



NSBA Written Submission for the Pre-Budget Consultations in Advance of the 2020 Budget

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Submitted by the NSBA (North Saskatoon Business Association) on August 11, 2019.

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 myopic lens of "after-tax equality" and recognize the risks of starting and maintaining a business.

Recommendation #6: Repeal the 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.



SASKATOON'S BUSINESS ASSOCIATION



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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 750 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. Canada's tax system, particularly as it pertains to business taxes, has become a hot-button issue for our membership, with the additional economic burdens posed by the federally-mandated carbon tax being front and centre in the minds of businesses. As such, we enter this reflection on priorities for the 2020 budget with a focus on how the tax system can be optimized to work for all Canadians.

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 the international landscape continues to change and veer from the status quo. 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.

The NSBA also notes the theme of this consultation, the transition to a low-carbon economy, and believes that many of the recommendations included inherently address this theme, albeit indirectly. However, the NSBA believes that it is essential to balance success in lowering emissions with the continuation of economic prosperity in order to maintain the standard and quality of living that Canadians expect. Therefore, as noted below, the NSBA supports a transition to a low-carbon economy that is measured, reasonable, and effective. Targets and policies that are drastic or ineffective, such as the federally-imposed carbon tax, will hamstring our economy and erode Canada's quality of life and employment.

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



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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. Currently, the government is attempting to piecemeal changes to the tax system to either fit ideology (e.g. 2017 small business tax changes) or score political points (e.g. 2018 accelerated capital cost deductions measure) and it is clear that this methodology is not working.

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. It is also important to keep competitiveness and the mobility of capital in mind when considering the pathway towards a green economy.

Consistency in Taxation: It is extremely important to business for there to be consistency in the tax system. Predictable and rarely-changing rules allow businesses 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. If changes are required, they should be introduced in a manner and timeframe that allows taxpayers a sufficient opportunity to adjust to achieve compliance with the rules, rather than being introduced for political expediency. Needless to say, in order for businesses to make the types of investments necessary to thrive in a green economy there must be a consistent foundation from which to proceed. 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





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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.

Carbon Tax: The NSBA supports efforts being made towards environmental sustainability but strongly opposes the flat-rate carbon price implemented by the federal government 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 despite this tax having a large effect on rising prices of goods in our economy. The NSBA supports evaluating other methods of motivating environmental sustainability that balance economic prosperity with a need to create a greener economy.

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 and have been compounded by the passage of Bill C-69. 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.

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,

Keith Moen
Executive Director



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