



# NSBA Written Submission for the Pre-Budget Consultations in Advance of the 2019 Budget

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**Submitted by the NSBA (North Saskatoon Business Association) on July 20, 2018.**

## **Summary of Recommendations**

**Recommendation #1: Conduct a comprehensive review of Canada's tax system to simplify the system, maximize Canada's competitiveness, and incentivize business interests.**

**Recommendation #2: Evaluate the tax system against tax policy in neighbouring jurisdictions to ensure a competitive economic environment.**

**Recommendation #3: Create a stable, predictable taxation environment through measured changes (if necessary) and broad consultation.**

**Recommendation #4: Refrain from viewing the tax system through the lens of after-tax equality and recognize the risks of starting and maintaining a business.**

**Recommendation #5: Continue to fight for global free trade and a renewed NAFTA agreement that recognizes global supply chains.**

**Recommendation #6: Refrain from implementing a flat-rate carbon price and research less economically-damaging policies for meeting Canada's environmental goals.**

**Recommendation #7: Remove political, regulatory, and jurisdictional hurdles that create an unreasonable impediment to pipeline projects being approved and constructed.**

**Recommendation #8: End the risk to taxpayers by finding a buyer for the Trans Mountain pipeline as soon as possible.**





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Standing Committee on Finance  
House of Commons  
Ottawa, Ontario  
Canada  
K1A 0A6

Dear Members of the Standing Committee on Finance,

The NSBA is a member-driven and focused organization that serves, promotes, and protects business throughout Saskatoon and beyond. Although our origins and roots are in Saskatoon's north end, today we encompass far more than that. From its grassroots origins of a handful of businesses, today's NSBA consists of a membership in excess of 700 companies. Members range from single owner-operator proprietorships to large multinational corporations that employ thousands.

The NSBA has a mandate to lobby and advocate on behalf of its membership on areas of concern to the membership. In the past 18 months, Canada's tax system, particularly as it pertains to business taxes, has become a hot-button issue for our membership, mostly due to the ill-advised small business tax changes introduced in July of 2017. As such, we enter this reflection on priorities for the 2019 budget with how the tax system can be optimized to work for all Canadians on our minds.

As one will note from the summary of recommendations, our overall focus is on moving the Canadian tax system towards one that is competitive, simplified, and predictable. These qualities are not only essential for business in general but have become so much more important as we come to terms with a changing international landscape. Canadian businesses and the individuals they employ need a degree of certainty and simplicity to aid in their financial decision-making, and ensuring that the Canadian tax system is competitive with neighbouring jurisdictions will help to ensure that jobs and capital stay in our country.

Below you will find a more detailed breakdown of the key themes that inform the recommendations included in the summary above.

**Comprehensive Review of Tax System:** The NSBA believes that the most prudent course of action the federal government could take in the area of taxation is to conduct a comprehensive review of the system in the form of a new Royal Commission on Taxation. The NSBA believes that such a review, complete with extensive consultation and free from artificial time constraints, would produce the most fair, simple, and competitive tax system possible for the country. Such a review would enable the country to balance the interests of business and individual taxpayers in a way that is beneficial to both groups and free from political pressure.

**Competitiveness:** The NSBA believes that the tax system must be competitive with regards to neighbouring geographic jurisdictions and direct economic competitors. Tax policy can have a large impact on a business' decision to invest or build, which has been demonstrated by the current investor wariness and business relocations in response to tax changes in the United States. Capital is mobile and will go to whichever jurisdiction has the best opportunity to get a strong return on investment and, therefore, it is important to ensure that Canada's competitiveness is always front of mind when discussing the tax system.





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**Consistency in Taxation:** It is extremely important to business for there to be consistency in the tax system. Predictable and rarely-changing rules allow business to make investment decisions with clarity regarding the costs of their investment and the eventual return on that investment, which is important when trying to bolster jobs and wage numbers in the country. They also allow business to adjust to achieve compliance, rather than being introduced for political expediency. The NSBA believes that tax systems at all levels of government should strive for consistency.

**Incentivizing Business Interests:** One objective of tax policy that is often overlooked is using tax policy to motivate business activity and the overall economy. The NSBA believes that more focus should be placed on using the tax system to incentivize investment and growth, which in turn will allow for the fulfilment of the other objectives mentioned above. This incentivization serves to balance out the risks inherent in starting and maintaining a business. Ultimately, business investment and growth results in increased tax income across the board at all levels of government.

**After-Tax Equality:** The NSBA believes that the tax system should not aim for after-tax equality between employers and employees, primarily due to the risks associated with starting and maintaining a business. Business owners take massive personal risks to start and grow their businesses as well as take on the responsibility of guaranteeing incomes and benefits for their employees. We think that business owners should be taxed at a rate that reflects the amount of risk they take on in starting and maintaining their businesses. While it may make sense that a business owner who makes much more than an employee through dividends, business income, etc. pays more tax (in dollars), it makes no sense for these two individuals to take home the same amount after tax. The consequences of this type of after-tax equality is that eventually no one will be willing to take the risks necessary to grow or start a business.

**International Trade:** The NSBA believes in the importance of free trade and encourages the government to continue to advocate for free trade in NAFTA negotiations and discussions of increased or additional tariffs. International supply chains are now a reality for many Canadian businesses and continued access to these markets is essential for continued growth. Overall, businesses need long-term certainty about Canada's trading relationships to make investment and growth decisions.

**Carbon Tax:** The NSBA supports efforts being made towards environmental sustainability but strongly opposes a flat-rate carbon price for its negative effects on the economy. As it currently stands there are not economically viable alternatives for businesses and consumers such that a carbon price will have real effects on business and consumer behavior. At best, a carbon price will create "taxation lag" where government cannot refund money from a carbon price quick enough for businesses growth or investment needs. At worst, a carbon price will siphon money from businesses that currently have no ability to adapt their operations. The NSBA supports evaluating other methods of motivating environmental sustainability.

**Pipelines:** The NSBA supports the development of pipelines that would allow Canadian resource products to reach international markets but believes that the private sector is best placed to invest in and construct these pipelines. Currently, the obstacles facing pipeline projects in this country are political, regulatory, and jurisdictional. The federal government can take steps to alleviate these obstacles without financial investment and risk to taxpayers. Therefore, the NSBA urges the government to sell the Trans Mountain pipeline back to the private sector as soon as possible and to take steps to make building pipeline projects in Canada more attractive to private investors.





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As always, the NSBA is always willing and available to discuss the contents of this submission. We welcome constructive dialogue that leads to a better future for business in Saskatoon, Saskatchewan, and Canada as a whole.

Sincerely,

A handwritten signature in black ink, appearing to read 'Keith Moen', written over a light blue horizontal line.

Keith Moen  
Executive Director



**SASKATOON'S BUSINESS ASSOCIATION**