CANADIAN FEDERATION
OF INDEPENDENT BUSINESS
In business for your business™

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Letter sent via email.

Ottawa, April 16, 2026

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: Addressing Canada's Declining Levels of Entrepreneurship

Dear Minister Champagne:

As you may know, the Canadian Federation of Independent Business (CFIB) is a not-for-profit, non-partisan organization representing the interests of over 103,000 small- and medium-sized enterprises (SMEs) across Canada. We have members in all sectors of the economy who would like to see measures that would help them and future entrepreneurs thrive in Canada in the forthcoming spring economic statement, which we understand will be tabled on April 28, 2026.

Entrepreneurship in Canada is declining and confidence among small business owners remains low amid ongoing global uncertainty, rising costs, and weak consumer demand. CFIB's recent report, *Canada's Entrepreneurial Drought, Part 1: The Shrinking Business Landscape*, identifies that more businesses in Canada have closed than opened for six consecutive quarters and more than half (55%) of small business owners would not recommend starting a business right now. When fewer small businesses start, grow and thrive, the country loses more than storefronts. It loses innovation and productivity. Our economy becomes less dynamic and less competitive.

What is needed are fiscal policies that will incentivize individuals to start a business and help existing small business owners to thrive and be successful. What is not needed are administratively cumbersome, narrowly targeted programs that pick winners and losers and fail to reflect the realities of most small business owners. That is why CFIB recommends that the federal government invest in small businesses by:

1. **Reducing the federal small business tax rate from 9% to 6%.** A total of 911,920 businesses would benefit from this reduction. This measure would enable SMEs to retain $2.1 billion[1] in their business to reinvest in their operations and employees. The small business tax rate could be lowered to 6% all at once, or **over the next few years.**

[1] PBO, Ready Reckoner, Online April 15, 2026, https://www.pbo-dpb.ca/en/research--recherches/tools--outils/ready-reckoner--simulateur-budgetaire/index

2. **Increase the small business deduction threshold from $500,000 to $700,000 and index it to inflation.** The small business deduction threshold has not increased since 2009 and has lost its value over time. This increase would benefit 66,250 businesses who could retain $570 million.[2]

3. **Introduce a lower EI premium rate for smaller employers**, through a permanent, targeted, refundable EI premium credit that would result in smaller employers contributing the same amount as their employees.

4. **Support succession planning by expanding existing current rollover provisions** to sell and reinvest in non-incorporated ventures. For example, capital gains from the sale on land could not be taxed if reinvested in the purchase of new or an existing business asset or shares. We also recommend to further extend the period of time entrepreneurs can hold on to funds before reinvesting in a Canadian Corporation and have access to the rollover provisions.

5. **Incentivize investment by expanding Immediate Expensing and the Accelerated Capital Cost Initiative to all capital investment** and sectors to let business owners decide on how best to use the deduction.

6. **Introduce a lower capital gains inclusion rate tax on a second tranche of gains beyond the LCGE** (Lifetime Capital Gains Exemption). For example, allowing for the next two million in capital gains to be subject to a 1/3 rather than a 50% inclusion rate to support investment and entrepreneurship.

7. **Eliminate two requirements for every new one introduced**. This rule would apply to all requirements found in all compliance documents for all federal government departments and agencies. Key is to cut the red tape for everyone, not just for a select few high-priority projects or firms. Regulatory compliance costs Canadian businesses more than $50 billion annually, and the smaller the business, the heavier the burden.[3]

Together, these measures would provide immediate relief and create a more competitive environment spurring investment, innovation and productivity as well as business creation and growth.

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[2] PBO, Ready Reckoner, Online April 15, 2026, https://www.pbo-dpb.ca/en/research--recherches/tools--outils/ready-reckoner--simulateur-budgetaire/index

[3] CFIB, Canada's Red Tape Report Card 7th Edition, January 2025, Online on April 15, 2026, https://www.cfib-fcei.ca/en/research-economic-analysis/canadas-red-tape-report

If the federal government is serious about improving productivity growth, small businesses must be at the core of its strategy. A country that neglects its small businesses eventually finds its economic resilience has thinned. Fewer start-ups mean fewer future mid-sized firms. Government officials do not know which firm may be the next Lululemon, Shopify, or Couche-Tard. Give our Canadian-born companies, of all sizes, a better chance to thrive.

CFIB stands ready to collaborate with you and your officials to ensure that Canada remains a place where innovation, risk-taking, and business growth and creation are encouraged.

Sincerely,

Corinne Pohlmann
Executive Vice-President, Advocacy
CFIB

Jasmin Guénette
Vice-President, National Affairs
CFIB