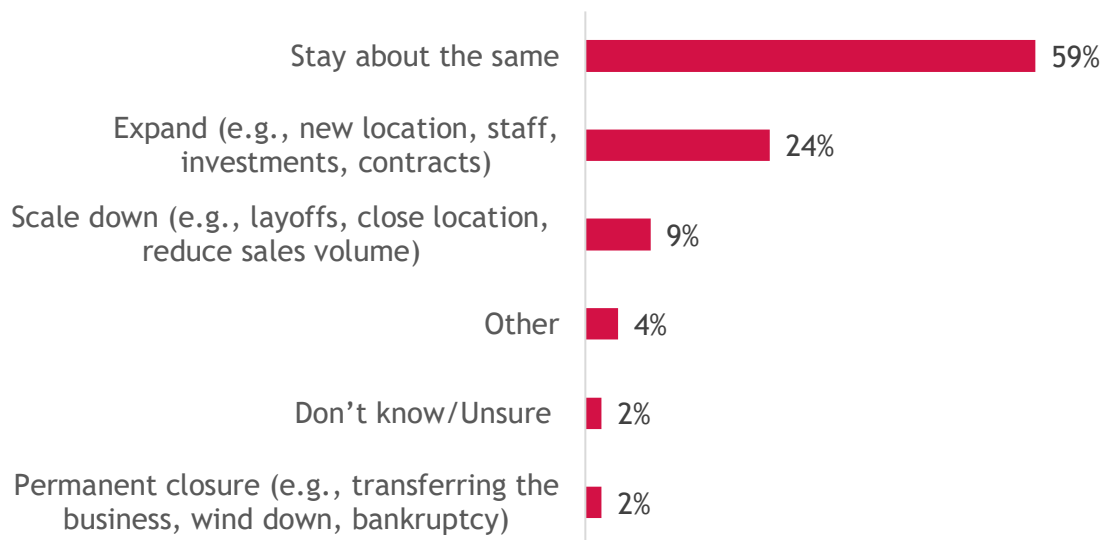
The increasingly high cost of doing business has been negatively impacting small business optimism in Manitoba. CFIB’s latest [Monthly Business Barometer®](#) shows the short-term optimism index to be at 45.7 points as of November - a decline of 12 points since the spring. The long-term optimism index now sits at 56.8 points, a decline of 9 points since the Spring.

The looming repayment deadline for the Canada Emergency Business Account (CEBA) loan is adding to the stress and uncertainty that business owners are feeling. Many small businesses are struggling to get together the funds to repay their CEBA loans amid lower-than-normal consumer spending and competition with large multinational corporations. Recent CFIB survey data shows over half (52%) of Manitoba small businesses have still not repaid any of their CEBA loans.²

Due to rising costs and a lack of business confidence, the majority (59%) of Manitoba small businesses plan to maintain their current operations rather than looking to grow or expand (Figure 2). Additionally, an alarming 11% of small businesses are planning on scaling down or closing altogether. This could be significantly damaging to the provincial economy and underscores the need to recognize and address the priorities of Manitoba small businesses in the upcoming budget.

Figure 2

What are your business plans for the next 12 months? (Select one)



Source: CFIB, Your Voice Survey - November 2-16, 2023. Final results.

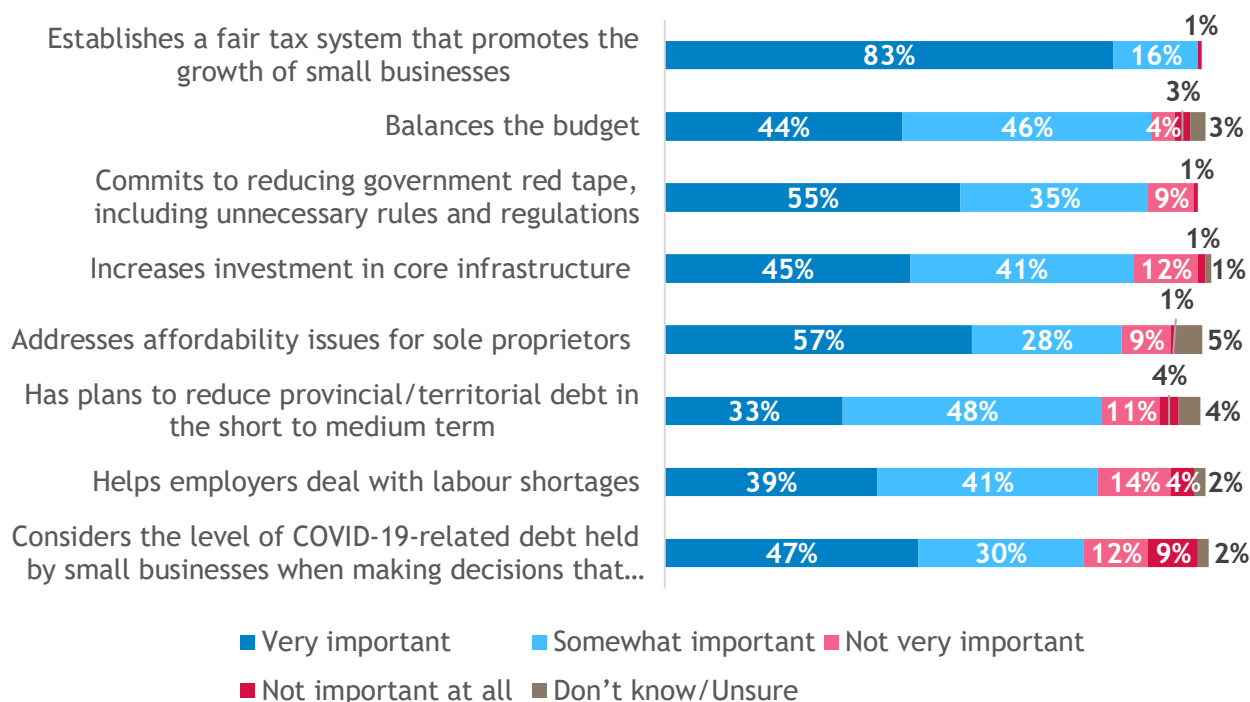
² CFIB, Your Voice Survey - December 8, 2023. Preliminary Results.

Manitoba Small Business Priorities for the 2024-25 Budget

Manitoba small businesses have indicated they would like to see the provincial government ensure taxes are fair for small businesses (99%); have a plan to balance the budget (90%); reduce red tape (90%); invest in core infrastructure (86%); and address affordability issues (85%) (Figure 3).

Figure 3

Please indicate how important it is to your business that the MB government does each of the following. (Select one for each line)



Source: CFIB, Your Voice Survey - November 2-16, 2023. MB Final results.

1. Reduce small business costs by ensuring taxes are fair

Small business owners are looking for the Manitoba government to help address the rising cost of doing business by establishing a fair tax system that promotes economic growth. Manitoba small business owners have indicated that payroll taxes (67%), insurance costs (60%), and provincial gasoline and fuel taxes (58%) are the most harmful costs that their businesses are facing (Figure 4).

When it comes to payroll costs, many small business owners are concerned about the upcoming increases to both the Canada Pension Plan (CPP) and federal Employment Insurance (EI) rates. As of January 1, 2024, these changes will see payroll taxes increase for employers by \$366 per employee and total employer contributions for CPP and EI could add up to \$5,524 per employee next year.

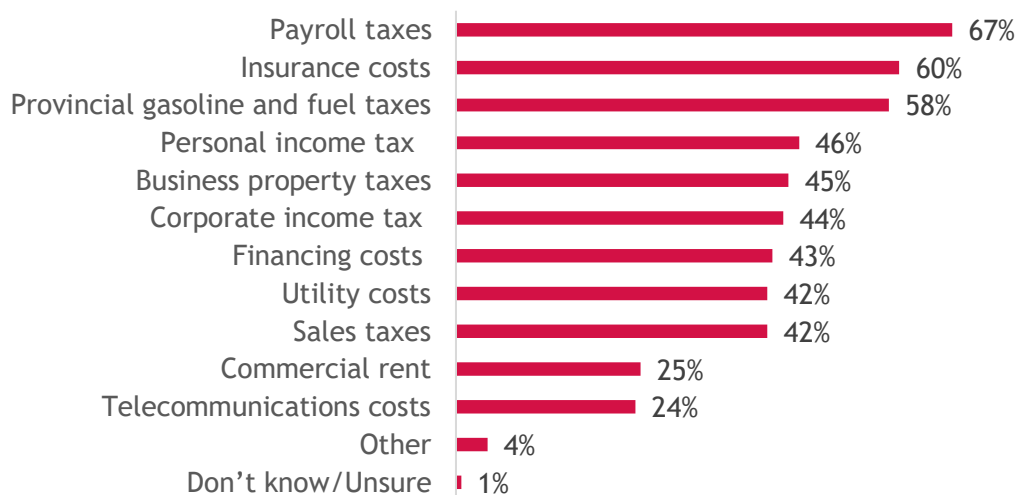
We believe the Manitoba government can help show small business owners they recognize the burden of payroll cost pressures by:

- Increasing the Health and Post Secondary Education Tax Levy (Payroll Tax) exemption threshold to \$2.5 million and committing to decreasing tax rates - particularly given upward pressure on wages;
- Committing to stable, predictable changes in the minimum wage - at no more than the rate of inflation;
- Avoiding the introduction of paid sick days;
- Ensuring the Manitoba Workers Compensation Board (WCB) continues to provide refunds to employers when surplus money is available (i.e. legislate the WCB's surplus refund policy and require the Board to refund 100% of its annual surplus (example: Ontario)).

We appreciate the province's efforts to address affordability challenges by pausing the collection of the provincial fuel tax for six months and expanding the Bill to include marked (dyed) fuel. However, we have heard from small businesses in the agriculture industry who would like to see propane added to the list of fuels that will be exempt from the tax. Expanding the bill to include propane would provide additional savings advantages for all Manitobans, particularly farmers and agri-businesses.

Figure 4

Which of the following taxes and costs are the most harmful to the operation of your business? (Select all that apply)



Source: CFIB, Your Voice Survey - November 6-12, 2023. MB Final results.

The majority of small businesses (92%) would like to see Manitoba become more tax/cost competitive with neighbouring provinces.³ To help achieve this, CFIB is calling on the provincial government to commit to increasing Manitoba's tax bracket thresholds to \$47,000 and \$100,000 for the 2024 tax year,

³ CFIB, Manitoba Pre-election Survey - June 15-29, 2023. Final results.

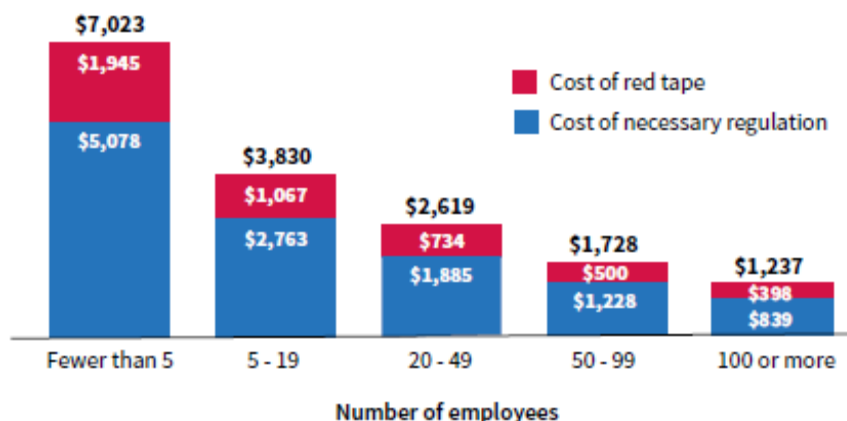
with a return to annual indexing in 2025. Additionally, 87% of Manitoba small businesses believe the province should consider following what Saskatchewan has done and raising the small business corporate tax rate threshold to \$600,000.⁴ While we recognize that Manitoba has a 0% small business corporate tax rate, by raising the threshold, more small businesses can save themselves from the added burden of the general corporate income tax.

2. Reduce red tape

Along with taxation, red tape continues to be a concern for small businesses. CFIB encourages the Manitoba government to continue to take action in this area. Red tape and excessive bureaucracy can limit productivity, lower investment capacity, and leave business owners with less time to manage their business. The smaller the business, the higher the cost (Figure 5). For small businesses, red tape not only includes all the paperwork and rules they must follow but also the level of customer service provided by the government. Not being able to get answers quickly from government websites or call centres, or not being able to understand the language included in forms or guidance documents can be equally frustrating and costly for small business owners.

Figure 5

Annual regulation cost per employee, by size of business (in 2020 dollars)



Sources: Calculations based on CFIB’s Survey on Regulation and Paper burden (conducted in 2020, n=4,603) and data from Statistics Canada.

The Manitoba government received the highest grade among all provinces on CFIB’s [2023 internal trade report card](#), but still sat at an overall score of 8.9. We call on the provincial government to continue to work with other provinces to reduce interprovincial trade barriers. This includes automatically recognizing certain licences granted in other provinces such as those needed for healthcare workers (i.e. Ontario’s “As of Right” Legislation).⁵ Additionally, we are calling on all provinces to work together to allow workers registered for workers compensation in one province to be able to work in all provinces - to reduce administrative burdens.

⁴ CFIB, Manitoba Pre-election Survey - June 15-29, 2023. Final results.

⁵ Government of Ontario. *New “As of Right” Rules a First in Canada to Attract More Health Care Workers to Ontario*. Retrieved December 10, 2023. [New “As of Right” Rules a First in Canada to Attract More Health Care Workers to Ontario | Ontario Newsroom](#)

3. Help with labour challenges

Not only have labour costs increased (i.e. payroll taxes and wage costs), but both skilled and un-skilled labour continues to be difficult to acquire for many Manitoba small businesses. CFIB’s latest shortage of labour [report](#) found that Manitoba was among the most affected provinces with 62% of small businesses indicating their business has been impacted by labour shortages.

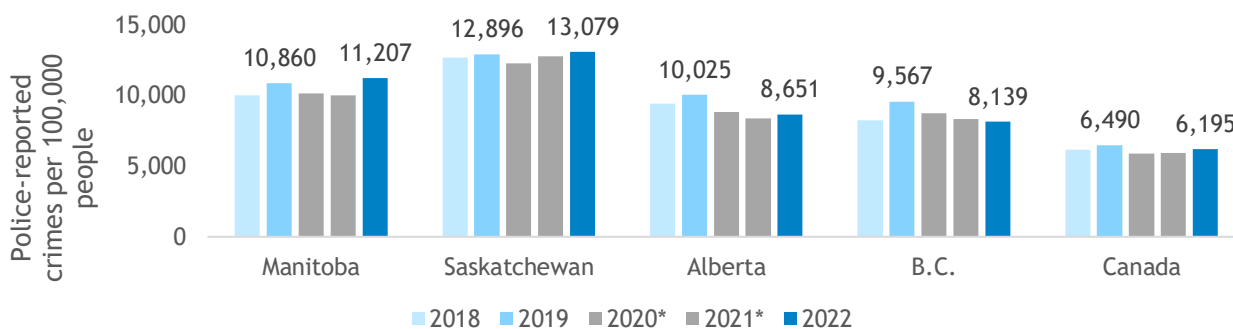
The lack of available workers can seriously cost small businesses who have already raised wages as much as possible to attract more workers. CFIB [estimates](#) that the shortage of labour in Manitoba cost small businesses about \$1.47 billion in 2022. We recognize that there are no simple solutions to this problem, however we encourage the provincial government to continue to work to reduce red tape associated with hiring new Canadians. Additionally, we encourage the Manitoba government to:

- Continue to advocate for increased MPNP allocation spots;
- Better promote the hiring and training programs that already exist; and
- Enhance training programs for underrepresented groups in the workforce.

4. Help address crime and community safety challenges

We consistently hear from Manitoba small businesses about the impacts that crime and community safety issues are having on their business. According to CFIB survey results, 45% of Manitoba businesses indicate that crime and safety is a serious concern - the highest rate across the country. Over half (54%) have been impacted by community safety issues. Those impacted have experienced vandalism and breaking and entering (63%); theft and shoplifting (62%); and waste and litter (e.g., drug paraphernalia, excrement) (53%).⁶ These actions inflict significant costs on businesses, not to mention, they can discourage customers from entering businesses. CFIB’s [research](#) into this issue has shown that crime and safety is a more prominent issue in Western Canada, and of the western provinces, Manitoba has the second highest crime rates (Figure 6).

Figure 6
Manitoba records the second highest crime rate in 2022



Source: Statistics Canada. Table 35-10-0177-01 Incident-based crime statistics, be detailed violations, Canada, provinces, territories, Census Metropolitan Areas and Canadian Forces Military Police. *Figure excludes traffic violations.

⁶ CFIB. Your Voice Survey - May 4-25, 2023. MB Final results.

Given this, we are calling on all levels of government to work together to help address underlying social issues (i.e. housing, mental health, and addictions) in order to improve community safety outcomes. In the meantime, while we acknowledge the Manitoba government's commitment to implementing a security rebate program, feedback from our membership underscores a significant concern. The current funding allocation of \$300 per applicant is deemed inadequate, especially given that the costs associated with upgrading security in commercial establishments can run into the tens of thousands. This places an undue financial burden on struggling business owners.

We are calling on the Manitoba government to introduce a program similar to British Columbia's Securing Small Business Rebate Program.⁷ This program provides eligible small businesses with up to \$2,000 for the cost of repairs due to vandalism, and up to \$1,000 for prevention measures. We urge the province to listen to feedback from the business community to ensure that the program provides meaningful financial support to those businesses that need it the most.

5. Help echo CFIB's calls on the federal government regarding the carbon tax

According to CFIB survey data, energy and utility costs place significant financial strain on 77% of Manitoba small businesses. Therefore, as mentioned, we appreciate the provincial government pausing the collection of the provincial fuel tax for six months.

The federal government's carbon pricing system is also adding to the energy and utility costs faced by business owners. It is important to note the disproportionate burden shouldered by Canadian small businesses. CFIB [estimates](#) that Canadian small businesses pay around 40% of the funds collected by the carbon tax, yet, the federal government plans to return only 10% of what's been collected to small businesses in the form of rebates. This unfairness coincides with a recent increase in opposition to the carbon tax among small businesses, with the majority in all provinces now opposing it (Figure 7).

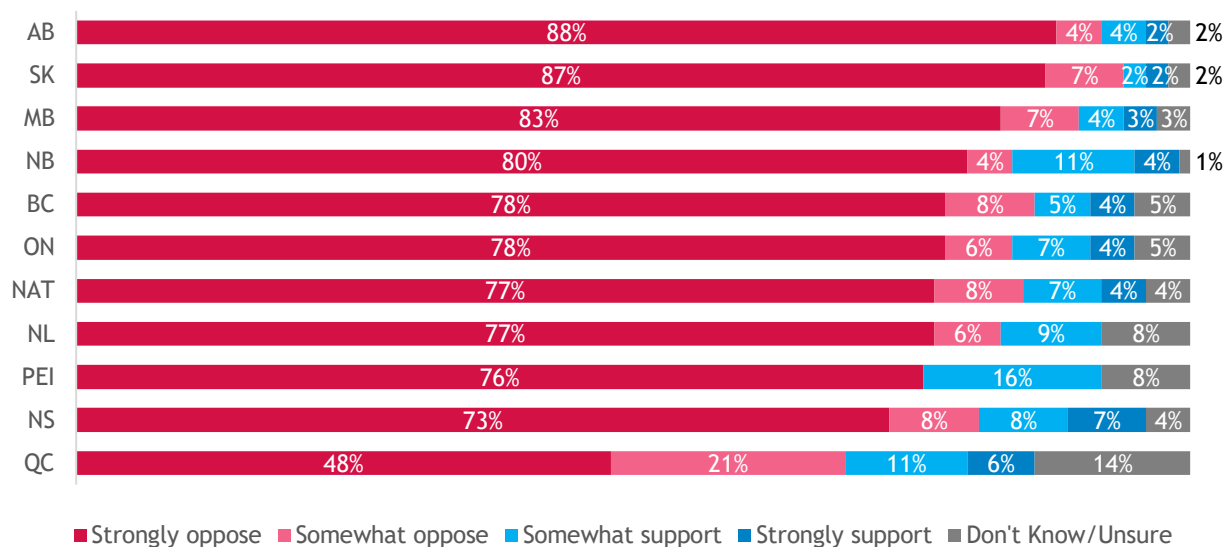
We acknowledge the Manitoba government's promise to install 5,000 heat pumps as a means of reducing energy consumption and we appreciate the plan to freeze Manitoba Hydro rates. However, the need for cost relief and tax fairness is urgent for small businesses. We are calling on the provincial government to continue to support our recommendations for the federal government to:

- Halt future carbon tax increases, including the hike planned on April 1, 2024;
- Ensure businesses are eligible for rebates or refunds equivalent to the full share of the fuel charge costs they incur (CFIB estimates 40%); and
- Expand the carbon tax exemption to all forms of heating fuels, including natural gas and other sources used by small business.

⁷ Government of British Columbia. *Small businesses can apply next month for help with vandalism costs*. Retrieved December 8, 2023. [Small businesses can apply next month for help with vandalism costs | BC Gov News](#)

Figure 7

Please indicate the extent to which you support or oppose the current carbon tax system



Source: CFIB, Carbon pricing Flash Survey, September 14 - 27, Final Results.

Recommendations

Manitoba small businesses face ongoing economic challenges in the form of high inflation, labour shortages and rising interest rates, along with struggling to pay back pandemic related debt. The direction and decisions made in the 2024-25 provincial budget will be vital to a successful economic recovery and survival of Manitoba small businesses. To help support small business recovery, CFIB recommends the Manitoba government consider incorporating the following recommendations while finalizing the next budget:

1. Help small businesses address rising costs

- Keep the small business tax rate at 0%, and consider raising the small business corporation income tax rate threshold from \$500,000 to \$600,000;
- Continue with the plan to phase out Education Property Taxes, and consider increasing the commercial rebate from 10% to 20%;
- Increase Manitoba’s personal income tax bracket thresholds to \$47,000 and \$100,000 for the 2024 tax year, with a return to annual indexing in 2025;
- Follow through on platform commitments to freeze Manitoba Hydro rates until more businesses have had the chance to recover, and expand the fuel tax exemption to include propane;

2. Focus on red tape reduction

- Continue to reduce costly red tape and continue to champion efforts to reduce barriers to inter-provincial trade. The large majority (89%) of Manitoba small business owners believe governments should prioritize removing as many barriers as possible to the flow of goods, services and workers between provinces and territories. For example:
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- Commit to stable, predictable changes to the minimum wage - no more than the rate of inflation; and avoid introducing paid sick days;
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- Increase and expand the security rebate program to offer \$2,000 per business for the cost of repairs due to vandalism, and up to \$1,000 for prevention measures (similar to British Columbia's Securing Small Business Rebate Program).

5. Help echo CFIB's calls on the federal government regarding the carbon tax

- Advocate to the federal government to change their policies associated with the carbon tax by:
 - Expanding the carbon tax exemption to all forms of heating fuels, including natural gas and other sources used by small business;
 - Halting future carbon tax increases, including the hike planned on April 1, 2024; and
 - Ensuring businesses are eligible for rebates or refunds equivalent to the full share of the fuel charge costs they incur (CFIB estimates 40%).