

May 30, 2025

*Sent via email*

**Subject: Canadian small businesses priorities ahead of First Ministers; meeting**

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. Ahead of the upcoming First Ministers; meeting in Saskatoon, we urge you to bring small business priorities to the forefront of your discussions.

**State of Canadian Small Business**

Small businesses are the backbone of Canada's economy, but many are facing significant challenges. According to CFIB's Monthly Business Barometer data, long-term optimism among Canada's small businesses hit an all-time low in March, largely driven by the U.S. tariff war. Although confidence has slightly improved as of May, it remains well below pandemic levels. 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 pressures continue to weigh heavily on Canada's entrepreneurs.

Given these persistent challenges, it is more important than ever for governments to champion policies that support small businesses, particularly in the following areas.

**Tariffs: Stability Needed Now**

Canada's current trade situation with the U.S. and China is increasingly affecting Canadian businesses. According to CFIB data, four in five SMEs are experiencing tariff-related impacts, with key impacts including increased costs for goods/supplies (51%), pricing challenges (37%), reduced profits (35%), and lower customer demand (35%). To mitigate tariff-related losses and ongoing financial pressures, small businesses plan to raise prices by an average of 3.7% –the largest month-over-month increase in price hike intentions since the pandemic.

China's tariffs on Canadian agricultural and seafood products are affecting about a third (36%) of Canadian agricultural businesses, with nearly one in four (23%) impacted directly. It's also important to note that the majority of business owners are finding it increasingly difficult to plan ahead and the ongoing uncertainty is causing significant stress.

Higher costs, lower demand, and ongoing uncertainty are forcing many SMEs to adapt, but doing so is not always easy—it takes time, money, and resources that are already stretched thin. A recent CFIB survey shows that small businesses are taking steps to navigate the current business environment, such as shifting to domestic markets (32%), promoting Canadian-made products (25%), and exploring non-U.S. markets (20%). But difficult decisions are also being taken, like delaying expansion plans (23%), raising prices (20%), and reducing staffing levels (9%), which impacts the profitability and growth of SMEs, as well as those they employ and serve.

Although some exporters and importers are trying to pivot by redirecting investments toward Canadian and international markets, 20% say their business won't survive new tariffs, and 42% don't know how long they can continue under current conditions. Right now, what SMEs need most is stability and certainty to help them navigate through this difficult period and stay competitive.

We commend governments across the country for launching support programs and implementing savings measures to help businesses survive this difficult period. These initiatives provide much-needed support, but further action is necessary to create lasting certainty.

**We encourage federal, provincial, and territorial (FPT) governments to work together quickly to:**

- Ensure that the money collected through Canadian counter tariffs is returned quickly to affected Canadian small businesses;
- Formally eliminate the carbon tax, return the remaining \$600 million in 2024-25 carbon tax rebates to small businesses and ensure they are tax free as promised;
- Deliver on the promised increase to the Lifetime Capital Gains Exemption to \$1.25 million and implement the Canadian Entrepreneurs' Incentive;
- Lower the small business tax rate at 0% and raise the threshold to \$700,000, as Nova Scotia has done;
- Return to or have a predictable minimum wage formula to help businesses plan;
- Return surplus workers' compensation funds to employers or lower employer premiums when funding exceeds targets, without taxing the returns; and
- Encourage capital investment and boost productivity by exempting all capital expenditure from the provincial sales tax.

**Internal Trade: Seize the Opportunity**

With more SMEs pivoting toward domestic markets, eliminating internal trade barriers is more important than ever. According to CFIB's April member survey, 9 in 10 Canadian small business owners say governments must act faster to fulfill their commitments to improve internal trade. Outdated trade barriers and fragmented rules stifle competition, limit consumer choice, and hold back growth—driving up costs for businesses and consumers alike. In a time of affordability challenges, tariff wars, and a national productivity emergency, Canada cannot afford to maintain these costly divisions.

We applaud British Columbia, Manitoba, Ontario, Nova Scotia, and Prince Edward Island for taking leadership by introducing mutual recognition legislations, and the Ontario and federal governments for eliminating (or committing to eliminate) their CFTA exceptions. These are important signals of progress and a necessary step toward building a stronger, more connected Canadian economy, and we urge those remaining to quickly follow suit.

While CFIB celebrates these important milestones, it is also important to flag a growing concern. The rise of patchwork agreements and MOUs may limit the full potential of mutual recognition, whose purpose is to cut through red tape. Many jurisdictions' mutual recognition legislations apply only to "reciprocating jurisdictions," potentially requiring governments to negotiate individual agreements with each of their 13 provincial and territorial counterparts. This could result in up to 169 separate agreements—an overly complex and inefficient approach that risks bogging down progress.

True mutual recognition should not depend on dozens of bilateral deals. Instead, it can be achieved more effectively through broad, unilateral commitments. **CFIB strongly recommends all governments to adopt a unilateral mutual recognition framework covering all FPT regulations affecting the sale and use of goods, provision of services, and labour mobility.** In a true economic union, if a business safely meets the standard in one jurisdiction, it should be permitted to operate in any other jurisdiction.

To highlight and encourage leadership on internal trade, CFIB will continue to publish its [Interprovincial Cooperation Report Card](#). This year, any jurisdiction that takes bold action to mutually recognize the standards and regulations of other jurisdictions will be awarded an automatic "A" grade.

We thank you for your attention to the concerns of Canada's small businesses. We look forward to working collaboratively with governments across Canada to promote an environment where entrepreneurs can grow and thrive.

Sincerely,

***Signed***

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