

# Ontario Election

## Party Leaders Respond to Independent Business

### Total Tax Burden

While most other provinces have either reduced or plan to eliminate the corporate tax they impose on small businesses, Ontario firms face one of the highest corporate tax rates in Canada. The recent Ontario budget plan to cut business education taxes by \$540 million over seven years offers welcome future relief. Still, the size of the BET problem will remain huge.

1. Will you commit to a multi-year tax reduction plan for entrepreneurs, including such elements as:
  - Reducing the small business corporate tax rate;
  - Increasing the threshold of income to which the small business corporate tax rate applies;
  - Accelerating the Business Education Tax cut plan from the current 7 year period; and
  - Adopting CFIB's 3-point plan for property tax reform.



1. ...We've moved the small business tax threshold to \$400,000, put in place a real plan to eliminate the capital tax and... introduced our plan to cut the Business Education Tax... [Our property assessment reforms] will improve the... stability of the system. But as I'm sure we both agree, there is more to do. And, we will continue to work with the CFIB to ensure we're taking the next steps needed to keep this vital sector vibrant.



1. ...[We] are committed to reducing total tax burden on small businesses... by phasing out [the] 'health' tax... [saving taxpayers] almost \$3 billion annually. [We] will eliminate the job-killing capital tax, on an accelerated timetable if possible, and will support the current plan for the reduction of the Business Education Tax. [Our] 'Truth in Taxes' policy will ensure taxpayers' dollars are spent [as] intended.



1. Clearly, property tax reform is long overdue. To rectify the problem [our] Taskforce recommended the upload of provincially mandated programs with a 10- year phase-in, beginning with social assistance. Only [then] will municipalities be able to keep property taxes down. [We] would also implement all 22 recommendations made by the Ontario Ombudsman in his report on property tax assessment system.

## Debt Reduction

Ontario's debt has risen to \$157 billion, up from \$148 billion in 2003-04. Now that the province is in the black, small business owners would like to see future surpluses allocated equally and mostly to debt repayment and tax reduction.

2. Will you commit to a strong debt repayment plan?



2. ...[Our] profound responsibility is to the next generation... we're on track for five consecutive balanced budgets... In the 2005-06 budget, we put almost \$300 million down against the debt [and expect] even better progress this year. ...For the first time the [electricity] stranded debt is below its 1999 level. We are committed to carrying on this sound fiscal management.



2. Ontarians get... frustrated when there is no value for money discussion about this additional \$22 billion [since 2003] annual spending. Taxpayers can count on John Tory to balance the budget each year, while continuing to allow for an annual reserve. [Unanticipated] funds will be used for planned additional priorities and debt reduction, but not unaccountable year-end spending sprees.



2. New Democrats believe Ontarians deserve much more rigorous accountability and management of their finances... At this point in time, New Democrats believe we must address the onset of climate change... Budget surpluses will be used to this, as well as other programming.

## Fair, Balanced Labour Laws

Ontario's Bill 144 has dealt very badly with many small firms and their employees. We are advised of reprehensible tactics being employed by union organizers, now that secret ballot votes are not required in each case. By removing the right to a secret ballot vote in the construction sector, other sectors are left to wonder if they will be next.

3. Will you commit to a supervised secret ballot vote in every union certification case?



3. The construction sector is unique and it's as far as we're going.



3. We believe supervised secret ballots should be the process through which all union certification cases are resolved.



3. No.

## Regulatory Burden, and Tax Administration

CFIB's 2005 study, Prosperity Restricted by Red Tape, pegged the total cost of regulatory compliance in Ontario at some \$12.8 billion, with micro size businesses shouldering an unfairly large share of the tab.

In addition, businesses serve as tax collectors for governments in several areas (RST, GST, Tobacco taxes etc.). Owing to the complexity of taxing provisions, huge assessments, penalties and interest charges can result, placing the business in jeopardy.

4. Will you commit to the following regulatory reforms:
  - Convert the Small Business Minister to a Minister of Deregulation, charged with working with the Small Business Agency of Ontario to count all the regulatory requirements imposed by the province on small businesses;
  - Implement a policy that requires Ministries to eliminate 2 regulations for every new one they introduce; and
  - Require all Ministries to regularly publish their regulatory count through the SBAO.
5. Will you commit to adopting a Tax Fairness/Rights Code/Charter that covers both taxpayers and businesses who must serve as tax collectors for government?
6. Will you move to 'compliance audits' (i.e. save harmless unless fraud or wilful misconduct) in lieu of 'enforcement audits'?
7. Will you update and improve Retail Sales Tax items, including vendor compensation, and the tax-exemption threshold for small meals?



4. ...we were determined to conclude our agreement with the federal government on corporate tax collection and auditing which is estimated to save Ontario businesses \$100 million in compliance costs and a further \$90 million in taxes.

We have reduced the amount of paperwork small businesses are required to complete by 24%, exceeding our 20% target. I am all for getting rid of unnecessary, out of date, and out of touch regulations. That makes perfect sense and, if we are successful in winning a second mandate,

4. A John Tory PC government will bring a British Columbia model of regulatory review to Ontario... Every ministry will have to show how much red tape it generates, have a rolling three-year plan to reduce that burden, and report publicly on its progress.

We will also introduce a 'smart regulation' system to measure the potential impact of new rules, track how they affect people and businesses, and report on how effectively they are working.

4. New Democrats commit to ensuring that new regulations, regulations brought forward for review, or other policy instruments, are properly vetted with the regulated communities... A straight regulatory count tells little about a particular regulations' objective or efficacy.
5. New Democrats are open to working with businesses to ensure this is done in a fair and transparent manner.
6. New Democrats are prepared to consider new approaches to increase the fairness of government tax collections.

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- [we] will work with you to do just that.
5. I'm willing to discuss any issue with you, including this one.
  6. We believe the current approach to audits is effective and ensures that the government has the appropriate revenues to invest in valuable public services. But we're happy to work with you to improve the auditing process.
  7. ... again, we're willing to work with you and other sectors to make sure the system is helping Ontarians help themselves and their province.



- Finally, John Tory will make the regulatory process more transparent so that proposed regulations are pre-published for public review, not just passed in secret by the Cabinet.
5. A John Tory PC Government will remove barriers to investment by favouring taxes that are predictable, fair and progressive, while working to streamline the collection process and eliminate unnecessary duplication and waste.
  6. If CFIB members or other stakeholders have suggestions for streamlining the audit process while maintaining strong enforcement of the rules, a John Tory PC Government would be willing to listen to and explore all such ideas.
  7. With respect to specific issues of retail sales tax reform, we will work with stakeholders like CFIB and its members to identify appropriate ways to tax smarter without raising the overall tax burden.



7. New Democrats are prepared to consider better ways to administer and collect taxes, including the Retail Sales Tax.

## Business Input Costs—Fees, Electricity, Waste Diversion

Government fees and license charges continue to go unchecked, with little accountability for the allocation of the monies to the purpose and for the division of the cost burden among payers. In addition, input costs like electricity continue to increase

8. Will your government commit to publicly list all fees and license charges paid by businesses, and to justify their calculation and set out changes as part of the annual Budget?
9. Will your government direct Waste Diversion Ontario to raise the \$2 million de minimis exemption on the Blue Box Plan Program to reflect definitions used by the provincial and federal governments for a small business?
10. How will you address remaining small business concerns with electricity, including the cross-subsidy to residential consumers inherent in the Regulated Price Plan (RPP) and, the risky plan to impose Time of Use meters and high peak rates on small firms who can't shift their load?



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| <ol style="list-style-type: none"><li>8. The Budget provides substantial information on revenues and expenses while Public Accounts provides more details on sources of revenues. We will continue to ensure this type of prudent fiscal management and disclosure continues.</li><li>9. We recently initiated a major review of the Waste Diversion Act. This review will involve extensive consultation with all stakeholders, including CFIB and small business, and also include regional and sectoral sessions across the province.</li><li>10. We are committed to working hard with business to create a culture of conservation here in Ontario.</li></ol> | <ol style="list-style-type: none"><li>8. We will appoint chief financial officers, just like the position in corporations with responsibility for tracking and managing money. We will also create an independent Legislative Budget Office that will prevent the government from distorting budget numbers, while demonstrating more accountability to elected parliamentarians.</li><li>9. Through consultations with waste experts, municipalities, conservationists and the private sector we will create a strategy that will target increases in recycling rates, reductions in the amount of waste sent to our landfills, and enhanced composting opportunities.</li><li>10. John Tory is committed to introducing smart meters where and when they make sense and will actually achieve results, without forcing them on consumers and businesses.</li></ol> | <ol style="list-style-type: none"><li>8. We believe in an open and transparent approach, but including such a justification in the annual budget does not appear to be the best method to achieve this.</li><li>9. The \$2 million threshold would be reviewed.</li><li>10. New Democrats do not support the McGuinty Liberal's "Smart Meter" program... Conversely, New Democrats will help finance small businesses to assist them in becoming more energy-efficient.</li></ol> |
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## Economic Development—Procurement

A much-neglected economic development tool is governments' and agencies' own purchases. While some recent work is promising, there is still no system to measure SME access to these opportunities.

11. Will you ensure transparency, fairness, and accountability of government purchases by: tracking/analyzing SME share of business; insisting that all opportunities are advertised on-line; and removing barriers to small business procurement such as breaking them into SME size chunks?



11. In January 2006, a report by the Task Force on Doing Business with the Government of Ontario was released identifying 11 recommendations to improve small and medium enterprises access to provincial procurements. We have begun moving forward on these recommendations. We look forward to working with the CFIB and others as we continue to improve access for small business to the government procurement process.



- 11 ...A John Tory government will work with our partners to ensure that Ontario's purchasing systems and practices are brought online and in line with other jurisdictions so that Ontario's small businesses are given a chance to compete.



- 11.Yes.

## Financing (Succession Planning)

Ontario is short of competitive options to the major banks, and this leaves our province especially vulnerable since a record number of SMEs cannot secure financing. CFIB's study on business succession found that the number one barrier to succession planning is financing for business owners' successors.

12. Will you help bridge the small business financing gap by introducing a capital gains incentive for direct patient capital investments in independent firms?



12. We are committed to meet these challenges... We will consider the role tax policy can play, including capital gains.



12. We will work with Ontario's business and financial services sector to develop a strategy to support increased economic growth from financial services jobs and investment in Ontario.



12. New Democrats would favour encouraging patient capital investments in independent firms, but a capital gains incentive may not be the best vehicle to achieve this.

## Workplace Safety and Insurance Board (WSIB), Mandatory Coverage

Under the guise of tackling the underground economy, the WSIB has made several attempts in recent years to boost premium income by changing “coverage” rules. CFIB members believe that the WSIB should pursue the cheats with a number of more effective measures, including a “named insured” system to track who they cover.

13. Will you refrain from expanding mandatory WSIB coverage, in sectors that are currently covered, to include owners, executive officers, and directors;
14. Will you refrain from expanding mandatory WSIB coverage, in sectors that are currently covered, to include independent operators; AND,
15. Will your government direct the WSIB to implement named-insured system to deal with cheating in the system?
16. Will you stop enlarging compensable injuries and system costs by policy creep (example: occupational diseases; measures contained in the latest budget to index benefits)



13. We will continue to work with you, and work for fairness as we look for the best ways to tackle the underground economy.
14. Again, the WSIB has a responsibility to crack down on underground economic practices. I also want to make sure that we work together, and ensure fairness.
15. In fact we’ve already asked, and the WSIB is in the process of establishing a working group to examine the feasibility of a named-insured system. We’re looking forward to the working group’s recommendations.
16. We remain committed to ensuring the WSIB’s mandate of fair and reasonable compensation for Ontario’s injured workers while working in a financially responsible manner.



13. We are mindful that expanding mandatory WSIB coverage is a problematic issue for CFIB and its members, and believe there is a strong business case for undertaking a broad review of WSIB’s mandate and operations.
14. Same as above.
15. A John Tory PC Government will take appropriate steps to ensure WSIB comes up with a plan to address this serious issue, with consideration given to implementing a named-insured system as recommended by CFIB.
16. Very careful consideration must be given when introducing new legislation or policy that encroaches on WSIB’s jurisdiction over occupational diseases and injuries. We are sympathetic to the serious concerns of small business owners regarding policy decisions that grow the size and cost of the system.



13. See answer to 14.
14. New Democrats support the recommendations of the Brock Smith report that concluded, after extensive consultations, that injury coverage should be expanded to cover all Ontario workers, with few exceptions.
15. No.
16. No.