CANADIAN FEDERATION OF INDEPENDENT BUSINESS

In business for your business™

2025 federal election
Small business platform

The Canadian Federation of Independent Business (CFIB) represents 100,000 small and medium-sized business owners from coast to coast, in all sectors of the economy. These SMEs are at the heart of our communities and our economy. They continuously seek ways to increase sales, grow, and support their employees and communities. This is particularly challenging in the current economic climate. SMEs are struggling with reduced consumer spending, high cost of doing business, new tariffs and excessive red tape, among other challenges. All these factors affect small businesses' viability, productivity, and ability to invest, which in turn affect Canada's economy and its productivity.

Further, the current trade situation with the USA and China could define Canada's economy for years to come. It requires bold actions by the Canadian government to help small businesses weather this storm and ensure that they are able to compete globally well into the future.

Below are recommendations that will help hundreds of thousands of Canadian SMEs face today's challenges and build tomorrow's economy.

13 Recommendations to support SMEs

Trade and tariffs	Small firms are struggling as they deal with the U.S.-Canada and Chinese tariffs and the uncertainty they create. To help SMEs, the federal government must take action to ease the impact by reducing red tape, eliminating internal trade barriers, and lowering the tax burden so that they are better able to compete. The government must also do more to support Canadian entrepreneurs as they move to diversify their markets and suppliers and ensure that the money collected through Canadian counter tariffs is returned quickly to impacted Canadian small businesses.
Eliminate the carbon tax	83% of small businesses want the carbon tax to be eliminated. While we were pleased to see the carbon tax rate set at zero, we still need a future government to pass legislation to formally eliminate the tax while and to ensure the small business carbon tax rebates are not taxable. Government should also follow-through on the promise to extend the qualifying deadline for past rebates to December 31, 2024.
Lower the federal small business tax rate	Immediately reduce the small business tax rate to zero for the foreseeable future to provide businesses to provide businesses with additional liquidity to sustain and grow their operations, and withstand the tariff threats. Over 93% of small business owners would support a lower small business tax rate.

Increase and index deductions and thresholds for small businesses	Increase the small business deduction (SBD) threshold for the small business tax rate to $700,000 and index it to inflation going forward so that it maintains its value over time. The SBD has not changed since 2009. Similarly, increase the passive income amount to $60,000 and index it to inflation moving forward, as it remains at $50,000 and has not increased since 2018.
Increase and index the lifetime capital gains exemption (LCGE)	Legislate the announced increase of the LCGE to $1.25 million and index it to inflation in the future.
Incentivize investment	A high capital gains inclusion rate adversely affects future business growth and investment, businesses' resiliency, and business owners' future retirement outcomes. CFIB recommends not increasing the capital gains inclusion rate. We also recommend introducing a lower inclusion rate for a certain amount of capital gains made beyond the LCGE to further encourage investment, business growth, and entrepreneurship. This lower inclusion rate should be available to businesses in all sectors, and include assets other than farm and fishing property, which could also incentivize the sale of underused or unused property (e.g., buildings, land, etc.) for development. Make immediate expensing available to all small businesses in all sectors instead of implementing complicated targeted programs.
Cut red tape: Adopt a 2-for-1 rule	Reducing red tape and excessive bureaucracy is key to enhancing productivity. To reduce red tape, CFIB recommends implementing a 2-for-1 rule, whereby 2 rules are eliminated for every new one that is introduced. This should apply to all legislation, policies, rules, and requirements, not just regulations. This could unlock up to $18 billion, currently wasted on red tape. In addition, simplify the tax system and tax filing notably by reintroducing the flat rate method for home office expenses, by increasing Goods and Services Tax (GST) and Harmonized Sales Tax (HST) remittances and source deduction thresholds and indexing them to inflation.

Remove barriers to internal trade: Implement mutual recognition

Recent studies have found that eliminating internal trade barriers could boost the national economy by 4 to 8%. About 90% of small businesses believe it is crucial for Canadian governments to prioritize removing barriers that impede the flow of goods, services, and labour across provinces and territories. Adopting a policy of mutual recognition would fast-track the removal of internal trade barriers within Canada. In the current trade context, this is as important as ever.

Immigration policy centred on labour market needs

Ensure that Canada's immigration policies better align with Canada's labour market needs. CFIB recommends creating a pathway to permanent residency for lower-skilled foreign workers who have maintained their legal status, acquired Canadian work experience, and paid taxes. The federal government should also allow temporary residents in Canada to work, or work more, if they are willing and able to do so.

Maximize the potential for labour force participation

It is important to avoid creating disincentives to work when introducing new programs or reforming existing ones such as the employment insurance program. In addition, enhance incentives for older individuals to work by allowing them to keep more of what they earn (e.g., increasing the Canada Pension Plan basic exemption amount).

Reduce payroll taxes on employers

Payroll taxes on employers can be reduced by introducing lower EI premiums for small businesses and by increasing the Basic Exemption Amount for the CPP which has remained unchanged since 1997.

EI premiums can be lowered for smaller employers, either by introducing a permanent, targeted, credit similar to the Small Business Job Credit (SBJC) that was in place in 2015 and 2016, or by changing the employer/employee split of the costs from 60/40 to 50/50. Either approach would enable small business employers to pay the same amount in premiums as their employees. Small businesses are more sensitive to EI costs as they are more labour-intensive, thus many (71%) identify payroll taxes as the most harmful tax for their business.

The majority of employers would pass those savings on to their employees in the form of higher paychecks.

No taxation without legislation	Budget 2024 announced numerous changes to capital gains taxes, including a higher inclusion rate. The CRA was planning to apply the new 66.7% rate despite the fact that no legislation had received Royal Assent. CFIB recommends that there be a limited period of time (like in the United Kingdom) to how long a tax increase is applied only through a Ways and Means motion.
Get a handle on the budget	The state of Canada's budget is worrisome for 95% of small business owners. The majority believes that the federal government should introduce a timeline to return to a balanced budget.

The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 100,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings. Learn more at cfib.ca.

For more information on this small business platform, please contact:

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