

Letter sent by e-mail.

Ottawa, May 6, 2021

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister and Minister of Finance
House of Commons
Ottawa, ON K1A 0A6

Subject: New businesses access to government emergency programs

Dear Minister Freeland,

On behalf of 95,000 small- and medium-sized businesses members of the [Canadian Federation of Independent Business \(CFIB\)](#) we are writing to raise the concerns of new businesses shut out of federal emergency relief programs. As the pandemic is now in a lengthy third wave, businesses in many provinces have once again been ordered to close or restrict their activities. [CFIB's latest dashboard](#) shows that the number of small businesses that are fully open has dipped down to 56% with just 40% fully staffed and only 29% making normal levels of sales.¹ The COVID relief programs for businesses have been a lifeline – 71% of our members have said that Canada Emergency Wage Subsidy (CEWS), Canada Emergency Rent Subsidy (CERS) and Canada Emergency Business Account (CEBA) are crucial to their business' survival in 2021.² While we were pleased that the government announced its plans on extending the CEWS and CERS program into the fall in Budget 2021, we were disappointed that businesses opened after March 2020 were once again shut out of government pandemic support.

Thousands of new businesses are launched every month in Canada. As you know, “new businesses,” those that started their activities in March 2020 or later, have been shut out from accessing any of the major government emergency programs, like CEBA, CEWS, CERS and the Highly Affected Sectors Credit Availability Program (HASCAP).

CFIB has written to you and your colleagues a number of times in the past year raising our concerns with gaps in COVID relief programs, including the fact that new businesses are unable to access any of them. We have enclosed our letter sent to you on December 15, 2020. We have also brought up this issue in our discussions with you and your department as well as in our pre-budget recommendations. Over **12,000 businesses** have signed a petition urging the government to provide relief to new businesses.

¹ CFIB, Your Voice – April 2021 Survey, Apr. 8–TBD, 31, 2021 preliminary results, n = 3,744.

² CFIB, Your Voice – January 2021 Survey, Jan. 12–31, 2021, n = 7,096.

For these new businesses struggling to remain open and keep their workers employed, Budget 2021 was a missed opportunity to address a long-standing gap in government support. On May 19, 2020, during his daily press conference, the Prime Minister stated that, “[...] *Minister Ng is also working on potential solutions to help business owners and entrepreneurs who operate through their personal bank account, as opposed to a business account or have yet to file a tax returns such as **newly created businesses**.*” However, almost a year later, new businesses are still waiting for these solutions.

Many provinces, including British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec have all been able to find ways to allow new businesses to apply for some support. We firmly believe that there are ways the federal government can structure the qualifications to allow new businesses to gain access to these much-needed emergency support programs while maintaining their integrity. CFIB is proposing the following approaches:

- ▶ Waive the requirement for an active CRA Business Number (BN) on the first day of each COVID relief program or allow a business to apply for one.
- ▶ Remove requirements for previous tax returns for businesses that were not in operation.
- ▶ Ask new businesses to provide some evidence of a significant expenditure or investment related to business operations.
- ▶ As new firms are not able to determine their revenue loss compared to the same month in 2019 or, in many cases, January/February 2020, allow them to use provincial average revenue loss numbers by sector (e.g., if the average revenue loss for a Manitoba restaurant in September was 40%, this could be used to calculate the CEWS or CERS subsidy) OR determine revenue comparison based on an average sales revenue over a few recent months, like Saskatchewan has implemented.
- ▶ Allow new businesses to get retroactive support for CEWS, CEBA and CERS.
- ▶ Allow new businesses that opened after March 1, 2020, to demonstrate a month-over-month revenue reduction when comparing a month between April 2020 and April 2021 to any month between November 2020 and April 2021.
- ▶ Allow new businesses to compare month over month revenues to the previous month (prior to increased restrictions).

New businesses have faced the same devastating effects and challenges as other businesses during the pandemic, including lockdowns and restrictions of their operations. In fact, new firms are even more vulnerable than longer-standing businesses that may have entered the pandemic with some reserves, available credit or a business track-record. Yet, despite this, they continue to try and survive in order to keep serving their customers and keep their employees working. Opening a business most often requires months, if not years, of planning, including finding and renovating a location, purchasing equipment, and hiring and training staff. As such, many business owners that opened up shop after March 2020 had already made significant investments of time and money into their operations, meaning they had little choice but to proceed with opening. We do not believe that these entrepreneurs should be punished because of bad timing.

As Canada looks toward economic recovery, opening new businesses and creating new jobs will be essential to economic recovery. According to Statistics Canada's latest data, the number of entrants (i.e., completely new firms) as a share of all opening businesses (both new entrants and re-openings) is back to pre-pandemic levels, at around 4 out of 10 businesses, and has held steady since November 2020.³ While this is good news, these new firms face an unlevel playing field as they face the same restrictions as other businesses, but cannot access the same supports.

Over the course of the pandemic, we have appreciated the willingness of the government to work with us on adjusting support programs to ensure that they meet the needs of small businesses in Canada. It is now critical that the government finds a way for new businesses to access emergency support during these difficult times so they can continue to serve our communities and help build our economies once the pandemic is behind us.

If you have any questions or would like to meet to discuss this issue further, please feel free to contact us at our office at **613-235-2373 ext. 1201** or by e-mail at Corinne Pohlmann at Corinne.Pohlmann@cfib.ca or Jasmin Guénette at Jasmin.Guenette@cfib.ca.

Sincerely,



Corinne Pohlmann
Senior Vice-President, National Affairs and
Partnerships



Jasmin Guénette
Vice-President, National Affairs

CC: The Hon. Mary Ng, Minister of International Trade, Small Business and Export Promotion

Enclosed: CFIB Letter re New Businesses (December 15, 2020)

³ Statistics Canada. [Table 33-10-0270-01 Experimental estimates for business openings and closures for Canada, provinces and territories, census metropolitan areas, seasonally adjusted](#)