

June 25, 2018

Mr. Michael Hwang, Ms. Cybele Negriz and Mr. Shahraz Kassam
Small Business Task Force

Re: Phase 1 Engagement

Dear Messrs. Hwang and Kassam and Ms. Negriz,

On behalf of the Burnaby Board of Trade and our 1,100 members from across Burnaby and the Metro Vancouver region, I would like to thank you for the opportunity to share our thoughts on how the provincial government can further support the small business sector in BC.

We take seriously our mission to help make business better by providing our members with insightful leadership, advocacy, education and a platform for collaboration. Through direct engagement with our membership, we have developed nine recommendations for your consideration in direct response to the challenges identified in the *Small Business Task Force Discussion Paper*. Our nine recommendations, as discussed in greater detail below, are for the provincial government to:

- 1) Cancel the implementation of the Employer Health Tax
- 2) If the Employer Health Tax persists, implement the Burnaby Board of Trade's 4-point plan to improve its application and minimize its negative impacts
- 3) Tie future minimum wage increases to the CPI following the current schedule of increases
- 4) Implement a refundable input tax credit for a portion of the PST paid on business inputs of equipment, machinery and software
- 5) Reduce barriers to small businesses accessing and utilizing government support programs
- 6) Explore options for creating a concierge system to centralize information about and access to employment programs
- 7) Work with chambers of commerce and boards of trade to promote government programs and build awareness of those supports amongst small businesses
- 8) Work with municipalities to explore expanding existing intermunicipal business licence programs
- 9) Invest in the OneStop Business Registry to alleviate and prevent delays for businesses using the service

a) Cancel the Employer Health Tax

In BC Budget 2018, the provincial government announced the introduction of an “employer health tax” which will require organizations with payrolls of over \$500,000 per year to pay a new payroll tax ranging from 0.98% to 1.95% to fund the removal of Medical Services Plan (MSP) premiums.

The Burnaby Board of Trade does not support imposing the employer health tax on businesses; businesses were not expecting this new tax and for some it will be a significant new expense. The employer health tax should be cancelled and should not be implemented.

At a minimum, the Burnaby Board of Trade has a 4-point plan to improve the tax should it persist:

First, the tax should not be implemented until 2020. Currently, the tax comes into effect in 2019 but MSP premiums will not be eliminated until 2020. Therefore, an organization which currently pays MSP premiums on behalf of its employees will be faced with paying both expenses for the 2019 year.

Second, the exemption threshold for the tax should be increased to exempt more small businesses. Currently only companies with under \$500,000 in payroll—or only eight or nine employees at the median salary—are exempt. Several other provinces have much higher exemption thresholds for similar payroll-based taxes (\$1.25 million in Manitoba and \$1.2 million in Newfoundland).

Third, like income tax, the employer health tax should operate in a marginal or progressive fashion. Budget 2018 suggests that if a business’s payroll crosses a threshold, the tax will be applicable to the full payroll, not just the incremental amount above the cut-off. This creates a disincentive for businesses to hire workers or raise wages.

Fourth, the exemption thresholds for the employer health tax should be indexed to inflation based on an index like the consumer price index. Indexing the thresholds to inflation would allow businesses to offer at least “cost-of-living” increases to wages without the risk of inadvertently raising their payroll above an exemption cut-off.

Recommendation #1 – Cancel the implementation of the Employer Health Tax

Recommendation #2 – If the Employer Health Tax persists, implement the BBOT’s 4-point plan to improve its application and minimize its negative impacts

b) Provide Small Business with Wage Certainty

Labour costs can comprise a large portion of a small business’s overall expenses, and there has been significant inflationary pressures on these costs in recent years.

We understand the current schedule to increase the minimum wage to \$15.20 by June 1, 2021. The Burnaby Board of Trade and our member small businesses would have preferred a longer window in which to make the increases, and for each increase to have been equal to allow for an easier transition.

In addition, we have concerns with the yet-to-be-seen ‘knock on’ effects of a \$15.20 minimum wage all along the wage scale. There is potential for all wages to be quickly forced upwards as the minimum wage rapidly increases, putting significant strain on small businesses.

Moving forward, small businesses would benefit from certainty and predictability in regards to the minimum wage. Therefore, starting in 2021 and following the current slate of increases, we would recommend the minimum wage and any further increases be pegged to the consumer price index or some other index of inflation. This would provide a set, simple, and stable formula for increasing the minimum wage and would allow small businesses to better plan and budget for these labour cost increases.

Recommendation #3 – Following the currently scheduled increases, tie future increases to the minimum wage to the consumer price index.

c) Provide Input Tax Credits for Business Investment

While the provincial government has succeeded in making BC competitive by many measures, the taxes paid on business inputs is an outlier that forces BC companies to pay more than business in many other provinces and serves as a drag on business investment.

Business investment is crucial to both innovation and economic growth. When companies invest in improvements to the tools, equipment and infrastructure which their workers use, it increases their productivity, spurs innovation and drives economic output. Input tax credits could serve as a catalyst for this by encouraging firms to make those investments that help them perform better and produce more. While a full PST input tax credit would reduce government revenue by over \$500 million, a admittedly significant amount, there should be enough fiscal room to implement a level of input tax credit for a portion of the PST paid by businesses.

Recommendation #4 – Implement a refundable input tax credit for a portion of the PST paid on business inputs in equipment, machinery and software.

d) Make Government Support Programs More Small Business-Friendly

There are many government programs designed to help small businesses, but they can often be inaccessible for many of those actual businesses. The provincial government should aim to make its support programs and economic development initiatives more small business friendly and operate them on a small business scale.

For example, the BC Employer Training Grant, highlighted in the Small Business Task Force Discussion Paper, requires businesses to cover the cost of training employees upfront, and apply for reimbursement later. In addition, only one of the funding streams covers 100% of the training, with the others requiring the employer to pay 20% and 40% respectively. These kind of rules restrict the small businesses which can avail themselves of this program to only those with the upfront capital and cash flow to not only pay the full training costs themselves initially, but to potentially only get 60% reimbursed

by the government months later.

Many small businesses, especially those seeking government supports in the first place, are not in a position to absorb these types of upfront costs and therefore cannot and do not take advantage of this program, or others with similar institutional barriers.

Recommendation #5 – Reduce barriers to small businesses accessing and utilizing government support programs

e) Encourage Curation and Centralization of Employment Services

Employment, both hiring and retention, is the #1 issue facing our member businesses of all sizes and from all sectors. And while there are a lot of programs and services available to assist small businesses with recruitment and hiring, particularly of under-represented groups (such as persons with disabilities, newcomers, etc), these programs are often provided by disparate groups or agencies and can be difficult to find.

Recently, the Burnaby Board of Trade has been exploring ways to improve awareness of and access to existing programs. To that end, a ‘concierge’ approach to employment services, one which centralizes programs so businesses can access them from one source, would be beneficial. Small business owners are often juggling multiple responsibilities and priorities, and the easier it is to find, access and navigate government programs the more effective they will be. Easier access, coupled with broader eligibility and application as mentioned in recommendation #5, would benefit many small businesses.

Recommendation #6 – Explore options for creating a concierge system to centralize information about and access to employment programs

f) Utilize the Chamber Network to Help Increase Small Business Awareness

As identified in your discussion paper, and noted above, small businesses are often unaware of government programs and the Burnaby Board of Trade supports taking additional steps to increase awareness of the supports available to business.. To that end, there is one obvious omission in the provincial government’s Small Business Awareness Strategy: the chamber of commerce network.

The chamber of commerce network has direct, personal access to thousands of small businesses across the province and would be an effective vehicle for the provincial government to disseminate information and programs. By working with and through the chamber network, the provincial government can significantly improve its Small Business Awareness Strategy.

Recommendation #7 – Work with chambers of commerce and boards of trade to promote government programs and build awareness of supports amongst small businesses

g) Redouble Efforts to Reduce Red Tape and Streamline Services

Businesses of all types, and particularly small business, often express frustration when having to navigate complex government policies and lengthy bureaucratic processes. Attention should always be paid to finding ways of implementing and delivering programs in a simple, clear way.

Two specific streamlining efforts were mentioned in the Discussion Paper: mobile business licences and the OneStop Business Registry.

First, the implementation of mobile business licence (or intermunicipal business licence) programs has been a positive development. These programs allow small businesses to access a universal business licence which allows them to legally operate across municipal boundaries, instead of having to purchase a business licence in each municipality separately, saving time, effort and money. Currently, there are several different intermunicipal business licence programs in operation, but they are limited in the number of participating municipalities, and in the type of industries permitted to apply. The provincial government could make a renewed effort to work with municipalities to broaden these existing programs to cover more cities and more industries where appropriate.

Recommendation #8 – Work with municipalities to explore expanding the existing intermunicipal business licence programs

Second, the OneStop Business Registry is a good example of centralizing government programs so they are easy to use and access. However, the OneStop Business Registry has recently been experiencing significant delays which undermine the efficiency of the service altogether. For example, the delay to receive a business name approval recently was several weeks, up from the usual 5 day waiting period. Every small business in BC starts with a name approval, and creating delays at this early stage of a business puts an unnecessary barrier in the way of entrepreneurs. The provincial government should seek to rectify the delays at the OneStop Business Registry immediately so that this example of streamlined government processes can be successful once again.

Recommendation #9 – Invest in the OneStop Business Registry to alleviate and prevent delays for businesses using the service

I would once again like to thank you for the opportunity to share the thoughts, concerns and priorities of the Burnaby Board of Trade and our member businesses and would welcome any further opportunity to engage on ways to further support BC's small business sector.

Sincerely,

Paul Holden
President & CEO
Burnaby Board of Trade