



2024-25 Provincial Budget Submission

Submitted by: Saskatchewan Chamber of Commerce

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PROVINCIAL BUDGET SUBMISSION 2024-25

BACKGROUND

Since 1920, the Saskatchewan Chamber of Commerce (SCC) has represented the Saskatchewan business community, advocating on behalf of businesses of all sizes from all industries, as well as local chambers of commerce, and professional associations. As the voice of Saskatchewan business, the SCC is uniquely equipped to develop policies that accurately reflect the needs of the business community.

The SCC is continuously engaged with its members – seeking insight from the business community to provide recommendations that will help make Saskatchewan the best place to live, work and invest.

The following Provincial Budget Submission for the Government of Saskatchewan's 2024/25 Budget is compiled from a sample of **209** business leaders from October 11, 2023 to October 25, 2023. Businesses provided insight on provincial taxes, government expenditures, fiscal responsibility, investments, and overall government action to generate the recommendations in this submission.

GOVERNMENT REVENUES

A competitive and growth-friendly tax environment enhances productivity and economic welfare which is vital for businesses to thrive in today's economic conditions. Further, a competitive tax environment provides the confidence needed for businesses to invest capital and create quality employment opportunities. Securing and accelerating business investment is the most effective means to grow the Saskatchewan economy as it offers more levered and diverse investment generating substantially faster fiscal stimulus than government led endeavours.

With the remarkable growth seen post-pandemic and exemplified in Budget 2023-24 which forecasted taxation revenues at \$9.6 billion and an overall surplus of \$1.0 billion, the Government of Saskatchewan has strategically positioned itself to look at ways to further enhance competitiveness through potential adjustments to the provincial taxation system. Work here is essential as research suggests that Saskatchewan has one of the highest marginal effective tax rates (METR) on new or incremental capital investment among the provinces.

PROVINCIAL SALES TAX

Provincial sales tax (PST) attached to business activity in Saskatchewan is a problem for business competitiveness and has a negative impact on the provincial economy. A notable **61%** of survey respondents identified PST as having the greatest impact on the growing of Saskatchewan's economy. Additionally, **29%** of respondents identified PST as the highest priority tax to be reduced in Saskatchewan. Further, when asked which provincial tax, if reduced or reformed, would cause their business to invest more capital in Saskatchewan, **49%** of members selected the PST.

Rolling back the PST one-percentage point from 6% to 5%, would show the Saskatchewan business community that the province understands the current economic conditions and is committed to cutting taxes and making Saskatchewan a great place to do business.

PROVINCIAL CORPORATE INCOME TAX

Provincial Corporate Income Tax was identified by **45%** of respondents as the second most influential tax that impacts the provincial economy. Further, when asked which provincial tax, if reduced or reformed would cause their business to invest more capital in Saskatchewan, **45%** selected Provincial Corporate Income Tax, second to the PST.

Corporate taxes can impact business investment and profitability, which ultimately affects economic expansion and job creation. Saskatchewan's current Corporate Income Tax rate sits at 12%, behind Quebec (11.5%), the Northwest Territories (11.5%), Ontario (11.5%), and Alberta (8%). Nevertheless, the Saskatchewan business community appreciates the relief the province offered during the pandemic when the small businesses tax rate was temporarily reduced to 0% and it has only increased to 1% thus far. On July 1, 2024 the rate is scheduled to return to 2% on the first \$600,000 of eligible business income earned.

The government of Saskatchewan should consider maintaining the small business tax rate at 1% and reducing the Corporate Income Tax rate to 10% to ensure the maintenance of a competitive tax environment as stated in the Provincial Growth Plan's 20 Actions for the 2020s.

SASKATCHEWAN'S FUEL TAX

Saskatchewan's Fuel Tax was identified by **35%** of respondents as having an impact on the provincial economy. A further **24%** of respondents suggested the fuel tax as the highest priority tax to be reduced, while **30%** identified it as the provincial tax, if reduced or reformed, that would cause their business to invest more capital in Saskatchewan.

By lowering the provincial fuel tax, the Government of Saskatchewan could help to stimulate economic activity, specifically in the transportation sector, resulting in lower operational expenses and increased profitability. Saskatchewan's economy relies on the efficient movement of goods. Lowering the fuel tax can enhance the competitiveness of the transportation sector, ensuring a more efficient and cost-effective supply chain. This, in turn, could benefit various industries, including agriculture, manufacturing, and retail.

GOVERNMENT EXPENDITURES

The SCC membership acknowledges the crucial role played by the government of Saskatchewan in upholding and enhancing the quality of life enjoyed by its residents. A core tenet of the SCC is the belief that Saskatchewan should strive to be the best place to live. Despite differing views on the extent of government involvement, SCC members are united in supporting initiatives that strike a balance between competitiveness and quality of life, particularly regarding efforts that improve regulatory frameworks and/or execute effective government programs. As such, SCC members have identified the following priority areas where the Government of Saskatchewan should contemplate increased spending to further enhance the well-being of businesses and residents.

HEALTHCARE IMPROVEMENT:

Healthcare improvement emerged as the leading priority for **30%** of respondents in the SCC survey regarding government action on expenditures for Budget 2024/25. Notably, this marks a continuation of a significant shift which first appeared among SCC members in the 2022/23 pre-

budget survey putting healthcare improvement high on the priority list. This trend underscores a changed, and apparently growing, desire for advancements in the healthcare sector.

Ultimately, a significant **60%** of survey participants identified healthcare improvement as one of their top three priorities for government expenditure, solidifying its status as the highest overall priority within the SCC membership. Specifically, the SCC recommends that the government target investments in healthcare technology, medical research, and workforce development, while facilitating improved access to healthcare services.

EDUCATION ENHANCEMENT

Education investment was the top choice for only **16%** of respondents, but it had a consistent level of support across respondents, resulting in **46%** of respondents placing education investment within their top three priorities. This accumulative ranking indicates its significance to a substantial portion of the business respondents. In light of these findings, the SCC recommends that the Government of Saskatchewan consider strategic investments in education with a priority on aligning education with the evolving needs of the modern workforce. Beyond workforce development, it's worth noting that a substantial number of SCC members expressed their endorsement of education investments as a proactive measure to address the ongoing mental health and addictions crisis. Therefore, focusing on education can serve as a dual strategy that not only meets labor market demands but also contributes to tackling a pressing social challenge that is rapidly becoming a core business issue.

INFRASTRUCTURE INVESTMENTS:

Infrastructure investments garnered considerable support, with **48%** of respondents ranking it within their top three priorities. SCC members recognize the pivotal role infrastructure investment plays in establishing the groundwork for current economic success and fostering future growth. Enhancing interprovincial connectivity remains a top priority for Saskatchewan businesses. Notably, survey respondents underscored a specific emphasis on highways and rail transportation, particularly in regions like Northern Saskatchewan. Survey respondents also voiced concerns about power generation and distribution, highlighting issues such as private power production and the electrification of transportation.

Echoing its longstanding position, the SCC is once again encouraging the Government of Saskatchewan to prioritize infrastructure investment based on its potential for economic spinoff and opportunity. Such investments are pivotal in maintaining Saskatchewan's prosperity and pave the way for additional investment in the future. Furthermore, the SCC recommends that the Government remains diligent in planning the timing of projects to capitalize on the most cost-effective construction and project management periods. This strategic approach ensures that infrastructure initiatives are not only impactful but also efficiently executed to maximize their long-term benefits.

ADDITIONAL GOVERNMENT ACTIONS

CONTROL THE COST AND SIZE OF GOVERNMENT

The SCC survey revealed that the business community strongly supports the government controlling its cost and size. In fact, it was the number one priority for government action, as identified by **27%** of business respondents while **57%** had it among their top three. The SCC advocates for optimizing the size of government. Specifically, the Chamber is asking the

government to look for new ways to be more efficient and effective with the current level of financial resources.

ENCOURAGE SUSTAINABLE GROWTH:

Sustainable growth continues to be a concern for the business community, securing the third position on the priority list for government action, closely following health and education. A noteworthy **20%** of respondents deem it their top priority, while **56%** place it within their top three priorities. This underscores the widespread recognition within the business community of the importance of balancing economic development with long-term considerations. To effectively address this priority, the government of Saskatchewan is encouraged to concentrate on crafting policies that not only encourage business investment, entrepreneurship, and job creation but also actively contribute to environmental protection. Specifically, SCC members identified opportunities to incentivize green investments, supporting the expansion of renewable energy sources, and encouraging sustainable business practices.