



**Canadian
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**2026 ONTARIO PROVINCIAL PRE-BUDGET SUBMISSION
SUBMISSION BY: CANADIAN FRANCHISE ASSOCIATION**

JANUARY 2026

Recommendations

Recommendation 1: That the Government of Ontario create an Employer Training Tax Credit to enable the nearly 450,000 Small and Medium Enterprises (SMEs) in Ontario to recover a portion of the costs associated with training employees.

Recommendation 2: That the Government of Ontario create a Career Extension Tax Credit to encourage workers aged 60 and over to remain in, or re-enter, the workforce by offsetting a portion of provincial income tax obligations.

Recommendation 3: That the provincial government ensure franchised and non-franchised small businesses are treated equally across all provincial regulations, grant programs, and government-administered initiatives throughout the Government of Ontario.

Recommendation 4: That the Government of Ontario work with federal government and other provinces to reduce the overall regulatory and tax burden on Small and Medium Enterprises.

January 30, 2026



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The Honourable Peter Bethlenfalvy
Minister of Finance
c/o Communications Services Branch
Frost Building North, 3rd Floor
95 Grosvenor Street
Toronto, Ontario
M7A 1Z1

RE: Recommendations on the Development of the 2026 Ontario Provincial Budget

Dear Minister,

The Canadian Franchise Association (CFA) appreciates the opportunity to participate in Ontario's 2026 Pre-Budget Consultation and to provide recommendations aimed at strengthening the province's small business economy.

Franchising enables Canadians to be in business for themselves, but not by themselves. When an individual purchases a franchise, they become an independent small business owner, investing their own capital, hiring and managing employees, and managing the day-to-day operations of their businesses, while gaining access to a proven business concept, a recognized brand, and established operating systems. Franchisors provide ongoing training, guidance, and operational support designed to promote consistency and long-term success. The strength of the franchise model lies in this foundational relationship between franchisors and franchisees.

Many of the businesses that Ontarians rely on every day are franchised small businesses owned and operated by local entrepreneurs. When residents get their morning coffee, have their vehicle fixed, send a package to a loved one, take their children to after-school activities, or dine with their families, they are often supporting a locally owned franchise. The average Canadian visits a franchised small business between three and five times each day, often without realizing it. These businesses are embedded in communities across the province, creating jobs, supporting municipal tax bases, and giving back to the communities they serve.

Franchisees live, work, and create jobs in every region of Ontario. They invest personal savings, take on debt, and assume financial risk in the same way as any other small business owner. Supporting a franchised small business is, in practice, supporting a local small business.

Franchising represents a substantial share of Ontario's economy. CFA estimates indicate that Ontario is home to nearly 33,000 franchised establishments,¹ employing close to 900,000 Ontarians² and contributing approximately \$67 billion to provincial GDP.³ Franchised businesses operate across more than 60 sectors, including restaurants, retail, automotive, senior care, education, health and fitness, and professional and home services.

Despite their contributions, franchised small businesses continue to face sustained structural pressures. Persistent labour shortages, elevated employee turnover, rising borrowing costs, inflationary pressures, and increasing regulatory complexity constrain growth and limit the ability of small business owners to

¹ *Canadian Franchise Industry Economic Outlook 2025 at p 8 Table 2*

² *Ibid, Table 9*

³ *Ibid, Table 2*

reinvest in productivity-enhancing activities. The recommendations below are intended to support Ontario's approximately 450,000 Small and Medium-sized Enterprises (SMEs)⁴, including franchised businesses, by improving access to labour, strengthening productivity, and ensuring fair and consistent treatment across business models.

Recommendation 1: That the Government of Ontario create an Employer Training Tax Credit to enable the nearly 450,000 Small and Medium Enterprises (SMEs) in Ontario to recover a portion of the costs associated with training employees.

Canada faces a long-standing productivity challenge that continues to constrain economic growth and real wage gains. The Bank of Canada has consistently highlighted weak productivity growth as a structural, economy-wide issue that has persisted for decades.⁵ Recent Statistics Canada data show quarter-to-quarter volatility in productivity, underscoring the absence of sustained improvement and the need for targeted policy intervention to support business investment in workforce efficiency and skills development.⁶

Canada's productivity challenge is compounded by persistently low employer investment in training. A 2023 report from the Future Skills Centre estimated that the average Canadian employer invests only \$240 per employee per year in training.⁷ This level of investment lags behind that of comparable OECD economies in both total spending and hours of instruction.⁸ At the same time, research confirms that training delivers measurable productivity gains: a 2006 study by the Centre for Economic Performance found that a 1.0% increase in training intensity is associated with a 0.6% increase in productivity.⁹ Increasing training investment among new and existing employees, therefore, represents a proven and scalable pathway to improving productivity outcomes across Ontario's SME sector.

The franchise business model demonstrates how sustained investment in training improves small-business performance. Evidence summarized in the *Value of Franchising* report shows that franchised small businesses invest more in training than comparable non-franchised SMEs. Franchisees are more likely to have formal training policies, train a larger share of their employees, and provide more training hours per worker. Training remains one of the most important components of franchisor support, with 57% of franchisees identifying employee training and 64% identifying franchisee training as "very important" to their success.¹⁰ As a result, franchisees invest more in their employees than in similar non-franchised small businesses.

In Ontario, franchised small businesses play a significant role in workforce development, particularly for young and entry-level workers. Franchising is often a first point of labour-market attachment, providing structured training within a proven operating model. These skills frequently remain transferable as workers progress into more senior or specialized roles. Evidence also suggests that franchised small businesses often offer higher wages and more comprehensive benefits than comparable non-franchised firms, reflecting the productivity gains associated with higher training intensity.

Together, Ontario's persistent productivity challenges and low levels of employer training investment present a clear opportunity for targeted government action. Strategic incentives that reduce training costs can help shift employer behaviour toward sustained investment in workforce skills, particularly among SMEs facing tighter financial constraints.

⁴ Statistics Canada, [Table 33-10-1014-01 Canadian Business Counts, with employees, June 2025](#)

⁵ Bank of Canada remarks on Canada's long-running productivity weakness.

⁶ Statistics Canada, [Labour productivity, hourly compensation and unit labour cost, fourth quarter 2024](#)

⁷ https://fsc-ccf.ca/wp-content/uploads/2023/02/2023-02-Employer-Sponsored-Training_EN.pdf

⁸ *Ibid*

⁹ Dearden, L., Reed, H., & Van Reenen, J. (2006). The Impact of Training on Productivity and Wages: Evidence from British Panel Data. Oxford Bulletin of Economics and Statistics, 68(4), 397-4211

¹⁰ *Oxford Economics, The Value of Franchising, International Franchise Association Foundation, January 2026*

An Employer Training Tax Credit would provide SMEs, including franchised small businesses, with meaningful support to offset investments in their employees and in Canada's overall productivity level. By allowing employers to recover a portion of eligible training expenses, the credit would incentivize investment in skill development, strengthen employee retention, and enable firms to scale their internal training systems, thereby improving service quality and competitiveness. For Ontario's SME sector, which forms the backbone of local economies across the province, this measure would support productivity improvements while easing one of the most persistent and costly operational challenges facing small business owners.

Recommendation 2: That the Government of Ontario create a Career Extension Tax Credit to encourage workers aged 60 and over to remain in, or re-enter, the workforce by offsetting a portion of provincial income tax obligations.

Ontario is entering a period of sustained labour force pressure driven by demographic change and a deliberate federal policy shift to slow the growth of temporary residents. Temporary residents—particularly international students and temporary foreign workers—have played an increasingly important role in sustaining Ontario's labour supply over the past decade, especially in service-intensive and consumer-facing sectors.

Federal policy changes introduced in 2024 and reinforced in subsequent immigration planning documents materially reduce this source of labour supply. According to Immigration, Refugees and Citizenship Canada (IRCC), 516,275 individuals held study permits in Canada in 2024, following the introduction of a national cap on new study permit applications of approximately 485,000.¹¹ Administrative data show that the number of newly issued study permits declined by approximately 24% between 2023 and 2024, marking a significant slowdown after several years of rapid growth.¹²

This policy direction is not temporary. Under the federal 2026–2028 Immigration Levels Plan, Canada has set progressively lower targets for new temporary resident arrivals, which decline to 385,000 in 2026, then hold at 370,000 in 2027 and 2028.¹³

These targets are substantially below recent historical levels and reflect an explicit federal objective to reduce the temporary resident share of Canada's population to below 5% by the end of 2027. Within these totals, new international student admissions are projected at approximately 155,000 in 2026, with further moderation in subsequent years, alongside reduced work-permit admissions.¹⁴

The impact of this shift is already visible. Statistics Canada reports that the number of non-permanent residents in Canada declined by a record amount in the third quarter of 2025, falling from 3.02 million on July 1, 2025, to 2.85 million on October 1, 2025. The decline was driven primarily by reductions in study permit holders and individuals holding both work and study permits. As temporary resident inflows continue to moderate over the next three years, Ontario employers will face tighter labour market conditions with fewer new entrants available to offset retirements and workforce exits.

At the same time, Ontario is not fully harnessing one of its most experienced and immediately available labour pools: workers aged 60 and over. Between January 2020 and 2025, Ontario's population aged 60+ increased by approximately 576,289 individuals, from 3.55 million to an estimated 4.13 million at the end of 2025.¹⁵ As a result, the labour force participation rate for Ontarians aged 55 and over declined from

¹¹ Immigration, Refugees and Citizenship Canada (IRCC). *2025 Annual Report to Parliament on Immigration*. Government of Canada, 2025. <https://www.canada.ca/en/immigration-refugees-citizenship/corporate/publications-manuals/annual-report-parliament-immigration-2025.html>

¹² Statistics Canada, [Tracking yearly shifts in residency status among Canada's work and study permit holders](#)

¹³ Immigration, Refugees and Citizenship Canada (IRCC). *Supplementary Immigration Levels Plan 2026–2028*. Government of Canada, 2024. <https://www.canada.ca/en/immigration-refugees-citizenship/corporate/mandate/corporate-initiatives/levels/supplementary-immigration-levels-2026-2028.html>

¹⁴ Government of Canada, *Immigration Levels Plan 2026–2028*, Temporary Resident Admissions Table

¹⁵ Statistics Canada. (2026, January 27). Population projections for Canada (2025 to 2075), provinces and territories (2025 to 2050) (Catalogue no. 71-607-X). <https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2022015-eng.htm>

39.3% in 2020 to 36.9% by the end of 2025, even as participation among core-age workers (15–54) increased modestly over the same period.¹⁶

Tax policy plays a meaningful role in shaping older workers' participation decisions. According to Statistics Canada Data, the median total income for a single senior in Ontario was \$42,900¹⁷ in 2023, a senior couple earned a combined \$95,400.¹⁸ For those who have already exited the labour market, retirement income sources often include the Canada Pension Plan (CPP), Old Age Security (OAS), Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), and Tax-Free Savings Account (TFSA) withdrawals. When considering re-entering the labour force, the employment income added to these sources can push individuals into higher marginal tax brackets, significantly reducing the net financial benefit of part-time or flexible work. This interaction creates a clear disincentive to continued labour force participation, even where individuals are willing and able to work.

The proposed Career Extension Tax Credit would eliminate a significant tax disincentive for Ontarians aged 60 and older who work part-time. This credit would allow eligible residents to earn up to \$65,000 in total income without being penalized by the jump from the 5.05% provincial tax rate to the 9.15% bracket. Specifically, it would enable a median-earning senior to take on an additional \$22,100 in part-time work while shielding that income from higher marginal rates and preserving existing age-related tax credits. To ensure fiscal responsibility, the credit features a 15% phase-out for income exceeding \$65,000, meaning that for every dollar earned above this limit, \$0.15 is deducted until the credit is fully exhausted at \$69,385.

By reducing provincial income tax payable, the credit would directly address this disincentive. This improves after-tax earnings, making continued employment more financially viable, particularly in the part-time or flexible roles that align well with the experience and preferences of older workers. For example, a 65-year-old receiving CPP and OAS who works approximately 20 hours per week could realize nearly \$658 in specific provincial income tax relief, materially improving the return to work.

As Ontario faces slower immigration-driven labour force growth over the next three years, persistent talent shortages across multiple sectors, and increasing operational pressures on small businesses, enabling more older Ontarians to remain in or return to the workforce is both practical and necessary. A Career Extension Tax Credit would provide a targeted, fiscally efficient tool to stabilize labour supply, retain valuable workforce experience, and strengthen Ontario's economic resilience during a period of structural labour market transition.

Recommendation 3: That the provincial government ensure franchised and non-franchised small businesses are treated equally across all provincial regulations, grant programs, and government-administered initiatives throughout the Government of Ontario.

Franchisees operate under the same economic and operational conditions as other small business owners. They are offered guidance and support from their franchisor. They manage compliance obligations, labour challenges, rising input costs, and shifting consumer expectations while assuming full financial risk for their businesses.

Regulatory frameworks governing these franchised businesses are often complex, overlapping, and inconsistently applied which increases administrative burden and the risk of inadvertent non-compliance for small operators that non-franchised small businesses do not deal with.

Franchise legislative and regulatory frameworks are often technical, ambiguous, and difficult for small operators to interpret without legal support. This complexity increases the risk of inadvertent non-

¹⁶ Statistics Canada. [Table 14-10-0287-01 Labour force characteristics, monthly, seasonally adjusted and trend-cycle](#)

¹⁷ Statistics Canada. [Table 11-10-0190-01 Market income, government transfers, total income, income tax and after-tax income by economic family type](#)

¹⁸ *Ibid*

compliance, even among businesses acting in good faith. Time spent deciphering unclear regulations is time diverted from serving customers, supporting employees, and growing the business, creating an uneven burden that falls disproportionately on franchised operators.

For example, Ontario's extended producer responsibility framework treats franchisors and franchisees as a single reporting entity. The system simply ignores the legal and operational independence of franchisees, many of whom would otherwise qualify for exemptions available to small producers.

As a result, thousands of franchised small businesses face reporting obligations that similarly sized non-franchised businesses are exempt from completing.

This structure pulls franchisors into the day-to-day operations of independently owned businesses, strains franchisor–franchisee relationships, and introduces avoidable risk related to common-employer liability. The same inequitable treatment appears in provincial grant and support programs, including digital modernization and retail revitalization initiatives that explicitly exclude franchises. Franchisees invest personal savings, incur debt, and bear the full cost of modernization in the same manner as any other small business owner. Excluding them from public support programs ignores their entrepreneurial reality, which weakens their ability to compete.

A consistent, business-model-neutral approach to small business policy would improve fairness, reduce administrative burden, and strengthen local economies. Treating franchised and non-franchised small businesses equally would support job creation, enhance competitiveness, and reinforce Ontario's commitment to a level playing field for all SMEs.

Recommendation 4: That the Government of Ontario work with federal government and other provinces to reduce the overall regulatory and tax burden on Small and Medium Enterprises.

Small businesses in Ontario continue to face sustained and compounding cost pressures that materially constrain growth, reinvestment, and productivity. While individual policy changes, such as minimum wage increases, Employment Insurance (EI) and Canada Pension Plan (CPP) employer contributions, Employer Health Tax (EHT), Workplace Safety and Insurance Board (WSIB) premiums, property taxes, and regulatory compliance requirements, may appear modest in isolation, their cumulative effect amounts to a “death by a thousand cuts” for employers. Taken together, these incremental increases erode margins, reduce hiring capacity, and limit businesses' ability to invest in workforce development, innovation, and service quality.

The CFA acknowledges the Government of Ontario's efforts to support small businesses, including maintaining stable WSIB premium rates and providing advance notice of minimum wage changes. Maintaining predictability in labour costs remains essential. Future minimum wage adjustments should continue to align with increases in the Consumer Price Index, enabling businesses to plan and budget effectively.

However, cost predictability alone is insufficient without broader burden reduction. SMEs are required to navigate overlapping and, in many cases, duplicative regulatory and tax requirements across federal, provincial, and municipal jurisdictions. These layered obligations consume disproportionate time and financial resources, taking many small and mid-sized employers away from serving their customers and growing their businesses.

In addition to reducing overall regulatory burden, the CFA encourages Ontario to pursue greater harmonization of small business regulations with other provinces. Divergent rules governing labour standards, environmental compliance, reporting requirements, and tax administration create unnecessary complexity for businesses operating in multiple jurisdictions and increase compliance costs without delivering corresponding public benefit. Greater alignment across provinces would reduce administrative duplication, support interprovincial trade, and improve Canada's overall economic competitiveness. For franchised businesses, many of which operate in multiple provinces, regulatory harmonization would

allow resources to be directed toward productivity, workforce development, and service quality rather than navigating fragmented regulatory and compliance requirements.

Coordinated action across governments to reduce cumulative cost pressures and align regulatory requirements would deliver immediate relief to SMEs while supporting long-term economic growth and job creation across Ontario.

Conclusion

We have appreciated the opportunity to provide this submission to the Ontario Ministry of Finance and are available to further discuss the recommendations at your convenience. For further information, please contact Derek Robertson, Head of Government Relations & Strategic Partnerships at [drobertson@cfa.ca](mailto:d Robertson@cfa.ca).

Sincerely,



Sherry McNeil
President and CEO

About the Canadian Franchise Association

The Canadian Franchise Association (CFA) is the national, not-for-profit association of more than 600 corporate members representing over 40,000 franchise small business owners of nearly 68,000 franchise establishments.

The CFA is the voice of the franchise community and the recognized authority on franchising in Canada. The CFA represents an industry that impacts the lives of every Canadian in every community across the country.

Canadian franchises contribute almost \$133 billion per year to the Canadian economy and create jobs for nearly 2 million Canadians. They enable 78,000 Canadians to be their own boss as the owner of their own franchised small business location, serving their neighbours in communities from coast to coast to coast. These enterprises contribute over \$33.4 billion in federal and provincial taxation revenue and pay nearly \$70 billion in wages each year.

CFA members represent a diverse cross-section of businesses and over 60 sectors in Canada. Our members range from large, established franchise systems, to smaller or emerging franchise brands. Members share the conviction that their commitment to excellence improves franchising for everyone involved, including franchisors, franchisees, suppliers, and everyday Canadians.