

September 13, 2022

Hon. Chrystia Freeland
Deputy Prime Minister and Minister of Finance
80 Wellington Street
Ottawa, Ontario
K1A 0A3

Re: Urgent Action Needed on Accelerated Investment Incentive Program

Dear Deputy Prime Minister,

We the undersigned business associations write to request an urgent extension of the Accelerated Investment Incentive in the 2022 Fall Economic Statement. Specifically, the incentive's current rate should be preserved for three more years thereby delaying the proposed phase-out period to fiscal year 2027.

Business investment is critical to economic growth and rising household incomes. It has a major influence on the speed at which an economy can grow. Unfortunately, and for many years, Canada has lagged well behind other OECD countries in non-residential business investment. In the first quarter of 2022, non-residential business investment accounted for 15.1 per cent of GDP in the United States, but only 10.2 per cent of GDP in Canada. Worryingly, this was the largest gap on record.

The business community has long advocated for tax incentives that encourage companies of all sizes to invest in productivity-enhancing machinery, equipment, software, and technology. The announcement of the Accelerated Investment Incentive in the 2018 Fall Economic Statement was a welcome step in that direction.

Unfortunately, the 2020 pandemic halted that progress. Company investment plans were suddenly put on hold as the world grappled with public health restrictions, labour shortages and supply chain disruptions. In Canada, business investment in machinery and equipment (M&E) plunged by 15.4 per cent in 2020 and is still well below 2019 levels.

Canadian companies are navigating some of the most challenging investment conditions in history. Record levels of inflation, higher borrowing costs, workforce shortages, and rising geopolitical uncertainty are amongst the most pressing challenges facing companies today. On top of this, the Accelerated Investment Incentive will begin to phase-out in 2023.

Our view is that the pandemic did not allow eligible companies to take full advantage of the incentive. In the post-pandemic era, countries around the world are competing harder than ever to attract capital. It would be prudent for Canada to encourage rather than discourage higher levels of business investment at



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this time. Extending the incentive's current rate for three more years and thereby delaying the proposed phase-out period to fiscal year 2027 should help accomplish that goal and we urge the government to act on this now.

In addition, we ask that the government commit to reviewing the incentive's eligibility criteria to enable a broader scope of investment opportunities for Canadian companies. It is important that the incentive continue not only to support current qualifying companies, but companies that will be pivotal to achieving the government's strategic economic and industrial development initiatives in the years ahead including critical minerals and materials manufacturing.

Together, we can overcome the current uncertainty and set-up our companies and our economy for future success.

We look forward to your positive response.

Sincerely,

Dennis A. Darby, P.Eng., ICD.D
President and CEO
Canadian Manufacturers & Exporters (CME)

Goldy Hyder
President and CEO
Business Council of Canada

Honourable Perrin Beatty, P.C., O.C.
President and CEO
Canadian Chamber of Commerce

Dan Kelly
President and CEO
Canadian Federation of Independent Business