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CANADIAN FEDERATION OF INDEPENDENT BUSINESS
In business for your business.

The Road to Recovery

Budget 2021 Recommendations for Small Businesses

Introduction

COVID has dramatically altered the environment in which small businesses operate. With provinces going through various stages of lockdown, the survival of many businesses across the country is in question. CFIB data predicts over 181,000 business are at risk of closing over the next year, which amounts to one in six businesses.[1] This would result in the loss of approximately 2.4 million jobs. While federal relief programs have provided much-needed support to both employers and employees, many small businesses continue to fall through the cracks. Over 76 per cent of businesses said that 2020 was the most difficult year ever for their business.[2]

With Budget 2021, the federal government can continue to help small businesses survive the pandemic by addressing gaps in current pandemic relief, keeping taxes reasonable and reducing red tape. As vaccinations continue, governments can start focusing more on measures that will enable small businesses to recover and rebuild post-pandemic.

Current state of small businesses during COVID

Almost a full year into the pandemic, small businesses in several jurisdictions continue to face lockdown measures as COVID cases continue to occur. Recent CFIB data shows that 51 per cent of businesses are fully open (down from 62 per cent in November), with only 39 per cent fully staffed.[3] Over a quarter of businesses reported having to lay off additional employees due to more recent lockdowns and restrictions. Sales continue to remain low at 25 per cent of normal volumes.[4] Although revenue streams have dried up for many businesses, they are still on the hook for rent, wages, taxes and other operating costs. While many have been able to access relief programs from the federal and provincial governments, seven in 10 businesses have had to take on debt to cope with the pandemic.[5] On average, the additional debt taken on by

[1] CFIB, Your Voice Survey preliminary results, Feb. 4-8, 2021, n = 3,554.
[2] IBID
[3] IBID
[4] IBID
[5] CFIB, COVID-19 Recovery Survey – October 2020, Oct. 22-Nov. 18, 2020, n = 6,684.

businesses due to COVID amounts to $106,733, though this varies widely between sectors and regions, with those in hospitality reporting the highest amounts.[6]

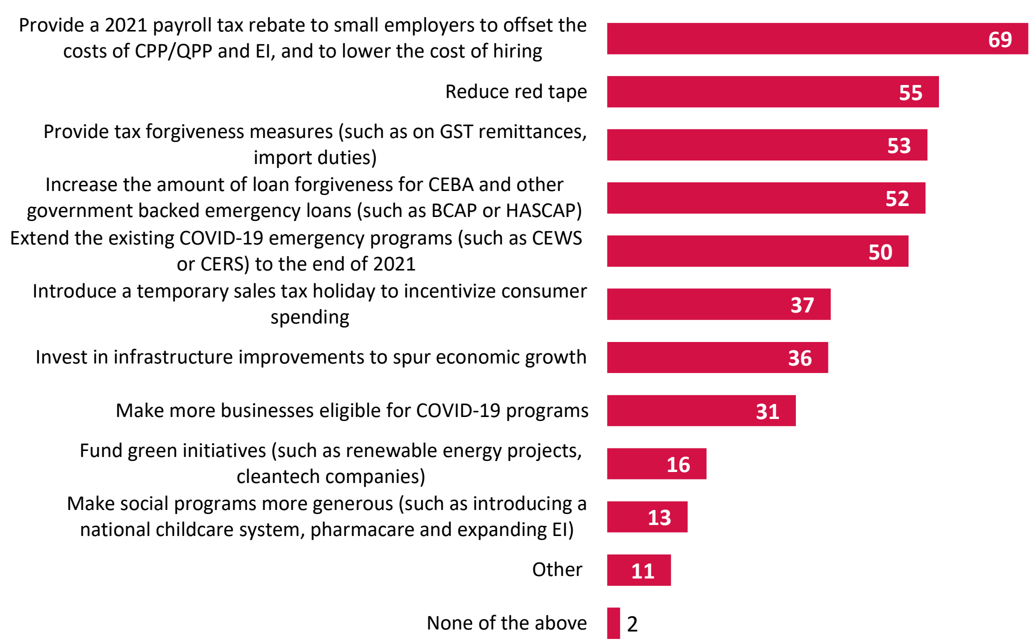
The road to recovery will be long and difficult for many small businesses and small business optimism continues to decline with the second wave of the pandemic. CFIB's Business Barometer, which measures expectations of business performance over the next three months, sat at 31.6 as of the end of January, meaning that the majority of business owners are not optimistic about how their business will do in the near-term.[7] Normally, in a period of economic growth, business optimism is between 65 and 70. Close to half of businesses said that the restrictions in the second wave have been hurting their business more than during the first wave.[8]

What is needed for recovery

While there are no quick answers or solutions to getting small businesses on the path to recovery, the government can implement certain policies and measures that will help small businesses survive and thrive after the pandemic. On a recent survey, we asked our members which measures would be the most helpful for their business to stimulate economic recovery (see Figure 1).

Figure 1

The federal government is looking at ways to help stimulate economic recovery. Which of the following would be helpful to your business? (Select all that apply)



Source: CFIB, Your Voice Survey, Jan. 12 - Jan. 31, 2021, n = 7,029.

[6] CFIB, COVID-19 Recovery Survey – October 2020, Oct. 22-Nov. 18, 2020, n = 6,684.
[7] CFIB, Business Barometer Survey, Jan, 11-18, 2021, n = 1,346.
[8] CFIB, Your Voice Survey, Jan. 12 - Jan. 31, 2021, n = 7,029.

Based on this feedback from small business, we recommend a six-point plan to help small businesses survive and recover:

1. Extend and expand COVID relief for small businesses until the entire economy can reopen (including our borders) and small businesses can once again serve customers in person.

2. Put in place a moratorium on any new costs to small businesses. Any New programs and initiatives should be funded through general revenues rather than have the cost burden placed on small businesses. This includes any changes to social programs, new fees and taxes.

3. Forgive more small business debt and allow longer repayment terms for loans.

4. Introduce significant hiring incentives to help reunite employees and employers, as well as offset the cost of CPP/QPP increases.

5. Make reducing red tape a priority, including eliminating unnecessary regulations, putting things in plain language and simplifying forms and processes.

6. Hold off on introducing consumer incentives until small businesses can fully open and benefit.

COVID relief for small businesses

Seventy per cent of businesses somewhat (22 per cent) or strongly (48 per cent) agree that government programs (such as the Canada Emergency Wage Subsidy (CEWS), Canada Emergency Rent Subsidy (CERS), Canada Emergency Business Account (CEBA) or provincial small business relief programs) are crucial to their survival in 2021.[9] **As such, we strongly recommend that the government extend these programs until at least the end of 2021.** Support for small businesses cannot end until the whole economy, including our borders, are opened and small businesses are reunited with their customers face-to-face.

Over the course of the pandemic, when they have been allowed to open, most small businesses have gone above and beyond to ensure the safety of their staff and customers. However, it is another cost that has been added when their revenues continue to shrink. **The government should provide a tax credit to help offset the cost of personal protective equipment (PPE) (e.g., face masks, sanitizer, plexiglass, gloves, etc.).**

[9] CFIB, Your Voice Survey, Jan. 12 - Jan. 31, 2021, n = 7,029.

Gaps in COVID relief

Since the start of the pandemic, we have worked with the federal government to quickly implement and adjust programs that have allowed many small businesses to stay afloat. While there is widespread use of several federal relief programs among our members, six per cent reported not accessing any since they did not qualify.[10] The government should seek to address the gaps in emergency relief programs by implementing the following:

All programs

- Allow new businesses (who opened after March 2020), including new seasonal businesses, to qualify for government emergency programs. One option is to use provincial sector averages as their baseline revenue to calculate their revenue drop.
- Allow businesses to get a CRA Business Number (BN) post-March so they can access emergency programs if they meet other eligibility criteria.

Canada Emergency Business Account (CEBA)

- Expand the CEBA to $80,000 with a 50 per cent forgivable portion.
- Broaden the definition of non-deferrable expenses to better reflect the realities of small businesses in order to make them eligible for the year (e.g., remove and/or make more flexible the CEBA requirement to have signed contracts/agreements dated between January 1st and March 1st, 2020).
- Allow micro-sized and new firms that have less than $40K in non-deferrable expenses to access a CEBA loan, potentially in proportion to their business size.
- Allow compensation to the business owner (such as dividends) to be included in the $40K expense pathway, as is T4 salary income.
- Eliminate the requirement for businesses to file a CRA 2018/2019 income tax return that reflects a year-end date of December 31st to allow those who have successfully filed a 2018/2019 return with an alternative calendar year.
- Allow businesses with a third-party payroll provider to apply for CEBA.

Canada Emergency Wage Subsidy (CEWS)

- Allow seasonal businesses to access CEWS based on revenue drops during their high season and/or introduce a targeted wage subsidy for seasonal businesses that have no revenue in their low season but still need assistance to continue to operate.
- Extend Lockdown Support to CEWS so that firms subject to new or ongoing public health measures can get up to 90 per cent wage subsidy to retain their staff during the second wave.

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[10] CFIB, Your Voice Survey, Jan. 12 - Jan. 31, 2021, n = 7,029.

- Allow a portion of dividend revenue to be included or allow business owners to convert an equivalent amount to a salary to be able to include it in the calculation for the wage subsidy.

Canada Emergency Rent Subsidy (CERS)

- Change the wording in the attestation so applicants are only required to pay the full CERS received towards their eligible expenses within 60 days.
- Allow businesses that operate through an operating/holding company situation to apply as either the operating company or the holding company.
- Include eligible rent expenses paid or payable to non-arm's length parties, similarly to what was allowed under CECRA.
- Calculate the revenue drop at the location level, as opposed to the entity level.
- Allow businesses that do not have a formal lease to access the program if they can provide evidence of regular rent payments.
- Increase the CERS base subsidy to 75 per cent to align with CEWS to support businesses facing restrictions other than closures, such as mandated capacity limitations that result in near-total revenue losses.
- Use CERS or another pathway to get the government portion promised (50 per cent rent support) of the previous rent subsidy program (Canada Emergency Commercial Rent Assistance - CECRA) to the small firms that qualified with a 70 per cent loss in revenue but could not access it due to lack of landlord participation.

Taxation

With both Canada Pension Plan (CPP) premiums and the federal carbon tax increasing this year, business owners will be left with even less financial breathing room which will make it even more challenging for their recovery. **A moratorium on any new costs to small businesses is necessary to ensure their survival through the pandemic.** If the government wants to introduce new programs during a pandemic, they should be entirely funded through general revenues rather than have small businesses forced to shoulder the additional costs. Now is not the time to be increasing the cost of doing business. We ask that the government also consider **deferring federal taxes, such as GST and income taxes until later in 2021 or 2022**, when most of the population will be vaccinated and the economy is beginning to reopen, to give small businesses a chance to start recovering from the pandemic.

CPP/QPP

Payroll taxes like CPP/QPP and Employment Insurance (EI) are administratively burdensome and tend to have a bigger impact on the growth of a small business as they are more labour intensive than larger firms. They are also regressive and must be paid whether the business is profitable or not. **We encourage the government to introduce a CPP/QPP tax credit that would help offset the premium increases.**

Ensuring access to qualified labour will also be vital to the economic recovery of the SME community. Therefore, **the government must consider implementing significant hiring incentives for highly affected businesses in order to help employees reunite with businesses.** These incentives could include a small business job credit that takes the form of a payroll tax rebate which would effectively lower CPP/QPP and EI premiums paid by small businesses and lower the cost of hiring and training. It could also be in the form of a grant that helps pay the wages of new employees similar to the 2021 version of the Canada Summer Jobs Grant that provides 75 per cent subsidy for employers that hire young employees. Ensuring that economic recovery hiring incentives focus on assisting small businesses as they rebuild will be critical to the success of getting millions of Canadians back to work quickly.

Carbon taxes

The federal carbon tax (also known as the federal backstop) will increase to $40 per tonne on April 1st and is set to continue increasing until it hits $170 a tonne by 2030. The government has also committed to move forward with the Clean Fuel Standard (CFS) which will ultimately increase the cost of energy for many small businesses as large producers download their costs onto consumers. In the midst of one of the biggest economic crises for small businesses, increasing the cost of doing business will only further hamper and slow their recovery. **We urge the government to repeal the federal carbon backstop for the foreseeable future. Additionally, decisions on, and implementation of, the CFS and carbon tax increases should be deferred until the economy is fully recovered and there has been a robust consultation with small businesses.**

When looking at ways to stimulate the economic recovery, only 16 per cent of businesses said that the government should focus on investing in green initiatives.[11] That is not to say that small businesses do not care about the environment. Over three quarters reported taking action in the last several years to reduce their environmental impact.[12] However, in the current context of the pandemic, they have very little room to absorb further cost increases in their gasoline and utility costs as they try to get their business back to a more stable financial state over the next several years.

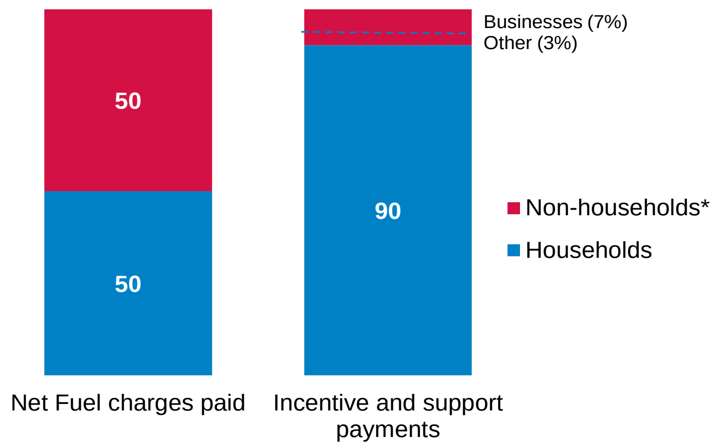
If the government chooses to continue moving forward with the increases to the carbon tax and the implementation of the CFS, **it must find a way not to impose the bulk of the costs on the small business community while refunding consumers.** Small businesses cannot simply pass on the costs of the carbon tax to consumers. When CFIB surveyed its members in the four provinces where the backstop applies, 80 per cent of small business owners did not think that it would be easy to pass on the extra costs to customers.[13] Notably, when broken out by sector, 63 per cent of businesses in the agriculture sector say that they will not be able to pass on any of the additional costs to their customers.[14]

[11] CFIB, Your Voice Survey, Jan. 12 - Jan. 31, 2021, n = 7,029.
[12] CFIB, National Energy and Environment survey, Jan.16 – Feb. 18, 2020, n = 4,464.
[13] CFIB, Carbon Tax Survey, Nov. 9 – Nov. 27, 2018, n = 3.527.
[14] CFIB, National Energy and Environment survey, Jan.16 – Feb. 18, 2020, n = 4,464.

Looking at publicly available data, it appears that small businesses will bear about half of the direct burden of paying for the carbon tax, yet they will receive less than 7 per cent of the rebates and incentives (see Figure 2). Small businesses are being asked to absorb a disproportionate amount of the increased price on carbon in order to provide households with rebate cheques that more than offset their increased carbon-related costs.

Figure 2

Per cent distribution of federal fuel charges and support payments



Estimates combined for SK, MB, ON, NB, 2019-20 to 2022-23
* Includes businesses, municipal, education, healthcare, non-profit and indigenous communities sectors; excludes Output-Based Pricing System participants

Sources: CFIB estimates based on data from Federal Climate Plan, Finance Canada, University of Calgary School of Public Policy

The government should bring more fairness into the carbon pricing system by ensuring that the same proportion of revenues collected from SMEs is reallocated back to them and they are not forced to subsidize rebates to households. The current rebate program dedicated to SMEs, the Climate Action Incentive Fund, is largely inaccessible to small businesses as it requires an initial investment of $80,000 minimum. The vast majority of small businesses are in no position to make large investments in reducing their carbon footprint when they are struggling to even keep the lights on and the doors open. The government had previously announced in the fall of 2019 that it planned to open a smaller, more accessible project stream for the rebate program; however, no such stream was ever opened.

Employment Insurance (EI) system

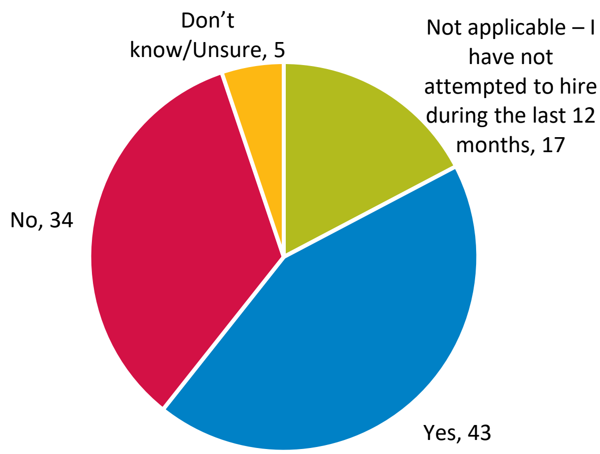
COVID relief

The safe and rapid return to employment will be essential in ensuring the economic recovery of small businesses. Support for those who lost their income continues to be critical during the pandemic, whether they are employees or self-employed, **but this support should not make anyone better off than when they were working.** Paying people $500 per week under the Canada Recovery Benefit (CRB) or through the temporary COVID-related EI provisions, regardless of how much they earned pre-COVID, could disincentivize individuals from returning to work. Forty-three per cent of small businesses reported that they had difficulty retaining and/or hiring people because they suspected that they would rather collect EI or other COVID-related income support benefits (see Figure 3). This was even more pronounced in the hospitality (68 per cent) and enterprise and administrative management (58 per cent) sectors, where well over half of employers reported having trouble.

Federal COVID sick leave provisions are also essential to those who must self-isolate but cannot risk losing any income. However, many cannot afford to wait several weeks to receive the benefit, forcing some to go to work and risk infecting colleagues and customers. The government must **ensure that there are little to no wait times for the COVID sick leave benefit so that employees who need it are able to quickly receive the money.**

Figure 3

During the last 12 months, did your business have any difficulty retaining and/or hiring people because you suspect they would rather collect EI or other COVID-related income support benefits? (Select one answer only)



Source: CFIB, Employment Insurance Survey (preliminary results), Jan. 27 – Feb. 3, 2021, n = 4,601.

The future of EI

To ensure the future sustainability of the EI system, the government must not overload it with additional costs related to the pandemic. According to the Parliamentary Budget Office (PBO), the EI Operating Account will go from having a slight surplus in 2019-2020 to having a cumulative deficit of $52 billion by the end of 2024.[15] Any additional costs to the EI system will only mean higher EI premiums down the road for small businesses who will be in a precarious position for years to come.

The Canada Emergency Response Benefit (CERB) program was an important income support for many people who had suddenly lost their jobs during the first several months of the pandemic. In September, most CERB recipients were transitioned to the EI system or the CRB. **CFIB recommends that all costs related to CERB not be added to the EI system**, especially given the impacts on employment due to the pandemic was not under the control of the employer.

[15] Office of the Parliamentary Budget Officer, Fall Economic Statement 2020: Issues for Parliamentarians, December 10, 2020.

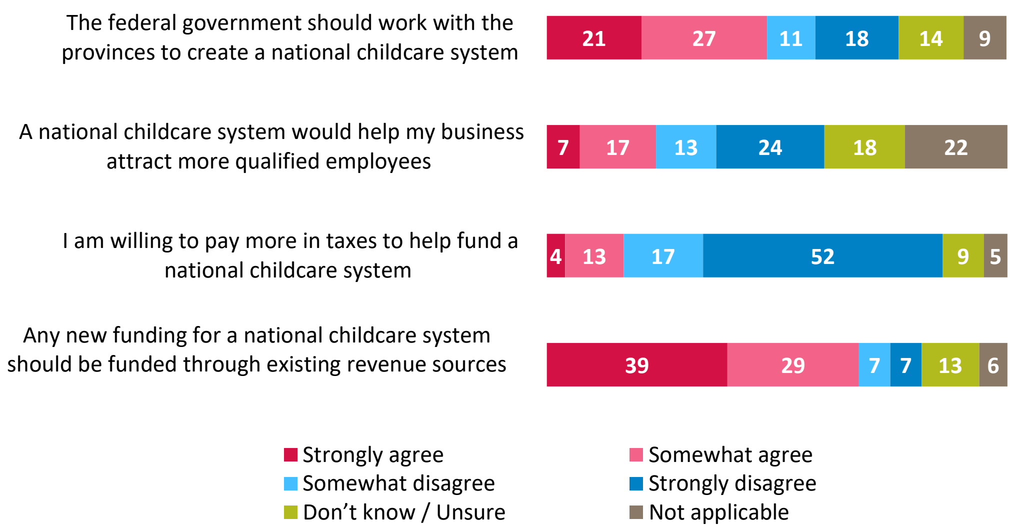
While these relief measures for employees and the self-employed are currently necessary, they are intended to be temporary. As such, **additional generosity in the EI system should not be paid for through EI premiums.** While there have been calls to make some relief measures permanent, such as through a guaranteed income program or enhanced sick leave provisions, **the government must make sure there is robust consultation with small business around any proposed changes to EI.**

National childcare

With school closures and many parents working from home as a result of COVID, it is not surprising that the federal government has floated the idea of creating a national childcare system. Business owners are mixed on the idea, with close to half who said they strongly (21 per cent) or somewhat (27 per cent) agree that the federal government should work with the provinces to create a childcare system, almost one-third saying they somewhat (11 per cent) or strongly (18 per cent) disagree and one-quarter unsure. (see Figure 4).

Figure 4

Recently the federal government has stated that it wants to invest in a national childcare system. Please indicate whether or not you agree with the following statements. (Select one for each line)



Source: CFIB, Your Voice Survey, Jan. 12 - Jan. 31, 2021, n = 7,029.

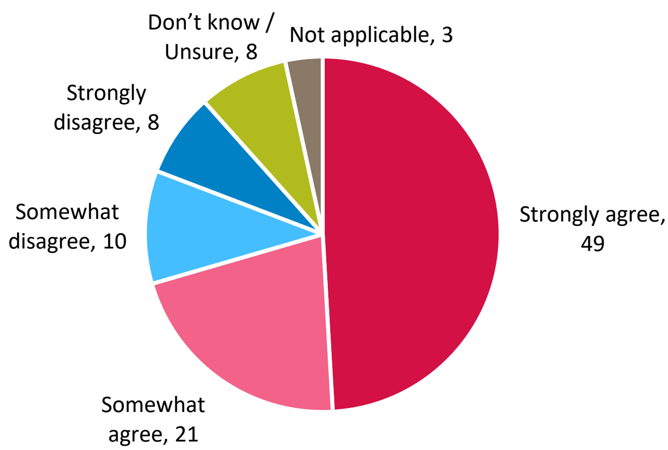
Many business owners are parents themselves and may see the benefits of having affordable childcare options, while others may see the benefits for their employees. About a quarter said that a childcare system would help their business attract more qualified employees. However, most are not willing to pay more in taxes to fund such a system (70 per cent), and instead believe that it should be funded through existing revenue sources (68 per cent).

Small businesses cannot afford to shoulder any additional taxes to create new social programs. The majority of businesses (70 per cent) believe that **governments should not introduce new**

social programs until the economy has fully recovered from the effects of the pandemic (see Figure 5).

Figure 5

Governments should not introduce new social programs until the economic impacts of COVID are behind us



CFIB, Your Voice Survey, Jan. 12 - Jan. 31, 2021, n = 7,029.

Other tax issues

Excise duty on alcohol

The hospitality industry has been one of the hardest hit during the pandemic. Many restaurants and bars have been forced to pivot to providing takeout and have had to either severely limit or close indoor dining. In 2017, the federal government introduced an escalator tax on alcohol which automatically increases the excise duty rate on alcohol every April 1. Continuing to increase the cost of alcoholic products makes it harder for domestic producers to compete, particularly as they already face significant provincial red tape, and further hampers the hospitality industry's ability to stay afloat and recover from the pandemic. As such, **we urge the government to freeze the excise duty rate on alcohol at 2020 levels.**

Succession: Tax treatment of selling a business to a family member

Even before the pandemic hit almost three-quarters (72 per cent) of business owners were already considering exiting their business within the next 10 years.[16] This means that approximately $1.5 trillion worth of assets will need to be transferred to a new generation of entrepreneurs.

However, the current rules in the Income Tax Act discourage them from selling their business to family members as it is more advantageous from a tax perspective to sell to an unrelated third party. This is because the sale of assets to family members is considered to be a dividend, whereas selling to a third party is considered to be a capital gain. As a result, business owners

[16] CFIB, Getting the Transition Right, November 2018.

who sell to their children cannot access the Lifetime Capital Gains Exemption (LCGE), meaning they face a higher tax bill.

Nearly every party in Parliament has tabled a bill with a similar goal in the past ten years and a similar promise was put forward in the Liberal Party's 2019 election platform. This issue continues to be important as most small business owners rely on the sale of the business to fund their retirement as they do not have access to a pension plan, and if they paid themselves in dividends, most will have meagre RRSP savings. As such, **we encourage the government to either introduce legislation to amend this rule or adopt Bill C-208, *An Act to amend the Income Tax Act (transfer of small business or family farm or fishing corporation).***

Red tape

Reducing red tape is one of the most cost-effective, meaningful ways to help small businesses through the pandemic and recovery. The pandemic has shown governments can work quickly to eliminate red tape barriers—from fast tracking vaccine approvals to quickly approving outdoor patios and allowing meat to cross provincial borders to prevent food shortages. **Government should work to preserve and build on this regulatory nimbleness and make regulatory modernization and red tape reduction a top priority.**

CFIB recently estimated that the overall cost of regulation for Canadian businesses is $38.8 billion, with red tape representing almost a third, $10.8 billion, of these costs.[17] Regulatory costs due to the COVID pandemic are not included in the estimate. However, 83 per cent of small businesses agree that COVID substantially increased compliance costs. The burden of red tape is now so high that nine out of ten independent businesses say it adds significant stress to their lives (up 10 percentage points from 2017) and two thirds would not advise their children to start a business given the current level of regulation (up 15 percentage points from 2017).

Red tape recommendations include:

- **Establish a comprehensive measure of the regulatory burden which includes all government departments, agencies and delegated authorities and ensure that it is reported publicly on an annual basis. Set a target to reduce the baseline measure by 25 per cent in three years.**
- **Set up a digital portal where citizens can highlight red tape (including frustrations like broken links on web forms and confusing language as well as bigger irritants such as conflicting rules). Examples should regularly go to deputy ministers in each department for review and action.**
- **In the next round of regulatory reviews, include a review of the Temporary Foreign Worker program; a review of red tape challenges at the border and an across-the-board review focused on plain language.**

[17] CFIB, Regulation and Paperburden Survey, Nov. 6 – Dec. 9, 2020, n = 6,569.

- **Improve online options and digital resources for businesses. This includes allowing businesses to submit taxes, surveys, and records of employment through software that businesses already use.**
- **Champion reducing red tape barriers between provinces, including implementing policies such as those outlined in Private Members' Bill C-260, An Act to amend the Canada Post Corporation Act. This bill aims to allow Canada Post to transport beer, spirits and wine to customers across provincial boundaries.**

Recovery measures

Debt forgiveness

While putting in place relief programs, reducing the tax burden and eliminating red tape can create an environment more favourable to business recovery, many small businesses still find themselves weighed down by the additional debt they have taken on over the course of the pandemic—an average of $106,733. Debt limits the ability of businesses to recover and grow post-pandemic.

We believe it is important that the government consider debt relief measures for small businesses, such as debt forgiveness or rebating some losses. This could include extending the repayment terms of the CEBA loan beyond 2022 and increasing the amount that can be forgiven. Additionally, the new Highly Affected Sectors Credit Availability Program (HASCAP) should be amended to include a forgivable portion, similar to CEBA.

Government investments

The health of government finances will also remain important in ensuring economic recovery. While it has been necessary to take extraordinary measures to support businesses and employees, **we encourage the government to avoid creating any new permanent spending.**

Although governments often make investments in infrastructure in order to stimulate the economy, small businesses are only somewhat (35 per cent) supportive as they often do not feel the benefits as much as larger companies. To remedy this, **the government should set aside a portion of any planned infrastructure investments towards smaller construction projects. For example, this could be a green renovation tax credit for homes and small businesses, as well as a tax credit to help businesses renovate or purchase equipment (e.g., plexiglass, upgraded HVAC) to ensure customer safety.** Further to this, in order to not cause further hardship to small businesses, **construction mitigation must be an essential element of all federally funded infrastructure projects.** A small business on a main street can ill-afford a three-week closure of the road in order to replace sewers.

Shopping local

Getting customers safely back through the doors and spending money in small businesses is the best way to help them recover and should be a priority for governments. Lockdowns during the pandemic have put small businesses at a disadvantage compared to big box retailers and online giants such as Amazon. While Amazon is posting record profits, less than one third of small businesses are back to normal sales.

There are several things government can do to show its support for independent, Canadian businesses:

- **Create a level playing field between small and large businesses by ensuring the required sales taxes and duties are being applied to goods purchased online and imported via Canada Post.**
- **Work with credit card companies to lower ecommerce processing fees for merchants.**
- **Work with credit card companies to increase the security of payments in order to end costly chargebacks, which seem to be on the rise during the pandemic due to the increased use of card-not-present (online, telephone) transactions.**
- **Eliminate merchant fees on sales taxes, as was promised in the 2019 Liberal election platform.**
- **Promote the importance of shopping local, something every politician should be doing regularly using social media and #SmallBusinessEveryDay.**

While encouraging consumer spending is essential to recovery, **we ask that the government hold off on any consumer incentives until small businesses are able to fully reopen and can more fully benefit.** Otherwise, these incentives will likely line the pockets of large multinational corporations instead of local mom and pop shops.

Post-pandemic, **the government should ensure that incentives to consumers are focused on helping to revitalize local economies through small businesses.** Measures could include a Canada travel tax credit, similar to the one proposed in Ontario, which will allow for a 20 per cent return on every dollar spent on travel within the province.

Conclusion

Small businesses are at the heart of our communities and their loss can have devastating consequences for the economy and society. CFIB has appreciated the government's willingness to move quickly to implement COVID relief programs that have been a lifeline for many businesses. The upcoming budget is an opportunity to address some of the gaps that remain and implement policies that will help carve a path towards economic recovery.

Here is a summary of our recommendations for Budget 2021:

COVID relief for small businesses

- Extend COVID relief programs until the whole economy, including borders, are opened and small businesses are reunited with their customers face-to-face (or at least to the end of 2021).

- Provide a tax credit to allow small businesses to offset the cost of personal protective equipment (PPE) (e.g., face masks, sanitizer, plexiglass, gloves, etc.).

Address the following gaps in COVID relief programming by implementing the following amendments:

All programs

- Allow new businesses (who opened after March 2020), including new seasonal businesses, to qualify for government emergency programs. One option is to use provincial sector averages as their baseline revenue to calculate their revenue drop.
- Allow businesses to get a CRA Business Number (BN) post-March so they can access emergency programs if they meet other eligibility criteria.

Canada Emergency Business Account (CEBA)

- Expand the CEBA to $80,000 with a 50 per cent forgivable portion.
- Broaden the definition of non-deferrable expenses to better reflect the realities of small businesses in order to make them eligible for the year (e.g., remove and/or make more flexible the CEBA requirement to have signed contracts/agreements dated between January 1st and March 1st, 2020).
- Allow micro-sized and new firms that have less than $40K in non-deferrable expenses to access a CEBA loan, potentially in proportion to their business size.
- Allow compensation to the business owner (such as dividends) to be included in the $40K expense pathway, as is T4 salary income.
- Eliminate the requirement for businesses to file a CRA 2018/2019 income tax return that reflects a year-end date of December 31st to allow those who have successfully filed a 2018/2019 return with an alternative calendar year.
- Allow businesses with a third-party payroll provider to apply for CEBA.

Canada Emergency Wage Subsidy (CEWS)

- Allow seasonal businesses to access CEWS based on revenue drops during their high season and/or introduce a targeted wage subsidy for seasonal businesses that have no revenue in their low season but still need assistance to continue to operate.
- Extend Lockdown Support to CEWS so that firms subject to new or ongoing public health measures can get up to 90 per cent wage subsidy to retain their staff during the second wave.
- Allow a portion of dividend revenue to be included or allow business owners to convert an equivalent amount to a salary to be able to include it in the calculation for the wage subsidy.

Canada Emergency Rent Subsidy (CERS)

- Change the wording in the attestation so applicants are only required to pay the full CERS received towards their eligible expenses within 60 days.
- Allow businesses that operate through an operating/holding company situation to apply as either the operating company or the holding company.
- Include eligible rent expenses paid or payable to non-arm's length parties, similarly to what was allowed under CECRA.
- Calculate the revenue drop at the location level, as opposed to the entity level.
- Allow businesses that do not have a formal lease to access the program if they can provide evidence of regular rent payments.
- Increase the CERS base subsidy to 75 per cent to align with CEWS to support businesses facing restrictions other than closures, such as mandated capacity limitations that result in near-total revenue losses.
- Use CERS or another pathway to get the government portion promised (50 per cent rent support) of the previous rent subsidy program (Canada Emergency Commercial Rent Assistance - CECRA) to the small firms that qualified with a 70 per cent loss in revenue but could not access it due to lack of landlord participation.

Taxation

- Put in place a moratorium on any new costs to small businesses by ensuring new programs are entirely funded through general revenues.
- Consider deferring federal taxes, such as GST and income taxes, for small businesses until later in 2021 or 2022 to give small businesses a chance to recover from the pandemic.
- We encourage the government to introduce a CPP/QPP tax credit that would help offset the premium increases.
- Implement significant hiring incentives for highly affected businesses such as a payroll tax rebate which would effectively lower CPP/QPP and EI premiums paid by small businesses. These incentives could include:
    - A small business job credit that takes the form of a payroll tax rebate which would effectively lower CPP/QPP and EI premiums paid by small businesses and lower the cost of hiring and training.
    - A grant that helps pay the wages of new employees similar to the 2021 version of the Canada Summer Jobs Grant that provides 75 per cent subsidy for employers that hire young employees.
- Repeal the federal carbon backstop for the foreseeable future.
- Defer decisions and implementation on the Clean Fuel Standard and carbon tax increases until after recovery and a robust consultation with small businesses.

- If the government moves forward with the increases to the carbon tax and the implementation of the CFS, it must build more fairness into the system and find ways to fully refund the costs borne by small businesses.
- Ensure that income support measures do not make anyone better off than when they were working, as to not disincentivize the safe return to work.
- Ensure that there are little to no wait times for the COVID sick leave benefit so that employees who need it are able to quickly receive the money.
- Do not add additional costs related to CERB or to the EI system.
- Additional generosity in the EI system introduced during the pandemic should not be paid for through EI premiums.
- Do not implement any permanent changes to the EI system until the economy has recovered and ensure there is robust consultation with small business around any proposed changes to EI.
- Do not introduce new social programs, such as a National Childcare System, until the economy has recovered from the effects of the pandemic and there has been full consultation with small business.
- Freeze the excise duty rate on alcohol at 2020 levels.
- Ensure that it is not more costly or difficult to sell or transfer a small business to a family member than it is to a third party.

Red tape

- Establish a comprehensive measure of the regulatory burden which includes all government departments, agencies and delegated authorities and ensure that it is reported publicly on an annual basis. Set a target to reduce the baseline measure by 25 per cent in three years.
- Set up a digital portal where citizens can highlight red tape (including frustrations like broken links on web forms and confusing language as well as bigger irritants such as conflicting rules). Examples should regularly go to deputy ministers in each department for review and action.
- In the next round of regulatory reviews, include the Temporary Foreign Worker Program, red tape challenges at the border and an across-the-board focus on plain language.
- Improve online options and digital resources for businesses. This includes allowing businesses to submit taxes, surveys, and records of employment through software that businesses already use.
- Champion reducing red tape barriers between provinces, including implementing policies such as those outlined in Private Members' Bill C-260, An Act to amend the Canada Post Corporation Act. This bill aims to allow Canada Post to transport beer, spirits and wine to customers across provincial boundaries.

Recovery measures

- Consider debt relief measures for small businesses, such as debt forgiveness or rebating some of their losses. This should include:
    - Extending the repayment terms of the CEBA loan beyond 2022 and increasing the amount that can be forgiven; and,
    - Amending the new Highly Affected Sectors Credit Availability Program (HASCAP) to include a forgivable portion, similar to CEBA.
- Avoid creating any new permanent spending.
- Set aside a portion of any planned infrastructure investments towards smaller construction projects (e.g., a green renovation tax credit for homes and small businesses or a tax credit for safety retrofits for businesses).
- Ensure that construction mitigation for small businesses is an essential element of all federally funded infrastructure projects.
- Show support of independent, Canadian businesses by promoting the importance of shopping local during the pandemic.
- Ensure the required sales taxes and duties are being applied to goods purchased online and imported via Canada Post.
- Work with credit card companies to lower ecommerce and other non face-to-face processing fees for merchants.
- Work with credit card companies to find ways to increase the security of payments in order to end chargebacks.
- Proceed with eliminating merchant fees on sales taxes, as was promised in the 2019 Liberal election platform.
- Hold off on any consumer-related recovery incentives until small businesses are able to fully open and can benefit.
- Ensure that post-pandemic incentives to consumers are focused on helping to revitalize local economies through small businesses.