

Small businesses: Breathing life into the Quebec economy

The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses, with 95,000 members including 20,000 in Quebec. CFIB represents and speaks for entrepreneurs in all sectors of the economy.

Small business is at the heart of Quebec's economy. Companies with fewer than 50 employees account for 89% to 97% of businesses in rural regions. Half of all companies in the province have fewer than five employees. They stimulate our economy, create jobs and energize our communities.


Investing in small business is investing in our economic fabric and in a better future for all of us.

When 6 out of 10 small business owners¹ would not recommend starting a business, that means action is needed to foster small business growth. It is a heartfelt message from entrepreneurs who have gone through two years of uncertainty and five tough pandemic waves.

To ensure that the best measures are taken to propel small businesses forward, we must take the time to listen to what they have to say. This is what we are presenting in this platform. More specifically, we are presenting the actions to be prioritized by the Quebec government according to small business leaders. Here are seven major courses of action that can contribute to a favourable environment for small business growth, stimulate the emergence of the next generation of entrepreneurs and enrich the economies across the regions of Quebec:

- Create a fairer and more competitive tax environment that takes small business's economic reality into account
- Help businesses deal with labour shortages
- Cut red tape
- Help businesses recover economically post pandemic
- Support entrepreneurship to foster a strong next generation of entrepreneurs
- Reduce the impact of inflation on small businesses
- Promote buying local and make it a societal priority to help stimulate the economy

CFIB hopes that the concrete recommendations it submits will be taken up by the political parties, as they will contribute to the success of small business, regional economies and Quebec society.



François Vincent

"The next government must take action to support the growth of local companies, because small business is the heart of our economy."



- François Vincent
Vice-President,
Quebec, CFIB

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Taxation

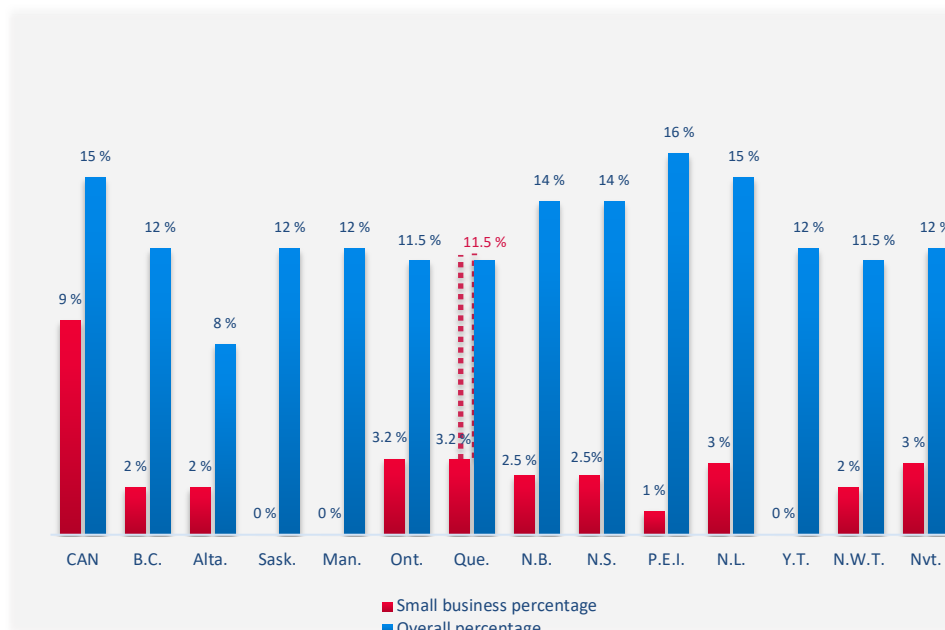
75% of Quebecers are against the Quebec regulation limiting access to the lower taxation rate to only the smallest businesses.

83% of Quebecers support lower tax rates for small businesses.

Corporate taxation and the Small Business Deduction (SBD)

Like all Canadian provinces, Quebec has a small business tax rate, called the small business deduction (SBD), which provides a discount on the general tax rate. As such, Quebec small business eligible for the SBD is taxed at 3.2% compared to the general rate of 11.5%.

Figure 1. Corporate tax rates in Canada as of January 1st, 2022



Source: CFIB calculations. Corporate tax rates, retrieved online: <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-tax-rates.html>. Alberta Tax Overview retrieved online: <https://www.alberta.ca/taxes-levies-overview.aspx>. Quebec corporate income tax, retrieved online: <https://www.revenuquebec.ca/fr/entreprises/impots/impot-des-societes/declaration-de-revenus-des-societes/calcul-de-limpot-sur-le-revenu-dune-societe/> (in French only).

Unfortunately, a great fiscal injustice exists in Quebec and nowhere else in Canada. For those in the service and construction sectors, to access the SBD and be fully eligible, businesses must pay 5,500 hours of wages (just under three full-time employees).² Otherwise, they will be charged the same tax rate as a large multinational business. For fiscal year 2022, that amounts to nearly 38,000 small businesses with a 259% higher tax rate!

CFIB's surveys are just as clear on the critical importance of the tax rate for small businesses. The tax burden remains the main concern for nearly 80%³ of Quebec small-business owners. This is no surprise given that Quebec's reduced tax rate for small businesses is still higher than it is in eight other Canadian provinces.

¹CFIB, Your Voice - survey conducted September 9-27, 2021, final results, Quebec small businesses, n = 548, margin of error: 4.2%.

²Revenu Québec, Eligibility requirements for Small Business Deduction, Website. Retrieved online: [https://www.revenuquebec.ca/fr/entreprises/impots/impot-des-societes/declaration-de-revenus-des-societes/calcul-de-limpot-sur-le-revenu-dune-societe/declaration-de-revenus-des-societes/calcul-de-limpot-sur-le-revenu-dune-societe/](https://www.revenuquebec.ca/fr/entreprises/impots/impot-des-societes/declaration-de-revenus-des-societes/calcul-de-limpot-sur-le-revenu-dune-societe/declaration-de-revenus-des-societes/calcul-de-limpot-sur-le-revenu-dune-societe/declaration-de-revenus-des-societes/calcul-de-limpot-sur-le-revenu-dune-societe/) (in French only).

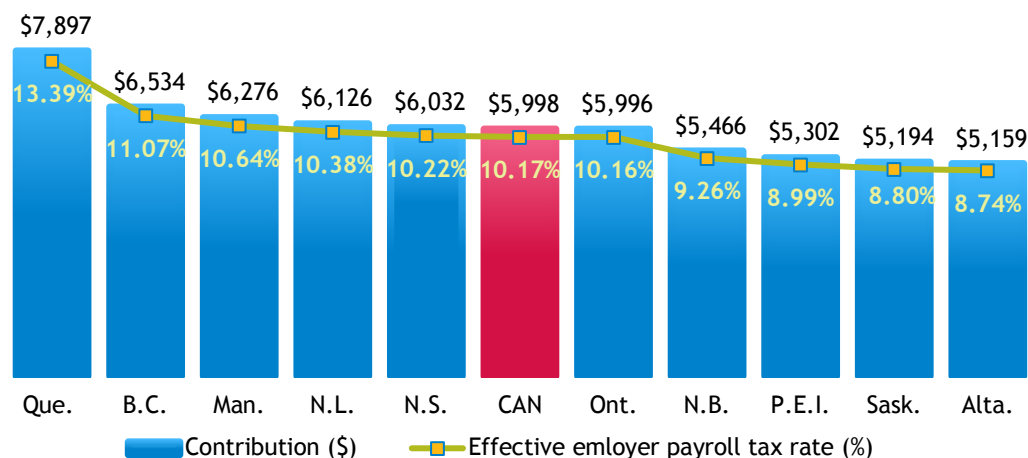
³CFIB, Our Members' Opinion, No. 84, 4 197 responses, January to June 2019.

Quebec's payroll tax is the highest in Canada; 31% higher than in Ontario.

Payroll taxes and the small-business exemption

Payroll taxes are deducted from wages and salaries, and the money collected is earmarked for specific purposes. They are imposed by the federal and provincial governments.

Figure 2. Effective employer payroll tax rate (%) and contribution (\$) on a \$59,000/year salary, by province, 2022



Source: CFIB calculations based on a small business with a payroll of \$2.95 million per year.

Figure 3. Effective employer payroll tax rate (%) and contribution on a \$59,000/year salary, by province, 2019 vs. 2022

	2019		2022		2019-2022 change (Percentage points)
	Effective rate	Tax payable	Effective rate	Tax payable	
Quebec	12.94%	\$7,634	13.39%	\$7,897	↑ 0.45
British Columbia	10.20%	\$6,018	11.07%	\$6,534	↑ 0.87
Manitoba	9.80%	\$5,782	10.64%	\$6,276	↑ 0.84
Newfoundland and Labrador	9.51%	\$5,610	10.38%	\$6,126	↑ 0.87
Nova Scotia	9.35%	\$5,517	10.22%	\$6,032	↑ 0.87
Canada	9.51%	\$5,608	10.17%	\$5,998	↑ 0.66
Ontario	9.98%	\$5,886	10.16%	\$5,996	↑ 0.19
New Brunswick	9.35%	\$5,517	9.26%	\$5,466	↓ 0.09
Prince Edward Island	8.28%	\$4,885	8.99%	\$5,302	↑ 0.71
Saskatchewan	7.87%	\$4,644	8.80%	\$5,194	↑ 0.93
Alberta	7.78%	\$4,590	8.74%	\$5,159	↑ 0.96

Source: CFIB calculations based on a small business with a payroll of \$2.95 million per year.

An exclusive CFIB report lists employer payroll tax amounts by province. Quebec still holds first place with \$7,897 for 2022 compared to the Canadian average of \$5,998. For 2022, a Quebec employer will have an effective tax rate on payroll of 13.39% while in Ontario it will be 10.16%.

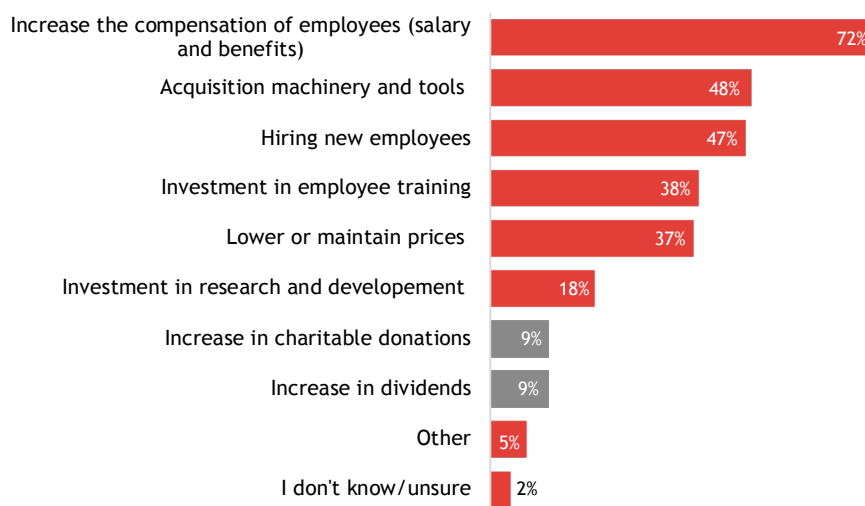
In addition, for the provincial payroll tax category⁴, of the five provinces that have imposed this tax Quebec is the only one that does not have a basic exemption for small businesses. Quebec also distinguishes between the manufacturing and primary

⁴ Provincial payroll taxes (health and/or education tax) collected on the company's payroll.

sectors in the contribution rates for the Health Services Fund (HSF). To make Quebec's small businesses more competitive, the HSF contribution rate needs to be the same for small businesses as for the primary and manufacturing sectors, and there must be a basic exemption for small businesses, as is the case in other Canadian provinces.

Small businesses are very clear about the effect that a reduction in their tax burden would have. The impacts would be particularly positive for employees and consumers, and would help companies make the shift to automation. In short taking action on business taxation would have economic benefits in all our regions.

Figure 4. Small-business investment when tax burden is reduced



Source: CFIB, Your Voice survey, conducted November 4-23 2021, final results Quebec responses, n = 634 margin of error + 3,9%

The next government should:

- ✓ Abolish the paid-hours requirement that blocks access to the small business deduction (SBD) for the smallest businesses in the service and construction industries
- ✓ Continue to lower the small-business tax rate until it reaches the Canadian average (excluding Quebec)
- ✓ Harmonize HSF contribution rates so that all sectors have the same rate as the manufacturing and primary sectors
- ✓ Adopt lower payroll taxes to close the gap with Ontario
- ✓ Introduce a basic exemption for the HSF for small businesses, as is the case in other provinces



“We pay about \$3 million a year in salaries. Our average salary is 20% higher than the national average. If I had to do it all over again... I’d register my business somewhere other than Quebec.”

— Professional Services business owner, Saguenay-Lac-Saint-Jean

“The provincial tax rate for small companies with fewer than 5,000 hours of payroll is unfair.”

— Professional Services business owner, Saguenay-Lac-Saint-Jean

Labour shortages

A real obstacle to the development and growth of businesses, labour shortages are undermining the Quebec economy. This is a major challenge that leads to lost contracts, lost sales and project postponements. The labour shortage should be considered a real crisis as 3 out of 5 small businesses* say they are at risk in the short or medium term if the problem persists or worsens.

Impacts of labour shortages

The ill-effects are numerous for economies in all regions of Quebec⁵:

- ✓ 63% of small-business owners have had to work more hours to make up for the lack of personnel
- ✓ 45% of employees have had to work more hours to make up for the lack of personnel
- ✓ 39% of small businesses are forced to turn down sales or contracts
- ✓ 26% have had to cancel or postpone projects
- ✓ 12% have had to extend contracts

48% of small businesses say they are not aware of any Quebec government programs or measures to help businesses find and train employees

61% do not think the government understands the impact of this problem on businesses

Your Voice, 804 CFIB members from Quebec responded between August 5 and 27, 2021. By comparison, for a probability sample with an equal number of respondents, the margin of error would be $\pm 3.5\%$, 19 times out of 20.

A [report on the impacts of the labour shortage on Quebec small businesses](#)

(available in French only) released last April shows that all economic sectors are being hit hard by the increase in job vacancies and are struggling due to lack of workers. According to Statistics Canada, job vacancies in Quebec for all industries rose from 126,730 in the last quarter of 2019 to 238,140 in the same quarter of 2021—an 88% jump. The accommodation and food services (+155%), construction (+94%) and manufacturing (+92%) sectors were especially hard-hit by this trend.

81%*
of small
businesses are
suffering the
effects of the
labour shortage
in Quebec.



*CFIB, Your Voice, 882 Quebec members responded from January 18 to 27, 2022. Margin of error $\pm 3.3\%$, 19 times out of 20

⁵ CFIB, Quebec Omnibus Survey conducted March 14 to April 7, final results, 1,332 responses, margin of error $\pm 2.7\%$, 19 times out of 20.

What the Quebec government should do, according to small businesses

57% Reduce taxes for businesses

49% Increase tax credits

33% Help companies find job applicants in their region

32% Reduce processing times and simplify access for hiring immigrant workers

Source: CFIB, Your Voice survey, conducted January 12-31, 2021, final results, n=709 responses, margin of error $\pm 3.7\%$.

Immigration

One solution to labour shortages is to bring in new foreign workers with skills that employers are looking for. Employers have particular expectations with regard to immigration: namely, the having fewer, simpler and faster processes and procedures. In a May 2021 [report on priorities for regional economic development in Quebec](#), three out of five small businesses (59%) called for measures to attract immigrants as a way of mitigating the local effects of labour shortages.

Workforce training

Quebec small businesses are very invested in employee training; in fact, 84% believe that it increases their productivity. The type of training offered provides an equally interesting insight into the reality of small businesses. When we look at how training is delivered in small businesses, 43% offer “informal” training in the workplace while 11% offer “formal” training in the form of seminars, workshops, theory courses given by professional instructors, etc. Finally, 33% provide both formal and informal training for their employees.⁶

The Quebec government offers a number of tax credits to help businesses train their personnel. It has recently implemented a very aggressive strategy to encourage retraining and skills upgrading. It also uses a obligatory approach: companies with over \$2 million in payroll must invest at least 1% of their payroll in training. Otherwise, they must pay the uninvested amount into the Quebec government’s Workforce Skills Development and Recognition Fund, which 67% of small-business owners⁷ are in favour of abolishing. A more refined approach adapted to the entrepreneurial reality, one that better meets the needs of employers and employees, is needed to stimulate investment in training.

⁶ CFIB, Your Voice, conducted April 8-22, 2022, final results, Quebec responses = 455, margin of error $\pm 4.6\%$, 19 times out of 20.

⁷ CFIB, Quebec Omnibus Survey, conducted March 14 to April 7, final results, 1,332 responses, margin of error $\pm 2.7\%$, 19 times out of 20.

The next government should:

- ✓ Adopt previous recommendations on taxation to help small businesses attract talent and invest in automation
- ✓ Improve visibility of existing programs to entrepreneurs and provide them with personalized support in accessing the programs
- ✓ Expand the toolbox available to businesses for attracting employees and making the shift to automation by enhancing the tax credits available (e.g., career extension, retention of experienced workers, training of a worker employed by a small business, digital transformation projects, etc.)
- ✓ Improve the tax credits available for training, in particular by covering the costs of informal training, which is widely used by small businesses
- ✓ Dial down the coercive approach to training by reducing the 1% contribution to the Workforce Skills Development and Recognition Fund and the red tape that comes with it
- ✓ Improve tax benefits for experienced workers (60+) to encourage their retention or return to the workforce
- ✓ Increase immigration to Quebec and ensure that the selected candidates adequately meet the needs of the labour market, particularly small businesses
- ✓ Implement measures for integrating newcomers into the labour market and for regionalizing immigration
- ✓ Reduce the administrative, financial and regulatory burden related to permanent and temporary immigration to enable small businesses to quickly find the talent they need



“We are open 4 days a week instead of 7.”

– Restaurant business owner, Montérégie

“We’ve lost employees because there’s too much work.”

– Agriculture business owner, Capitale-Nationale

“I had to sell equipment I couldn’t use because of a lack of manpower.”

– Transportation business owner, Bas-Saint-Laurent

Paperwork and regulations

In every government forum, CFIB has been insisting on the importance of cutting red tape and regulations for businesses.

The administrative and regulatory burden represents an annual cost of \$8.2 billion in Quebec.

Reduce the burden on small businesses

There are many impacts on companies' growth and on the deployment of their full potential as a result of red tape. In a major report⁸ on red tape in Canada, CFIB also addresses the more intangible but very real aspects of the administrative and regulatory burden.

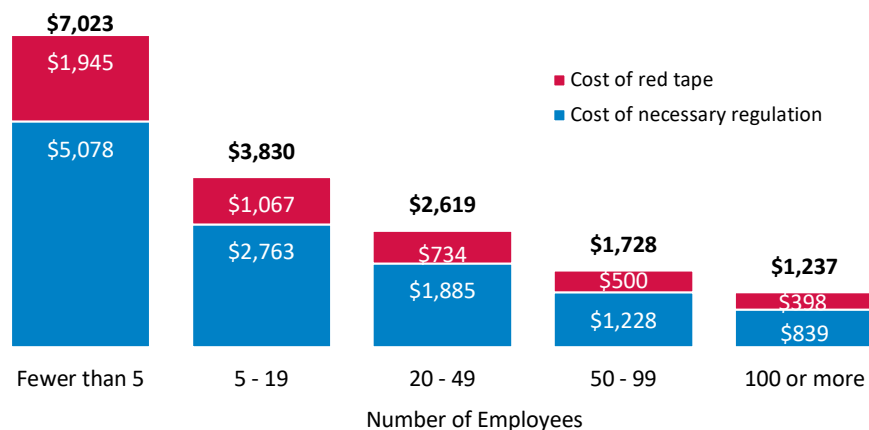
94% of small business owners feel that governments think more about big business than small business when it comes to regulation

87% of small business owners feel that the accumulation of regulations adds significant stress to their lives

The labour shortage significantly increases the administrative burden on business owners, as it forces them to work more.

In Quebec, the total cost of regulation is almost five times higher for companies with fewer than five employees (Figure 5). Here we can see the pressure that red tape has on the business environment and how it puts a brake on entrepreneurship and business development; hence the importance of reducing this burden on the economy.

Figure 5. Annual regulation cost per employee, by size of business (in 2020 dollars)



Source: Calculations are based on CFIB's 2020 survey on red tape (n = 4,603) and Statistics Canada data

⁸ CFIB, Canada's Red Tape Report, January 2021. Retrieved online: <https://content.cfib-fcei.ca/sites/default/files/2021-01/Canadas-Red-Tape-Report-2021.pdf>

58% of Quebec entrepreneurs would not encourage their children to start a business because of the regulatory burden.

Taking government action further

Though we recognize that the Quebec government has taken steps to reduce red tape, still more could be done. The government could adopt a regulatory and administrative relief act based on the current policy. This law could bring new measures such as an improved procedure for regulatory impact analyses (RIAs) and ensuring rigorous application of a one-for-one rule where any new regulation that entails costs for businesses must be offset by the abolition of an existing regulation.

There is also still some cleanup to do in terms of outdated rules. Quebec is the only jurisdiction in North America that legally imposes collective agreements on economic sub-sectors, some of which are regional (e.g., metal millwork, building materials, automotive services). These agreements are governed by the *Act respecting collective agreement decrees* (ARCAD), which was adopted in 1934 in a completely different socio-economic context and in the absence of laws providing a social safety net for Quebec workers. They are managed by joint committees, which are not subject to the Quebec Ombudsman or to the *Act respecting access to documents held by public bodies and the protection of personal information*. Further, regulated businesses must pay an additional payroll tax, are subject to extensive paperwork, and do not have access to an independent, impartial system of audit, investigation, complaint management and dispute resolution.

The next government should:

- ✓ Adopt a law based on the government policy on regulatory and administrative relief
- ✓ Include, in the government policy or new law, the obligation to identify new obligations from bills adopted the year before
- ✓ Specify, in the government policy or new law, that the one-for-one rule includes all new regulations entailing costs and not only those generated by administrative formalities from government agencies
- ✓ Task departments and agencies with conducting an RIA following the amendments adopted during the detailed consideration of a bill to ensure better compliance with the one-for-one rule
- ✓ Include in government policy or as a new law that conducting an RIA is the responsibility of a secretariat reporting directly to the Executive Council
- ✓ Appoint a cabinet minister responsible for small businesses and regulatory relief
- ✓ Abolish the ARCAD to create a legal framework similar to other North American jurisdictions
- ✓ Failing abolition, conduct a vote of all companies subject to the ARCAD and abolish those orders that do not receive majority support

Health and indebtedness of small businesses in Quebec

63% are still in debt due to the pandemic.

70% have not yet recovered from the stress of the pandemic.

Health and recovery of small businesses

The economic impacts of the COVID-19 pandemic are still being felt, and small businesses are still fragile. As of June 15, 2022, 55% of Quebec small businesses have lower than normal revenues.⁹

According to a CFIB survey,¹⁰ recovering small businesses estimate that it will take them an average of nearly two years (23 months) to return to normal business levels. With this slow recovery comes the challenge of debt, which is reaching astronomical proportions.

Debt

To counter the impacts of COVID-19, small businesses have been forced to go into debt to survive. According to our estimates, the average debt of a small business in Quebec is \$108,034.¹¹ This data illustrates that government action is still needed to help Quebec small businesses that are facing numerous challenges.

The next government should:

- ✓ Allow more time (10 or 15 years, rather than 3 years) to repay loans granted under Quebec government assistance programs (PAUPME and PACTE)
- ✓ Avoid imposing new economic restrictions. If restrictions are necessary, the Quebec government should fully compensate businesses for the resulting losses

⁹ CFIB, Your Voice - survey conducted from June 9 to 14, 2022 (n = 2,353), preliminary results. For comparison purposes, a probability sample of this size would have an error margin of +2.0% 19 times out of 20: <https://initiative.cfib-fcfe.ca/dashboard/>.

¹⁰ CFIB, Your Voice - July 2021 survey. Based on 2,856 responses from small-business owners across Canada. Retrieved online: <https://content.cfib-fcfe.ca/sites/default/files/2021-08/Retablissement-des-PME.pdf> (in French only).

¹¹ CFIB Evaluation, March 6, 2022

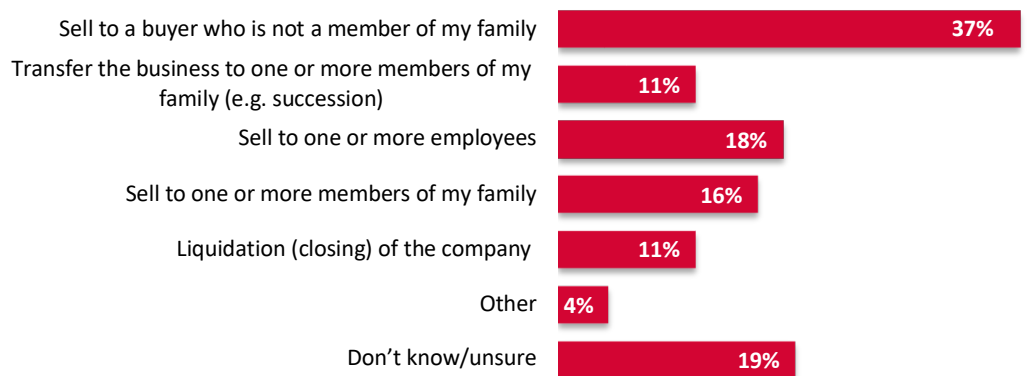
Emerging entrepreneurs

Entrepreneurial transfer issues

A 2018 CFIB survey¹² showed that nearly three-quarters of small business owners (72%) are thinking of selling or transferring their business within 10 years. In a context where many entrepreneurs will be retiring in the next few years, business succession is a major issue. Successful business sales or transfers save jobs, keep regions prosperous and support economic growth. The government must therefore do what it can to facilitate transitions.

Business succession plans

Figure 6. Business Exit Strategies - Quebec



Source: CFIB, Your Voice - survey conducted March 4 to 31, 2021, Quebec responses n=821, error margin +3.4%.

A well-prepared succession plan not only facilitates the transition to the next generation, but also contributes to the vitality of small business in general.

If we have a labour shortage today, we fear that tomorrow will bring a shortage of entrepreneurs unless purposeful actions are put forward.

The next government should:

- ✓ Promote entrepreneurship, for example, by informing young entrepreneurs of the possibilities and advantages of buying a business that is already in operation
- ✓ Adopt tax policies that encourage business transfers

¹² CFIB, Getting the transition right, November 2018. Retrieved online: <https://content.cfib-fcei.ca/sites/default/files/2018-11/Getting-the-transition-right-succession-planning-report.pdf>.

Inflation

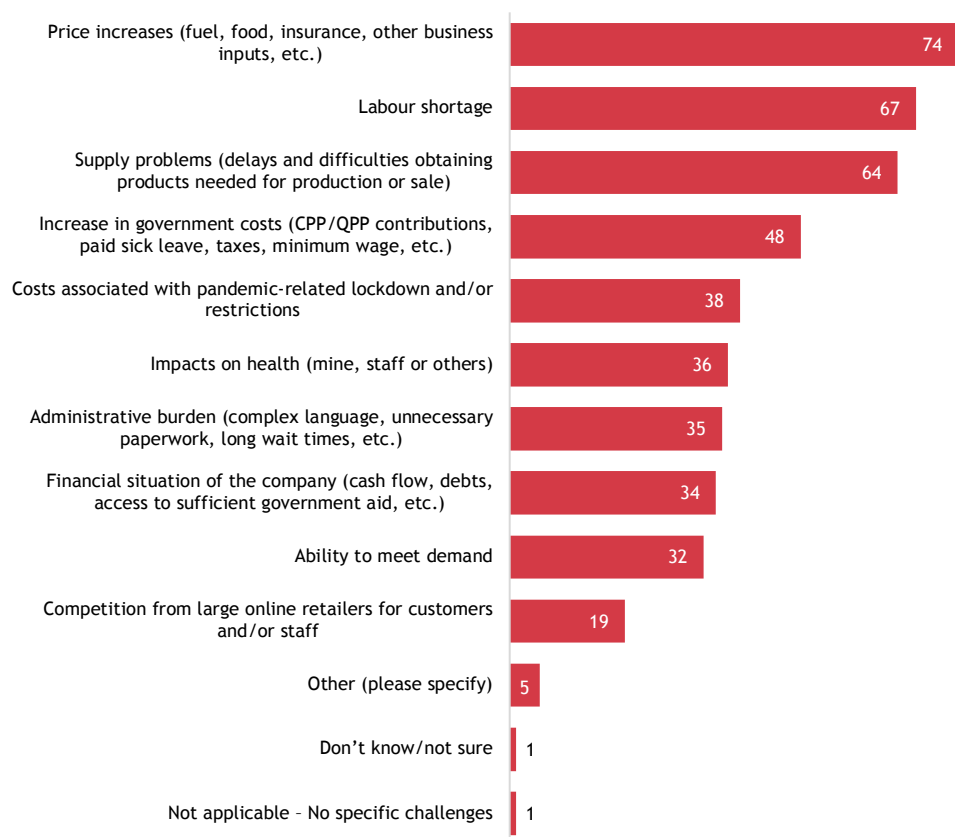
In Quebec, 85% of small businesses are victims of rising costs.

Rising costs—reaching levels not seen in Quebec in more than 30 years—could delay economic recovery, according to a recent CFIB research note.¹³

Major challenges for small businesses in 2022

74% of Quebec small businesses cite rising prices as their biggest challenge in 2022

Figure 7. Greatest challenges facing Quebec small businesses in 2022



Source: CFIB, Your Voice - survey conducted January 18 to 27, 2022, final results, n = 947 responses, margin of error: +3.3%

Faced with rising costs, small businesses are forced to find solutions. They are reluctant to raise their prices, because it often means losing customers.

The causes of inflation are multiple, according to the Bank of Canada, which in its January 2022 Monetary Policy Report explained, “Durable goods prices are being pushed up by global supply chain disruptions, while Canadian energy prices are higher because of elevated global oil and natural gas prices.”¹⁴

¹³ CFIB, Research Note, March 2022. Retrieved online: https://content.cfib-fcei.ca/sites/default/files/2022-03/FCEI_Note_Inflation_2022_QC.pdf
¹⁴ Bank of Canada, Monetary Policy Report, January 2022, p. 19, <https://www.bankofcanada.ca/wp-content/uploads/2022/01/mpr-2022-01-26.pdf>

How have small business owners reacted to inflation?¹⁵

- 73%** Increased their prices
- 52%** Worked more hours to reduce their labour costs
- 38%** Temporarily reduced their profit margins to remain competitive
- 29%** Reduced their investments and their growth forecasts
- 23%** Increased their debt capacity and/or used more of their personal savings

CFIB asked business leaders how the Quebec government could help them deal with inflation. A few measures are available to the Quebec government to reduce the pressure of inflation on small business owners. Regarding energy, while the government does not control all components of fuel prices, it does have significant leeway around government costs and small business taxes, which are higher here than in other Canadian provinces.

What actions should the government prioritize?¹⁶

- 85%** Believe that Hydro-Québec's annual filing with the Régie de l'énergie is the best way to reduce the impact of inflation on their business
- 87%** Want the Quebec government to freeze government administrative fees (permits, licences, registrations, etc.)
- 83%** Call for a reduction in payroll taxes

The next Government of Quebec should:

- ✓ Pass a law to reinstate the regime that was broken following the adoption of Bill 34 and thus ensure that Hydro-Québec files its rates annually with the Régie de l'énergie
- ✓ Avoid increasing the cost of government administration
- ✓ Implement the recommendations of the section on small business taxation

¹⁵ CFIB, Your Voice - survey conducted September 9 to 27, 2022, n = 642 responses, margin of error ±3.9%, final results

¹⁶ CFIB, Your Voice - survey conducted March 16 to April 5, 2022, n = 1135 responses, margin of error ±2.9%, final results

Buying local

Banking on small business

Buying local is key to helping small businesses recover from the impacts of the pandemic. CFIB has been active in promoting local consumption across the country in many ways, including the [#SmallBusinessEveryDay](#) campaign. A lot of government energy has been invested in awareness campaigns and initiatives to convince citizens that they can make a difference in saving their local businesses that have been hit hard by economic restrictions. The results of our survey¹⁷ show that buying local has helped save 29% of all small and medium-sized enterprises in Quebec—that is thousands of businesses. We must continue our efforts to encourage people to buy at local shops.

53% want the public sector to source more from local small businesses while respecting Quebec's commitments under international agreements

44% would like to see “buy local” campaigns stepped up

34% want to see a proportion of local content specified in public and semi-public calls for tenders

Reduce obstacles in government contracts and calls for tenders

With the adoption of [Bill 12, An Act that intends to promote Quebec-sourced and responsible procurement by public bodies, to reinforce the integrity regime of enterprises and to increase the powers of the Autorité des marchés publics](#) and its government strategy, the Quebec government has responded to several requests from small businesses regarding purchasing in Quebec. The government's procurement strategy is expected to generate real economic spinoffs in significant amounts for the economies of all regions in Quebec.

CFIB has put out a specific survey to small-business leaders¹⁸ about calls for tenders and public procurement. Interesting fact: 36% of Quebec small businesses say they have sold goods or services to one or more public bodies in the last five years.

The Quebec government has taken the right path by empowering Quebec businesses, supporting them and addressing late payments. This will increase the participation of Quebec companies, who will also be able to benefit more widely across Canada.

¹⁷ CFIB, Your Voice, 691 CFIB Quebec members responded between July 8 and 31, 2021. By comparison, for a probability sample with an equal number of respondents, the margin of error would be +3.7%, 19 times out of 20

¹⁸ CFIB, Quebec Omnibus Survey conducted March 14 to April 7, final results, 1,332 responses, margin of error +2.7% 19 times out of 20

Obstacles encountered by small businesses involved in public tenders and government contracts:

- 53%** The paperwork in public calls for tenders reduces their interest in responding
- 52%** Public-sector bodies take too long to pay
- 48%** The government's requirements are too onerous (surety, criteria, etc.)
- 41%** Difficulty communicating with the actual purchaser or user of the goods or services

Government actions that would encourage small businesses to respond to public-sector calls for tender:

- 63%** Remove the lowest-bidder criterion and select bids based on criteria such as quality, innovation, expertise, sustainability and socio-environmental impact
- 63%** Reduce and simplify administrative formalities in calls for tenders
- 60%** Shorten processing and approval timelines
- 58%** Introduce a regulation to ensure that suppliers are paid promptly
- 49%** Better support and training in government contracts and calls for tenders

The next government should:

- ✓ Continue and step up “buy local” campaigns
- ✓ Continue to encourage government departments and agencies to source more from local small businesses while respecting international agreements, and ensure access to Canadian markets to provide more opportunities for small businesses to thrive
- ✓ Maintain efforts to reduce the administrative and regulatory burden on businesses so they can access and respond more easily and quickly to government calls for tenders
- ✓ Use the latitude available in calls for tenders to favour criteria such as quality, innovation, expertise, sustainability and socio-environmental impact rather than the just the lowest bid
- ✓ Shorten processing and approval timelines
- ✓ Implement the provisions of Bill 12 to address payment delays in the construction industry
- ✓ Accelerate actions to reduce interprovincial barriers so that small businesses can benefit from the Canadian market



"Abolishing the lowest bidder in public tenders would be a great thing."

— Construction business owner, Capitale-Nationale

Summary of recommendations

1. Abolish the paid-hours requirement that blocks access to the small business deduction (SBD) for the smallest businesses in the service and construction industries
2. Continue to lower the small-business tax rate until it reaches the Canadian average (excluding Quebec)
3. Harmonize HFS rates so that all sectors have the same rate as the manufacturing and primary sectors
4. Adopt lower payroll taxes to close the gap with Ontario
5. Introduce a basic exemption for the HSF for small businesses, as is the case in other provinces
6. Adopt previous recommendations on taxation to help small businesses attract talent and invest in automation processes
7. Improve visibility of existing programs to entrepreneurs and provide them with personalized support in accessing the programs
8. Expand the toolbox available to businesses for attracting employees and making the shift to automation by enhancing the tax credits available (e.g., career extension, retention of experienced workers, training of a worker employed by a small business, digital transformation projects, etc.)
9. Improve the tax credits available for training, in particular by covering the costs of informal training, which is widely used by small businesses
10. Dial down the coercive approach to training by reducing the 1% contribution to the Workforce Skills Development and Recognition Fund and the red tape that goes with it
11. Improve tax benefits for experienced workers (60+) to encourage their retention or return to the workforce
12. Increase immigration to Quebec and ensure that the selected candidates adequately meet the needs of the labour market, particularly small business
13. Implement measures for integrating newcomers into the labour market and for regionalizing immigration
14. Reduce small businesses' administrative, financial and regulatory burden related to permanent and temporary immigration, so they can quickly find the talent they need
15. Adopt a law based on the government policy on regulatory and administrative relief
16. Include in government policy or as a new law the obligation to identify new obligations from bills adopted the year before
17. Specify, in government policy or as a new law, that the one-for-one rule includes all new regulations entailing costs and not only those generated by administrative formalities from government agencies
18. Have departments or agencies undertake to conduct a regulatory impact analysis (RIA) following the amendments adopted during the detailed consideration of a bill to ensure greater compliance with the one-for-one rule
19. Include, in government policy or as a new law, that conducting an RIA is the responsibility of a secretariat reporting directly to the Executive Council
20. Appoint a cabinet minister for small business and regulatory relief
21. Abolish the ARCAD to ensure a legal framework similar to other North American jurisdictions
22. Failing abolition, conduct a vote of all companies subject to the ARCAD and abolish orders that do not receive majority support

23. Allow more time (10 or 15 years, rather than 3 years) to repay loans granted under Quebec government assistance programs (PAUPME and PACTE)
24. Avoid imposing new economic restrictions. If restrictions are necessary, the Quebec government should fully compensate businesses for the resulting losses.
25. Promote entrepreneurship, for example, by informing young entrepreneurs in particular of the possibilities and advantages of buying a business that is already in operation
26. Adopt tax policies that encourage business transfers
27. Pass a law to reinstate the regime that was broken following the adoption of Bill 34 and thus ensure that Hydro-Québec files its rates annually with the Régie de l'énergie
28. Avoid increasing the cost of government administration
29. Implement the recommendations of the section on small-business taxation
30. Continue and step up "buy local" campaigns
31. Continue to encourage government departments and agencies to source more from local small businesses while respecting international agreements, and ensure access to Canadian markets to provide more opportunities for small businesses to thrive
32. Maintain efforts to reduce the administrative and regulatory burden on businesses so they can access and respond more easily and quickly to government calls for tenders
33. Use the latitude available in calls for tenders to favour criteria such as quality, innovation, expertise, sustainability and socio-environmental impact rather than the just the lowest bid
34. Shorten processing and approval timelines
35. Implement the provisions of Bill 12 to address payment delays in the construction industry
36. Accelerate actions to reduce interprovincial barriers so that small businesses can benefit from the Canadian market