CANADIAN FEDERATION OF INDEPENDENT BUSINESS
In business for your business
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Letter sent by e-mail.

Ottawa, July 29, 2025

The Right Honourable Mark Carney, P.C., M.P.
Prime Minister of Canada
80 Wellington Street
Ottawa, ON K1A 0A2

The Honourable François-Philippe Champagne, P.C., M.P.
Minister of Finance and National Revenue
Department of Finance Canada
90 Elgin Street
Ottawa, ON K1A 0G5

Subject: Financial relief needed for SMEs impacted by the ongoing trade war

Dear Prime Minister Carney and Minister Champagne:

As you know, the Canadian Federation of Independent Business (CFIB) is a not-for-profit, non-partisan organization representing the interests of 100,000 small- and medium-sized enterprises (SMEs) across Canada. **We are writing to suggest several ways the federal government can support SMEs directly and indirectly affected by the ongoing trade war with the United States (U.S.).**

Current State of SMEs

Today, the cost of doing business in Canada is at an all-time high for many small businesses. Rising taxes, rent, insurance, and other operational costs, combined with mounting regulatory and compliance burdens, have left SMEs feeling squeezed. On top of these challenges, the financial strain from the ongoing U.S. and Chinese tariff war is making things even worse. It is not surprising that small business confidence remains low, as reported in CFIB's Monthly Business Barometer®.

Ongoing Trade War and Impacts on SMEs

The ongoing trade war is taking a toll on Canadian small and medium-sized businesses, with many reporting significant operational and financial strain. The unpredictable and inconsistent application of U.S. tariffs has created significant challenges for Canadian small and medium-sized exporters, particularly for those whose goods are considered not compliant with the Canada-United States-Mexico Agreement (CUSMA).

We continue to hear from members who have had no choice but to cover the cost of U.S. tariffs themselves, despite being the exporter. In fact, a recent CFIB survey found that 29% of Canadian businesses have either had to reduce their prices or cover in full the cost of U.S. tariffs.[1]

For example, one business owner was caught by surprise early in the dispute when a shipment of Canadian halibut sent between March 4 and 6 was hit with nearly $25,000 in U.S. tariffs. This unexpected cost had to be paid out of pocket, with no way for the business to recover the expense (see Appendix for invoice details). While this is just one example, many members have shared similar experiences. In many cases, Canadian SMEs are facing a double burden as they are forced to cover costs on both sides of the border, intensifying the financial strain caused by the ongoing trade tensions.

Furthermore, over two-thirds (67%) of SMEs report being impacted by Canada's counter-tariffs (imports from the U.S.), and 67% are having to absorb the full cost. To deal with these impacts, SMEs are taking a number of actions by raising prices (40%), shifting to domestic suppliers (36%), absorbing tariff costs (31%), delaying or cancelling expansion plans (28%), and pivoting to alternative suppliers outside of the U.S. (24%). Alarmingly, 16% of SMEs now report having to reduce their workforce or have had to lay off staff, almost a 7-point increase since March.

Although there is still a majority level of support for Canada's retaliatory tariffs (63%), this represents a decline from 79% in March, signaling growing concern within the business community as the trade dispute continues.[2]

Support of SMEs Amid Ongoing Trade War

The federal government's latest *Fiscal Monitor*, published on May 30, revealed a sharp increase in customs revenue, with Canada collecting over $1 billion in import duties in March, which is more than double the $427 million recorded the same month last year.[3] While the government announced some tariff exemptions on April 15 for certain manufacturing inputs and goods critical to public health, safety, or national security, these adjustments fall short of providing meaningful relief for many small businesses. The only other support measures made available to date have been in the form of loan — adding debt, rather than easing it.

Small and medium-sized businesses continue to absorb rising costs across every aspect of their operations. When asked what meaningful tax relief would enable them to do, one in three small business owners said it would allow them to invest and grow, while more than half said it would help stabilize their operations or better manage rising costs. If governments (federal, provincial or territorial, and municipal) were to reduce taxes, small businesses indicated they would primarily use the relief to support staff (54%), reduce debt (52%), or expand their operations (51%).[4]

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[1] CFIB, July Your Voice Survey 2025, July 10, 2025, preliminary results.
[2] CFIB, July Your Voice Survey 2025, July 10, 2025, preliminary results.
[3] Department of Finance Canada, The Fiscal Monitor – March 2025, https://www.canada.ca/en/department-finance/services/publications/fiscal-monitor/2025/03.html
[4] CFIB, July Your Voice Survey 2025, July 10, 2025, preliminary results.

Now more than ever, it is essential for the federal government to support SMEs affected by this ongoing trade war. These businesses, caught in the middle of broader geopolitical tensions, deserve timely and meaningful assistance. **To address this urgent need, CFIB proposes the following actions the federal government can take to provide immediate financial relief to affected SMEs:**

1. **CFIB recommends reducing the small business tax rate (SBTR) from 9% to 0% for the foreseeable future** as a means of stimulating the economy in a difficult economic period. This would be one way to alleviate the impacts of tariffs on small businesses and provide them with additional liquidity to invest in their operations. Over 93% of small business owners would support a lower small business tax rate.

2. **Reduce employment insurance (EI) premiums for small businesses.** EI premiums represent a significant fixed cost for employers, regardless of whether they are generating profit. Lowering these premiums would be another effective mechanism to offset the financial burden of tariffs and other rising input costs, putting money back into the hands of small employers when they need it most. This would also help employers retain staff during this difficult period, as some have already been forced to consider layoffs to cope with rising costs. To ensure that the added costs to the EI system and potential benefits provided to SMEs are not at the expense of workers or employers, the federal government should fund this support through general revenues/tariff proceeds, rather than the EI account.

3. **Implement a rebate program for tariff-impacted SMEs.** CFIB proposes a rebate program (i.e., similar in design to the carbon tax rebate) that allocates a meaningful portion of the revenue collected through counter-tariffs to SMEs. Since SMEs contribute approximately 50% of Canada's GDP, it would be reasonable to dedicate at least half of the collected funds to support them. This money could then be distributed using a simple formula, such as a fixed amount per employee. The program should be inclusive of all sectors that can demonstrate increased costs resulting from trade-related measures, including those indirectly impacted by the trade dispute. Any program needs to be simple and easily accessible for SMEs.

4. **Make Canada's counter-tariff remission request work for SMEs.** The federal government should urgently reform the remission process to make it significantly more accessible and responsive for small and medium-sized businesses. While the tariff remission was intended as a cost-relief mechanism, the current process is overly complex, opaque, and slow, which is resulting in few, if any, SMEs actually receiving meaningful reprieve from Canada's counter-tariffs. Streamlining the application, improving communication and transparency, and providing dedicated SME support would help ensure the program achieves its original purpose of easing the financial burden for businesses unable to source their goods outside of the U.S.

While no solution will be perfect, CFIB stands ready to work with your office and officials to help develop a fair, practical, and effective support mechanism for impacted SMEs. We can be reached at michelle.auger@cfib.ca to further discuss this issue or answer any questions you may have. We look forward to your response.

Sincerely,

Original signed by	*Original signed by*	*Original signed by*
Dan Kelly President and CEO	Corinne Pohlmann Executive VP, Advocacy	Michelle Auger Senior Policy Analyst, National Affairs

CC: The Honourable Rachel Bendayan, Parliamentary Secretary to the Prime Minister

The Honourable Kody Blois, Parliamentary Secretary to the Prime Minister

MP Ryan Turnbull, Parliamentary Secretary to the Minister of Finance and National Revenue

Appendix: Canadian Exporters Stuck with the U.S. Tariff Bill

Our member, a Canadian small business, was unfairly stuck paying U.S. tariffs simply because they were considered the "importer of record"—even though they were the exporter. The business sells halibut on consignment, meaning they retain ownership of the goods until they are sold in the U.S. As a result, they were responsible for the tariffs imposed at the border.

Amid significant confusion, the business shipped its product just one day before the U.S. reversed course on the tariffs. That unfortunate timing left them with a U.S. tariff bill of approximately $25,000 USD—an unexpected and heavy financial burden for a small exporter.

CANADA

TRANSACTION INFORMATION SUMMARY:		DESCRIPTION OF CHARGES: *Services subject to Terms and Conditions on reverse*	
Pieces:	21.00	Duty	22,936.25
Weight:	8,799.00	Duty 22,936.25	
Description: HAL ATL,EX OFFL 030291-99		Special Tariff HandlingFee	25.00
Shipper: L J ROBICHEAU		Funds Advance Fee	678.50
Consignee: Multiple		Add'l Confirmation Fee	5.00
Place of Origin:		P N Transmitter Fee	5.25
Destination: CALAIS, ME		FDA-EDI	7.00
Carrier: YARMOUTH BOSTON TRANSPORT		Entry Fee	32.70
Departure Date: 03/06/25			
Arrival Date: 03/06/25			
Master Bill of Lading: 0234724			
House Bill of Lading:			
Containers:			
		Total in US Dollars	23,689.70
		Payment Due By: March 19, 2025	
To provide us with feedback or inquire about an invoice, please visit the Contact Us page on our website at www.anderinger.com/contact-us		Payment Reference No: 19040666	
		Payment Terms: Net 13 Days	