

July 18, 2025

*Sent via email*

**Subject: Supporting Small Business Growth and Competitiveness at the Council of the Federation Meetings**

Dear Prime Minister and Premiers:

As you know, the Canadian Federation of Independent Business (CFIB) is a non-profit, non-partisan organization representing the interests of 100,000 small- and medium-sized enterprises (SMEs) across Canada. As you prepare to attend the upcoming Council of the Federation meeting in Huntsville, we urge you to bring small business priorities to the forefront of your discussions with fellow first ministers.

**State of Canadian Small Business**

Canada's small businesses continue to face significant headwinds. According to CFIB's monthly Business Barometer® (MBB) data, long-term optimism in all provinces ranges from 40s to high-50s, indicating weak potential for economic growth. Top barriers to growth and productivity include: insufficient demand, skilled labour shortages, and shortage of working capital. On the cost side, taxes and regulatory burdens, insurance, and wage costs continue to weigh significantly on Canada's entrepreneurs.

In today's economically uncertain environment, it is crucial that governments champion policies that support small businesses, particularly those that drive competition, boost productivity, and build long-term resilience.

**Boosting Canada's Small Businesses Amid Growing Uncertainty**

Canada's trade challenges with China and, especially, the U.S. are adding to the pressure. Higher costs, lower demand, and ongoing uncertainty are forcing many SMEs to adapt, often without the time, resources, or support they need.

Since March, many small businesses have been attempting to pivot to mitigate risks of the trade war, such as shifting to domestic markets (37%), and exploring non-U.S. markets (25%). Difficult decisions are also being taken, like raising prices (43%), absorbing some or all the additional tariff costs (31%), and delaying expansion plans (29%), which impacts the profitability and growth of SMEs, as well as those they employ and serve.<sup>1</sup>

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<sup>1</sup> CFIB. July 2025 Your Voice Survey, July 10 - Ongoing. Preliminary results, CAN N=1,330.

Small businesses often lack the scale and capital reserves of larger corporations to weather financial shocks or invest in new technologies. At the same time, they face high costs and compliance burdens that reduce their competitiveness and productivity. Targeted policy changes can help alleviate these burdens and create level playing fields, creating an environment where small firms and workers can thrive. In fact, if governments at any level were to reduce the overall burden of taxes and fees, 54% of small firms report they'd increase employee compensation, 52% would pay down business debt, 51% would expand their business, and 38% would hire new employees.<sup>2</sup>

CFIB recommends the following practical actions:

- **Lower the small business tax rate with a plan to get it to 0% and raise the threshold to \$700,000, as Nova Scotia has done.** A 0% small business tax rate provides essential relief for small firms, and raising the income threshold would allow more growing businesses to benefit. This added flexibility would free up capital for reinvestment in staff, training, equipment, and expansion.
- **Ensure small- to medium-sized firms are included in the planning and execution of major infrastructure projects.** According to the preliminary results of CFIB's July Your Voice survey, 90% of Canadian SMEs agree speeding up approval for major infrastructure projects will help grow Canada's economy, and 76% believe it will improve transportation and supply chain access for their business. However, 90% also report that small business interests are often underrepresented or excluded in planning and executing major infrastructure projects. We urge all governments to engage SMEs early and communicate plans clearly so they can adapt and plan accordingly. Just as importantly, there must be a clear strategy to ensure smaller Canadian firms are not only consulted but actively included in the major infrastructure building projects, allowing them to fully participate in and benefit from the economic opportunities to grow.
- **Quickly return the federally collected tariff revenues to SMEs and clarify the use of the provincial tariff contingency fund.** Small businesses have shouldered the brunt of the trade war's impact. Ensuring that tariff revenues are swiftly returned to the business community would provide much-needed relief and demonstrate Canada's commitment to support SMEs. Similarly, we urge those provincial governments with contingency funds for businesses to clarify when and how they will be allocated.

### **Keep the Momentum Going on Internal Trade**

As more SMEs shift their sights to Canada's domestic market and suppliers, now is the time to accelerate efforts to remove internal trade barriers. We commend those governments that have taken leadership on this file and appreciate the progress announced during the recent Committee on Internal Trade meeting, including, many parties removing and reducing their CFTA exceptions, commitment to streamline the process for labour mobility certifications, and the expansion of the MR pilot project in the trucking sector. That said, the meeting fell short of delivering tangible outcomes.

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<sup>2</sup> Ibid

In particular, we are concerned about the increasing reliance on patchwork agreements and MOUs, now extending to the direct-to-consumer (DTC) alcohol shipment model. We could see a system that requires each provincial/territorial governments to negotiate individual agreements with each of their nine participating counterparts, which could result in over 80 separate agreements. This is an overly complex and inefficient approach that risks bogging down progress, and we urge all governments adopt a unilateral DTC approach, as Manitoba has done.

CFIB welcomes the continued momentum on internal trade, however, it is just as important that momentum be sustained and translated into action.

Thank you for your continued leadership and for considering the perspectives of Canada's small business community. We hope you will bring these recommendations to the meeting table and ensure small businesses remain at the heart of Canada's economic priorities.

Sincerely,



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