



RED TAPE REPORT

OCTOBER 2023

SBOT
SURREY BOARD OF TRADE

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INTRODUCTION

WHO WE ARE

The Surrey Board of Trade supports, promotes, and advocates for commercial and industrial interests for Surrey businesses — the city's economic drivers. With Surrey's significance growing rapidly in the Lower Mainland of British Columbia and across Canada, so does the importance of the Surrey Board of Trade's role in championing a strong, vibrant business community, and instigating change at the different levels of government.

OUR MEMBERSHIP

Surrey Board of Trade is a powerful link between business, government, and community with a membership of 6,000 member contacts and 60,000 employees.

WHAT WE DO

Since 1918, the Surrey Board of Trade provides businesses and organizations with:

1. Economic opportunity
2. International trade
3. Government advocacy
4. Business connections

Members can further expand their client base with our numerous networking opportunities throughout the year. We provide multiple levels of opportunity for members to promote their brand through business-to-business engagement and thought leadership.

ADVOCACY

We are an independent voice of business that develops positions on relevant topics of concern to our members.

No individual can succeed alone, nor can any business thrive without colleagues and support. The Surrey Board of Trade is here to help. With our many connections to government representatives, we advocate on their behalf.

PURPOSE OF SURVEYS

The Surrey Board of Trade periodically implements surveys, either voluntary opt-in or scientifically rigorous, on a range of topics. Member participation is voluntary and anonymous; however, the data is an invaluable tool for advocacy and policy development.

We thank all those who gave a few minutes of their time to provide information and direction on Surrey Board of Trade surveys.

THE RED TAPE SURVEY

We advocate for red tape reduction, defined as excessive bureaucracy, routines, rules, or complexity, which results in delays or unreasonable costs for business. Filing forms and applying for licenses are a part of doing business, however, we want to ensure that it isn't onerous on our members.

This is the seventh Red Tape Survey that captures member experiences from which the Surrey Board of Trade can measure improvement over time. Several emails introducing the survey were sent to the membership from the end of August to early October. The results are

presented at the annual Surrey Development Industry Forum, in conjunction with a press release of a summary of findings.

The Surrey Board of Trade conducts the Red Tape Survey annually to track improvements where they occur and identify concerns as they arise for our members. Specifically:

- To gain a deep understanding of our members' regulatory burden;
- To determine any actions, recommendations, or policies that may be required; and,
- To add to our body of knowledge that will lead to better regulation and lower costs for businesses and taxpayers.

This year's Red Tape Survey also included questions pertaining to the economic difficulties of higher inflation, interest rates, and supply chain issues. Understanding how these economic difficulties has impacted business operations, and the confidence in recovery will provide insight whether government's current policies are perceived as being beneficial or negligible.

The Red Tape Survey was inspired by both the Surrey Board of Trade's Finance and Taxation Policy Team and the Development and Land Use Policy Team.

EXECUTIVE SUMMARY

More than 62% of respondents identified as employers. The majority of respondents have indicated that they have experienced a decline in revenue/business or leads and operating costs have increased.

Below are recommendations made by the Surrey Board of Trade to governments. Given that our respondents are finding regulatory compliance to impede growth and innovation, it is reasonable to consider that it may likewise create disincentives for the broader business community.

RECOMMENDATIONS

Consistent with what our members have indicated for all six of the previous iterations of the survey, the Surrey Board of Trade recommends:

1. Governments improve their instructions on regulatory compliance;
2. That all levels of government improve their online service portals and call centre services, use clear language for instructions and ensure relevant links are up to date and working; and,
3. Agencies share information and make sure there are no duplicate information requirements.

Impact of Inflation, Interest Rates, Cost of Living	48.6% agreed or strongly agreed that inflation, interest rates, and cost of living increases impacted business operations.
Operating Costs	91.9% of respondents agreed or strongly agreed that operating costs have increased.
Federal Red Tape	CRA, CEBA, wait times, and disclosure filings were the processes with the highest levels of red tape.
Provincial Red Tape	Speculation and Vacancy Tax, approval times for developments, and disclosure filings were noted as the processes with the highest level of red tape.
Municipal Red Tape	Building and tenant improvement permit timelines, site remediation approval, homelessness and garbage removal strategy, and a lack of senior planners contributed to municipal red tape.
Regulations Impeding Growth	67.5% of respondents indicated that regulations impede their ability to grow their business.
Employer Health Tax Impact on Business	36.6% of respondents indicated that the Employer Health Tax was negatively impacting their business.

Increase the
Employer Health Tax
Exemption Threshold

63.6% of respondents agree that the exemption threshold should be increased to \$1,500,000.

Paid Sick Leave
Impact on Business

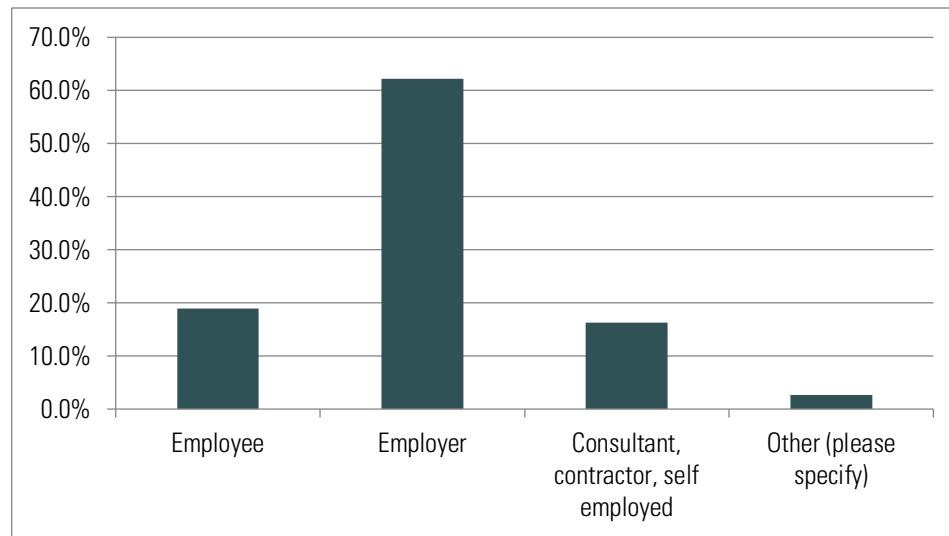
55.3% of respondents experienced an impact to their business as a result of the Paid Sick Leave legislation.

RESULTS SUMMARY

The responses from the respondents will be discussed in this section. Unlike previous surveys, which were released in late July to the Surrey Board of Trade's membership, this survey was released at the end of August.

Question 1

Respondent's role in the workforce.

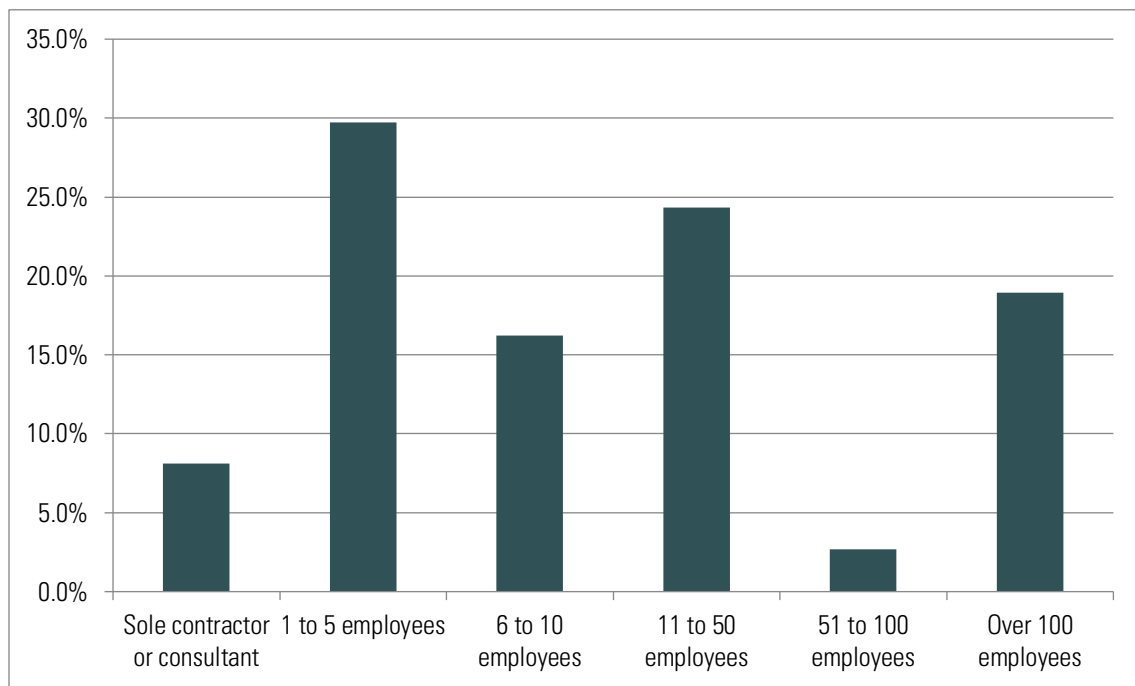


In each survey the Surrey Board of Trade releases, we initially ask a priming question to ensure that the results are indicative of the labour community. There are many businesses that are members ranging from sole contractors to employing hundreds, if not thousands, of people.

Question one asks whether the respondent is an employer, an employee, self-employed, or other. Those who selected "Other" as a response indicated that they are retired or unemployed. It is apparent that the respondents are involved in the labour pool in some fashion and therefore qualified to answer the questions within this survey.

Question 2

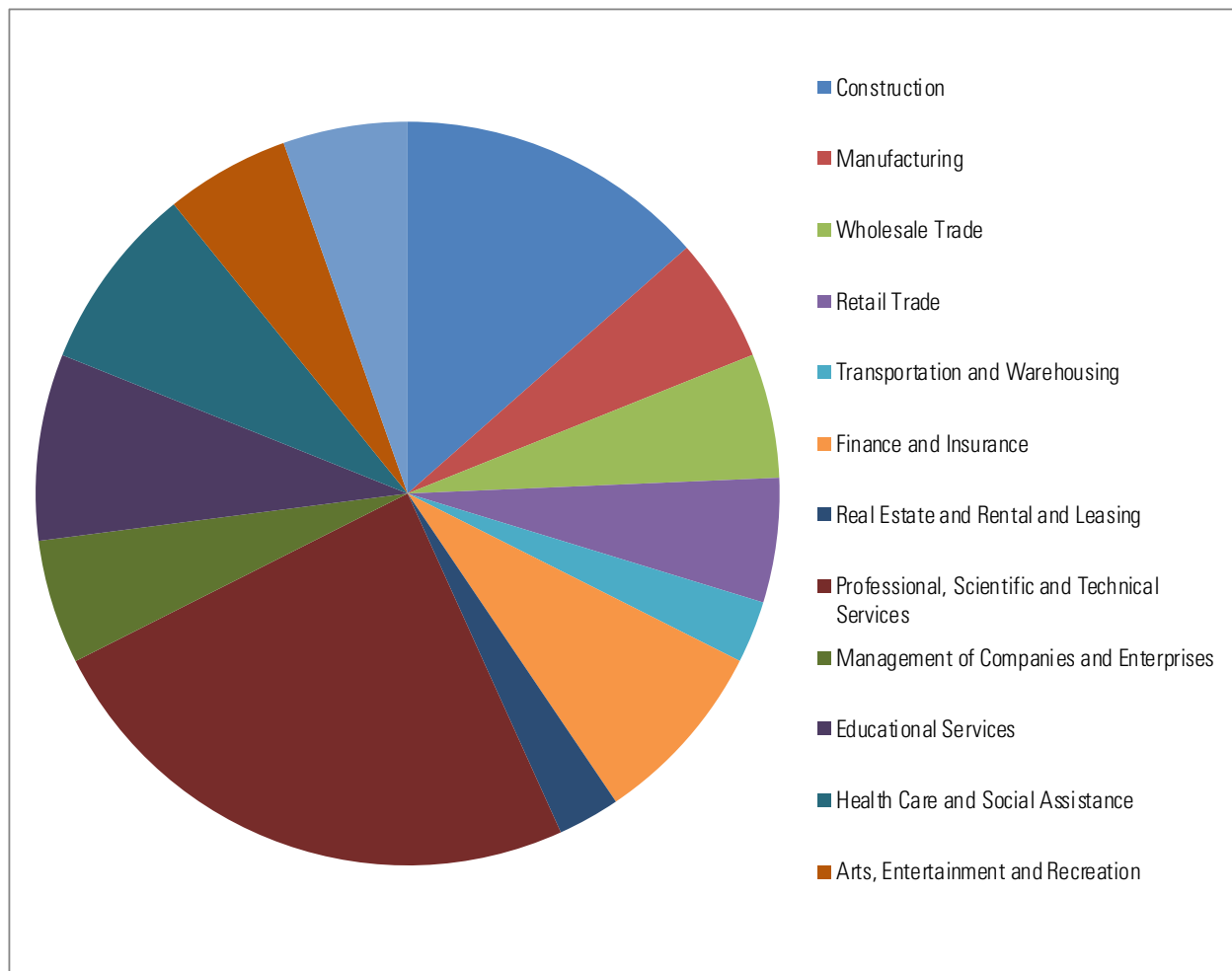
How many individuals are employed by your company?



The majority of the respondents belonged to organizations with less than 100 employees, which means they fall within the small business category. This is consistent with Surrey's business community demographics.

Question 3

Which category would best describe your company?¹



The largest number of respondents at 24.3% indicated they fall in the professional, scientific and technical services category.

The next highest number of respondents come from construction services (13.5%), with finance and insurance, education services, and health care and social assistance tied (8.1%). The top 13 are indicated in the chart above.

¹ NAICS based choices

Question 4

Impact of inflation, interest rate hikes, cost of living, and other factors on business.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
We have experienced a decline in revenue/business or leads	8.1%	29.7%	13.5%	27.0%	21.6%
We have experienced an increase in revenue/business or leads	30.6%	19.4%	27.8%	16.7%	5.6%
We had to adjust our pricing strategy	0.0%	2.7%	27.0%	54.1%	16.2%
Operating costs have increased	0.0%	5.4%	2.7%	18.9%	73.0%

With the impact of inflation, interest rate hikes, cost of living, and other factors on their business in mind, we asked respondents to rate the above statements.

91.9% of respondents indicated that they agree or strongly agree that operating costs have increased. Additionally, 50% of respondents indicated that they disagree or strongly disagree that they have experienced increases in revenues/business or leads. This shows that the cost to do business has increased whereas revenue has not.

The need to adjust prices depends on whether the business is still operable. Of those that responded to the survey, many adjusted their pricing. Some businesses had to raise their prices due to decreased traffic and increased overhead because of interest rates, supply chain issues, inflation, and many other reasons, but others had to lower their prices to remain competitive.

Question 5

Confidence in future business and sales.

Respondents were asked how confident they are in future business and sales. The average number reported was 5.6. This survey was collected during the height of interest rate increases, and during the economic cooling reported in early October. As a result, some respondents believed that since interest rate increases were going to end and inflation was coming down, they became more positive about the economic outlook.

In previous years, we asked whether respondents were confident, neutral, or not confident at all. The majority of respondents in 2022 indicated neutral or confident.



We asked this same question in our 2020 and 2021 surveys, and the confidence level has dropped and many more are neutral. Inflationary pressures, interest rates, geo-political crises, and supply chain changes are all potential reasons for this result.

Question 6

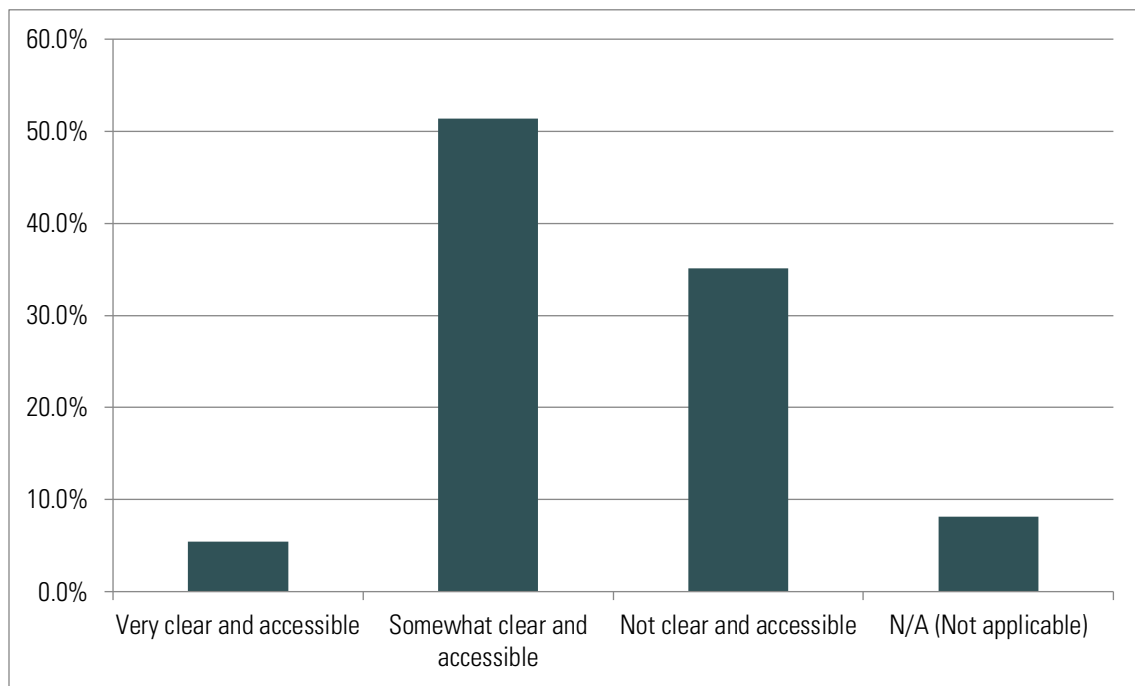
Federal red tape.

We asked respondents to provide agencies or departments at the federal level that were perceived to have the most bureaucratic challenges and excessive regulations. The examples given included:

CRA T1 adjustments	Expanded Trust Filings
Underused Housing Tax	Business registration
Regulatory approvals for spill site remediation	COVID-19 Border Policies
CEBA Loan Program Payback	CRA Administrative Errors
Federal Payroll Survey	Immigration
CRA Waiting Period	RCFI Lending Policies
CRA Payroll Submissions	Digital Adoption Grant Process Hurdles
Wage Subsidy Programs	Government RFP Process
GST Refunds (3 Month Processing Time)	Director disclosure filings
Penalties on Late Tax Payments as a result of late client payments	Connecting with any government agency or department

Question 7

Clarity and accessibility of federal tax filing requirements and processes.



This year, we asked our members whether they felt that federal tax filings were clear. It is apparent that there is work to be done for the Federal Government to make things more accessible and clearer. In a time where businesses are being taxed substantially and are grappling with rising costs, government needs to work with business to make things easy and efficient.

Question 8

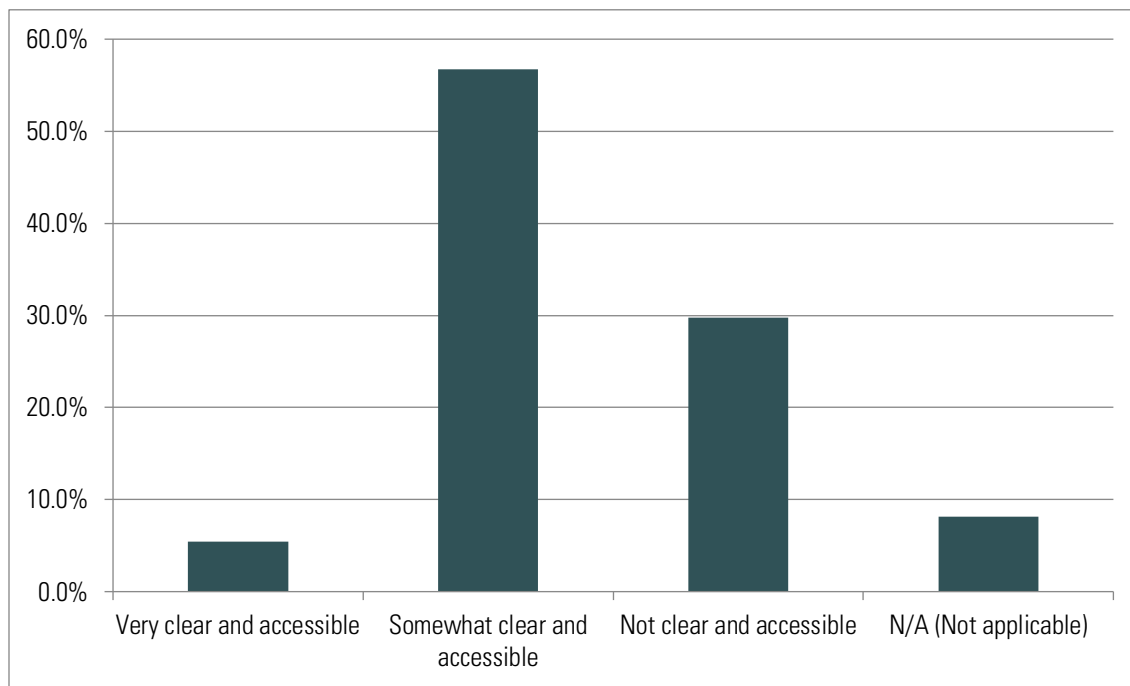
Provincial red tape.

We asked respondents to provide agencies or departments at the provincial level that were perceived to have the most bureaucratic challenges and excessive regulations. The examples given included:

Sole proprietorship registration is too complex	Liquor board approvals process
No step-by-step process to register and operate a business	BC Speculator Tax filing requirements are duplicates of Federal filing requirements
Slow response from all Ministries	Ministries that are dealing with development approvals
Fraser Health inspection process	Provincial rent subsidy is onerous
Approval time from MOTI and Archeological Branch	Director disclosure filings

Question 9

Clarity and accessibility of provincial tax filing requirements and processes.



Similar to question seven, we asked employers how they felt about provincial tax filing requirements. Again, the province can provide more information about filing, enhance accessibility, and create more lines of communication with the public.

The Speculation and Vacancy Tax payment, mentioned in a previous question, has a convoluted payment process. Additionally, it is unclear whether the process is fully understood by staff. The Speculation and Vacancy Tax's purpose is to turn vacant homes into housing for people in BC and to incentivize people to sell their property rather than holding onto it as an investment. However, this is no longer a seller's market and buyers are few and far between due to the economic downturn, high interest rates, and banks not lending money. The housing market has drastically cooled since the Speculation and Vacancy Tax was introduced.

If a property is vacant because an owner is in the process of building, but the permitting timelines have delayed construction and no permits being issued, the owner will have to pay the Speculation and Vacancy Tax. Effectively this means a resident is being taxed for government inefficiencies. There needs to be an updated submission that excludes owners of property from having to pay if they are in the process of developing (with or without permits) or selling – if a contract to sell is signed.

If a property is in the process of being built, and a developer has the means to pay the tax and still pursue development, the cost of the Speculation and Vacancy Tax will be applied to the final cost of the home.

Question 10

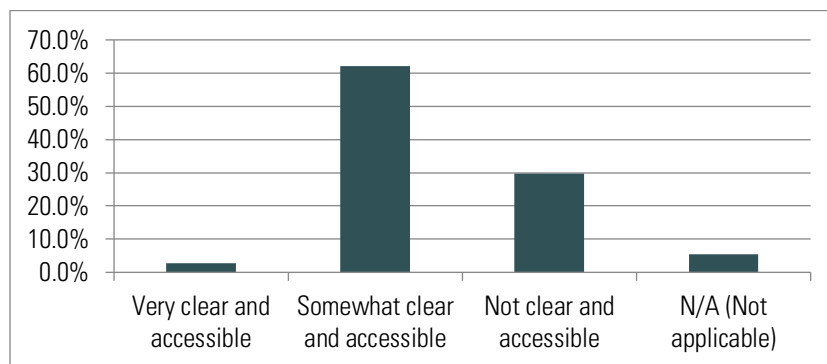
Municipal red tape.

We asked respondents to provide agencies or departments at the municipal level that were perceived to have the most bureaucratic challenges and excessive regulations. The examples given included:

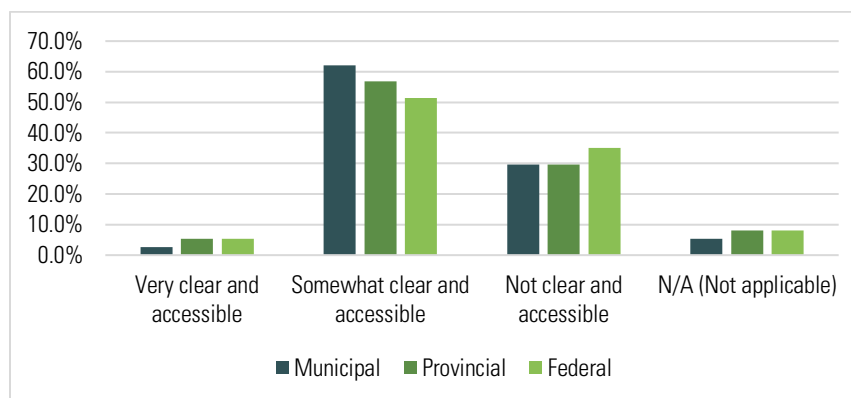
Lack of a cohesive strategy around homeless and garbage removal putting businesses at risk	Site remediation approval is time consuming
Building permits are slow to issue	Business licenses are not issued in a timely manner
Lack of senior planners and checkers with authority to make decisions	Certified Professional's opinions and drawings are not accepted by junior planners
Urban Design Group and an Advisory Design Panel at times contradict each other's recommendations or comments	When a permit is issued the Municipality absolves themselves of all liability and error that may arise from their review
Building permit approval process for mobile home installations are not based on a proven process	Delays in contract awards to the point of the contracts becoming stale

Question 11

Clarity and accessibility of municipal tax filing requirements and processes.



Municipal government tax filing requirements are perceived as unclear and as inaccessible as their federal and provincial counterparts. More work needs to be done by all levels of government to ensure the filing process is easy to understand.



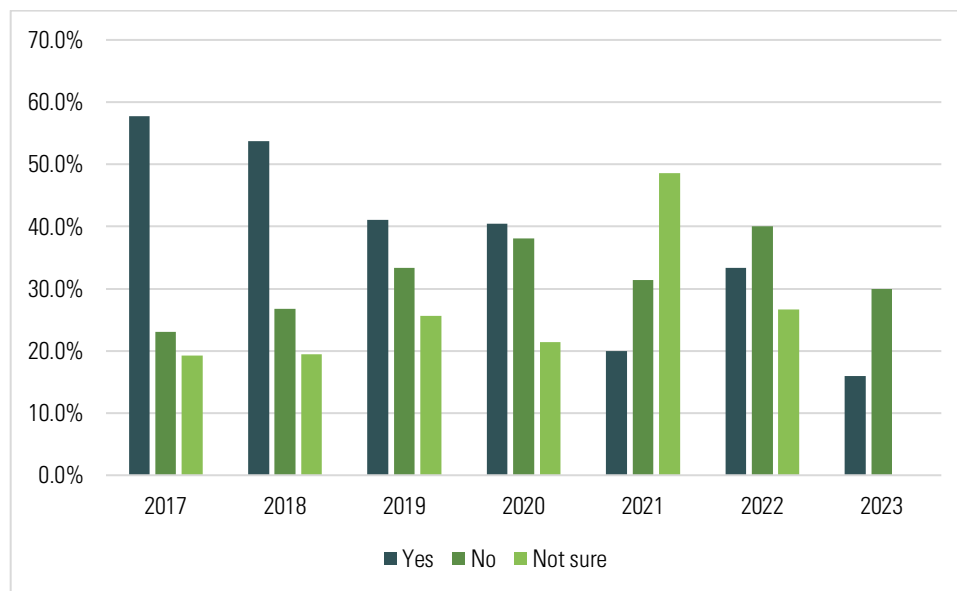
The table above showcases the unclear nature of tax filing for all levels of government.

We asked respondents to provide details on the challenges they face. The results are illustrated in the table below.

Misalignment of self-employers' tax filing deadline (June 15) and tax payment deadline (April 30).	Misalignment of corporate income tax return filing (six months from year-end date) and tax payment deadline (three months from year-end date).
BC Speculation Tax is going to cause cascading debt as mortgage costs increase but the market value of the land depreciates.	There is no accountability in appropriately managing tax dollars collected.
Property tax increases are unmanageable.	GST refunds are slow.
Underused Housing Tax	Remove the PST

Question 12

Do you report the same information to different government agencies?



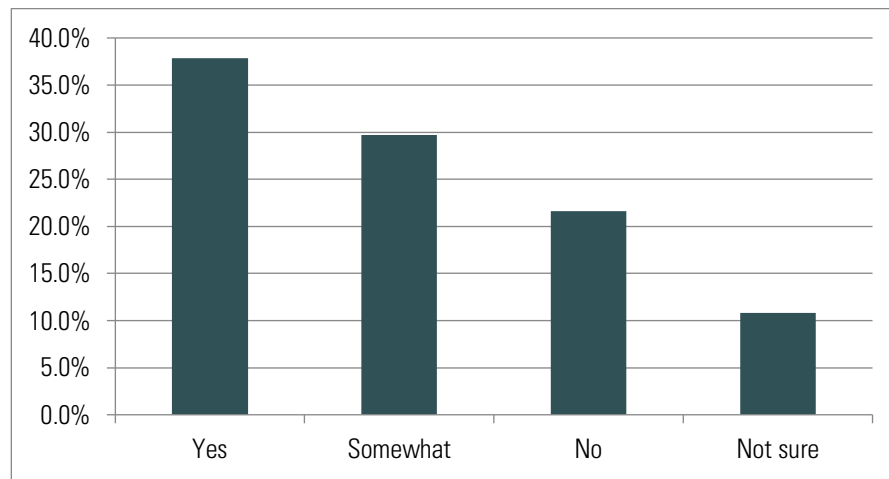
Over the years, it is apparent that fewer businesses are reporting the same information to different government agencies. The responses in 2017 show the highest indication of reporting the same information to multiple agencies, which has steadily declined since then. It can be inferred that government reporting has become somewhat streamlined and resulted in fewer overlapping requirements.

We also asked those that indicated that they were reporting the same information to tell us what information is being re-reported. They indicated the following:

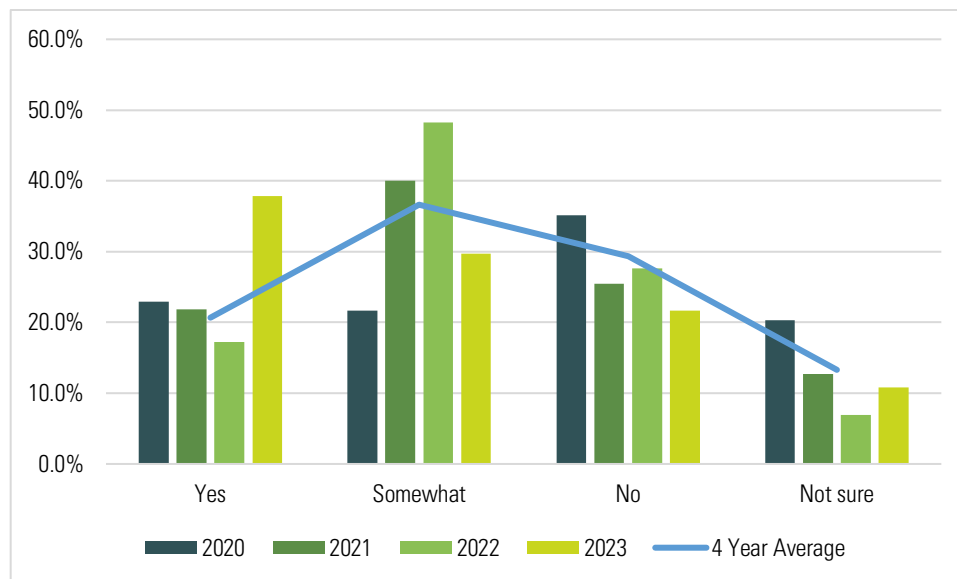
- Department of Fisheries and Oceans, Ministry of Transportation and Infrastructure and Ministry of Environment require information and studies that were part of the original application
- Long-term care health tools reported to both Ministry of Health and Fraser Health Authority
- Childcare funding reporting to City and Ministry of Childcare
- Director disclosures are needed by the Federal Government and the Provincial Government. They need to be disclosed for the Speculation Tax, Underused Housing Tax, LOTA filings, Trust Agreement Filings, and many others.

Question 13

Is compliance with regulatory requirements preventing your business from making changes to grow?



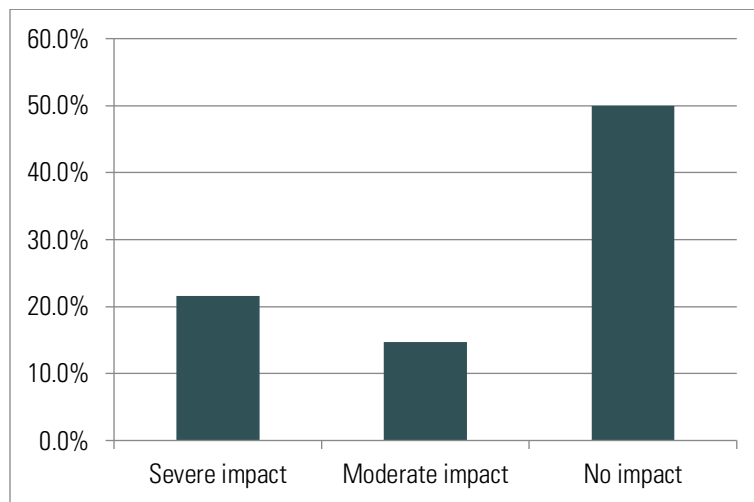
In this question, respondents were asked if regulatory requirements prevent their businesses from growing. There are many who indeed did indicate there is some impact – 67.5% stated that there is an impact.



Although regulations are a necessary part of doing business, there is room for improvement. If regulations hinder growth, governments need to look at policy and assess whether the regulations can change so that Canada can maintain a competitive edge in a globalized market. Assessing our regulations against that of other countries is necessary to drive global growth and investments.

Question 14

Impact of Employer Health Tax on business.



The Employer Health Tax (EHT) in British Columbia is a payroll tax implemented to help fund the province's healthcare system.

Employers with BC remuneration greater than \$500,000 (exemption amount) in a calendar year must register for the Employer Health Tax.

Employers include an individual, a corporation, a partnership, a trust or a government.

A joint venture is not considered to be an employer for purposes of the Employer Health Tax. Rather, it is the venturers individually that are considered to be the employers.

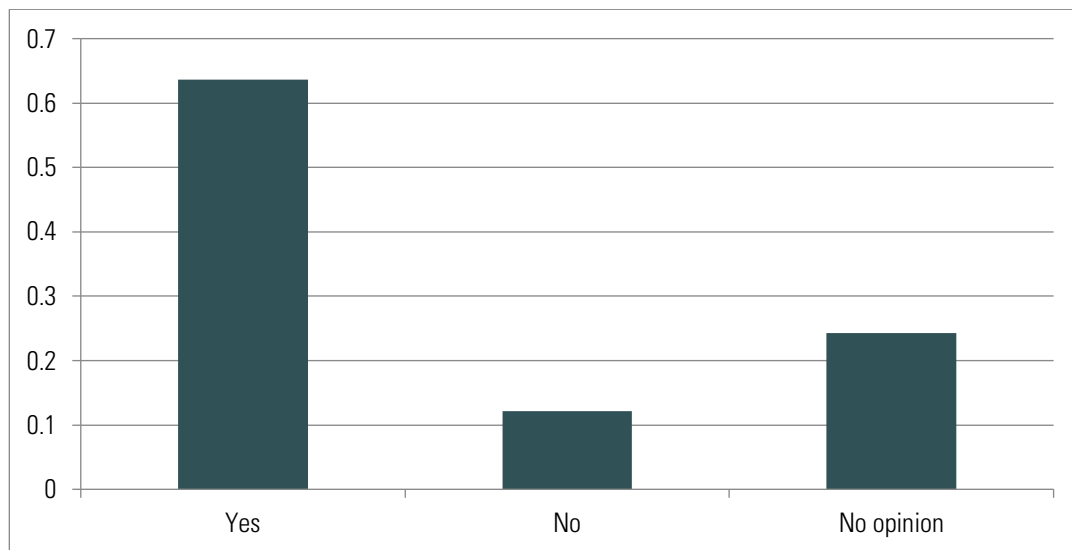
Employers with BC remuneration:

- Of \$500,000 (exemption amount) or less don't pay Employer Health Tax
- Between \$500,000.01 and \$1,500,000 (notch rate amount) pay the reduced tax amount as calculated:
 - $2.925\% \times (\text{BC remuneration less } \$500,000)$
- Greater than \$1,500,000 pay the tax on their total BC remuneration as calculated:
 - $1.95\% \times \text{total BC remuneration}$

The table above indicates that 36.3% of respondents experienced a moderate to severe impact while 50% of respondents experienced no impact at all.

Question 15

Support to increase the EHT exemption threshold.

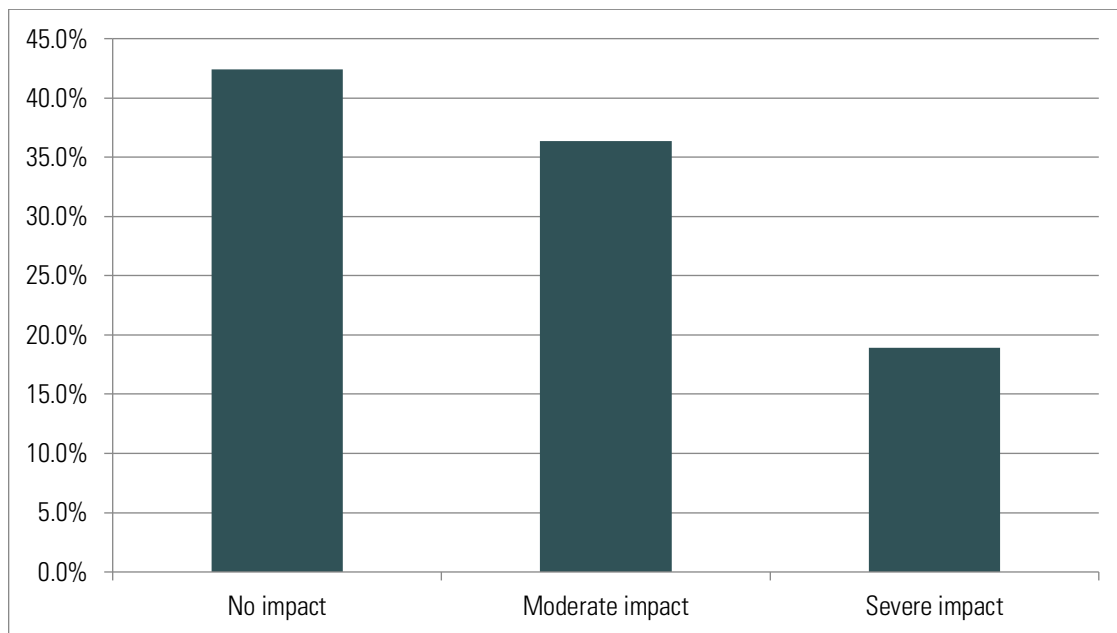


The BC Green Party has indicated it hopes to see an increase in the exemption threshold from \$500,000 to \$1,500,000 for businesses paying the Employer Health Tax. We asked respondents if they supported such a shift. There was overwhelming support from the business community to make this change.

Businesses indicated that this added cost prevents them from hiring more people and expanding their business.

Question 16

Paid sick leave impact on business.

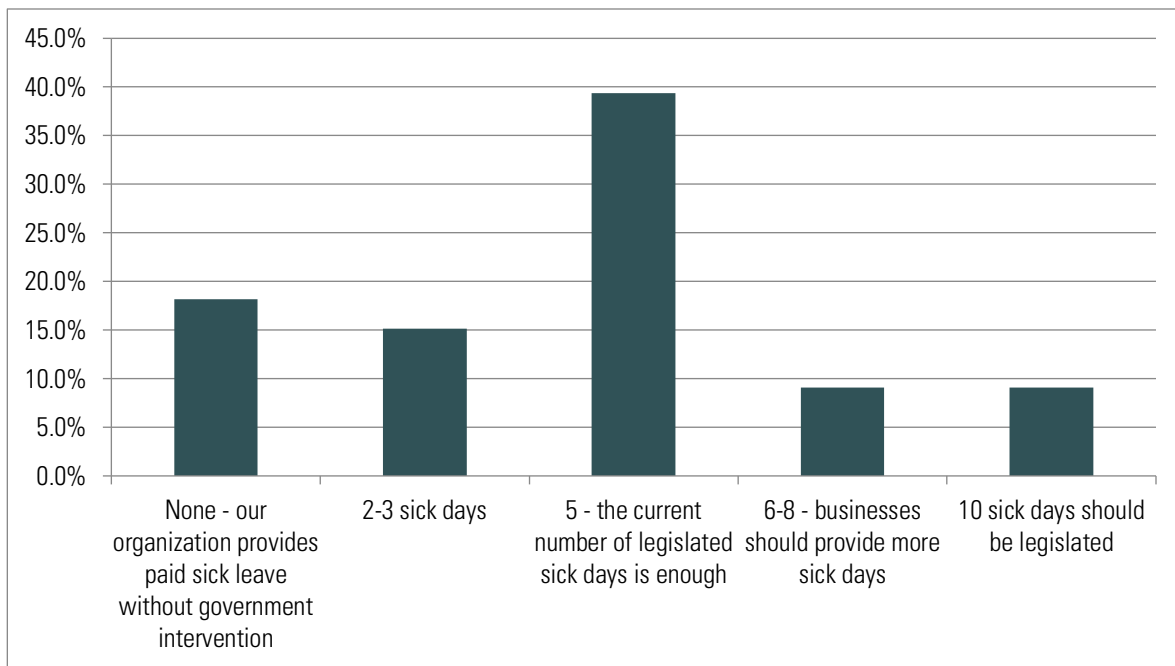


Most respondents have indicated that the Paid Sick Leave legislation has had an impact to business operations (55.3%). Respondents are indicating that employees are taking advantage of the sick days, which slows production.

Many respondents did indicate that there is no impact. When asked to explain, the resounding reason was that the business already offered commensurate sick day pay without the need for regulations.

Question 17

How many sick days should be legislated?



The respondents indicated that five sick days or fewer is the preferred option at 54.5%. Only 18.2% of respondents wanted more sick days. 18.2% of respondents already provide paid sick leave without government intervention.

Question 18

Specific regulatory reform.

Respondents indicated areas or regulations believed to require immediate attention and reform below:

CRA processing time	Faster turnaround for all departments, ministries, and levels of government
More live customer support agents are needed	Lenient zoning for daycare centres
Prompt payment legislation is needed	Speculation Tax
Underused Housing Tax	Director Reporting Requirements – streamline and share information

Question 19

Final thoughts.

As we have in previous iterations of the survey, we asked if respondents had any further suggestions or comments that were not discussed in previous questions. Key themes emerged in the responses offered. They include:

- Regulatory branches and agencies should be honest with the wait times and time it takes for approval.
- Whether local, provincial or federal, there should be better systems in place to provide for a more timely response, as well as clear access points, such as area specific telephone numbers and/or emails.
- Take cues from pro-development cities such as Calgary.
- One agency collecting information is best. But here in Surrey it takes a lot of time (weeks to months) for one department to get information from other department while working in the same office building.
- We must find new solutions to hold paid elected leadership officials accountable for their decisions and their actions.

CONCLUSION

Businesses in the Lower Mainland have struggled through the pandemic and require red tape reductions to help them to recover. Therefore, the Surrey Board of Trade concludes that local, provincial, and federal governments must reduce red tape. The business community is unable to innovate or scale up if they are continuously hammered with new and increasingly complicated regulations and red tape. The members that experience high amounts of red tape include the construction and professional services sectors, although the service sector (including restaurants, and others) has seen an increase in regulatory burden because of inflation, interest rate hikes, cost of living, supply chain issues, catastrophic weather events, geopolitical strife, and economic fluctuations.

All levels of government need to reassess their policies and regulations to provide an economic environment that permits growth and innovation. Without drastic change, our job creators will shut down, economic prosperity will dwindle, and industry will seek greener pastures in less regulatory-intensive countries.

The government must innovate the way that incomes taxes can be filed, and how data is collected as SMEs are suffering from this overburden. Governments can see that there is opportunity to increase growth and innovation in the business community by creating efficiencies in reporting and paying taxes.

Considering an economic slowdown as a result of many international and domestic factors, and a potential recession, Canada's competitive edge is dwindling. It is for this reason that the Surrey Board of Trade calls on the political leaders of the local, provincial, and federal governments to act and preserve the economy.

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