

January 22, 2020

Mr. Lloyd Longfield
Member of Parliament for Guelph
103-111 Farquhar Street
Guelph, ON N1H 3N4

Dear Mr. Longfield,

I would like to thank you for taking the time to meet with myself and other representatives of the Guelph business community, in advance of the 2020 budget, to discuss how the Government of Canada can create an environment which encourages investment, innovation, skill development and attraction of talent through changes to Canada's tax system and regulatory framework. My consultations with both the Canadian and Ontario Chamber's of Commerce support the discussions we had last week which focused on some key areas outlined below:

Taxation

A comprehensive review of Canada's tax system is essential to improve our competitive position. While other jurisdictions make their tax systems more competitive, Canada is becoming increasingly complex and inefficient, discouraging investment and job creation. Recognizing that reforming Canada's tax system is long overdue but not likely to occur in the immediate future, we respectfully offer some suggestions to be considered in the interim:

- Continue to index the capital gains exemption to inflation and expand it to include some assets
- Expand the scope of current tax-based incentives to include unincorporated businesses and instances where successors buy corporate assets rather than shares
- Allow SMEs to defer the tax on capital gains from the transfer of a business to the owner's children
- Lower tax rates on dividends as an incentive for Canadian businesses to remain in Canada under Canadian ownership and to encourage re-investment.
- Simplify the tax filing system

Canada Revenue Agency (CRA)

Difficulties in dealing with the CRA is one of the biggest issues for SMEs across Canada. An independent service delivery audit of the CRA should be conducted to identify and eliminate compliance, audit and communication problems small businesses face in dealing with the agency. Difficulties include:

- Poor Customer service
- Overly burdensome document requests
- Unnecessarily frequent remission requirements for the GST
- Inconsistent applications of regulations – interpretations vary depending on knowledge level of auditors
- Punitive treatment for innocently-made errors
- Need for a representative for small business to resolve conflicts with CRA

Innovation

Canada's continued growth and prosperity depends on our capacity to translate new ideas into real economic gains. While Canada ranks as a global leader in entrepreneurship, there is a critical gap in its business growth strategy resulting in a lack of promising firms "scaling up" into large, world-leading organizations. Key to encouraging growth and R&D would be the Expansion of the Scientific Research Experimental Development Program (SR&ED) to include:

- Restoring the credit to 20%
- Designating the qualifying variable as rate-of-firm growth rather than firm size
- Change credit eligibility to include non-Canadian firms that engage in R&D activities in Canada
- Aligning the credit to incentivize R&D between industry, post-secondary, and research institutions to support more exploratory science
- Make the application process easier to navigate

Regulations

Canada urgently needs a concerted federal effort to modernize our regulatory frameworks in order to increase investment, growth and the number of jobs for Canadians. Suggestions include:

- A plan to generate a net reduction in the regulatory burden
- Add economic competitiveness to regulator mandates
- Improve regulatory cooperation
- Establish a dedicated Minister of Regulatory Efficiency responsible for leading regulatory reform
- Eliminate regulatory barriers between provinces to allow for the freer movement of labour, goods and services in Canada

None of these key areas should be considered in isolation. Fundamental changes to Canada's tax system and regulatory framework will enhance our ability to attract and retain talent. Coupled with expansion of the Scientific Research Development Program and resolving the issues with the Canada Revenue Agency we believe that an environment would develop in which businesses would be encouraged to invest and innovate, entrepreneurship would thrive and individuals will find meaningful long-term employment.

On behalf of our members and the local business community, I would once again like to thank you for your time and willingness to listen to and relay our feedback to the appropriate federal departments. It is our hope that the Minister of Finance will take these concerns and suggestions into consideration in developing the 2020 Federal Budget.

Sincerely,



Shakiba Shayani
President & CEO
Guelph Chamber of Commerce

CC Michael Soligo, President & CEO, RWDI
Jim Jarrell, President & COO, Linamar Corporation
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