

Written Submission for the Pre-Budget Consultations in Advance of the Upcoming Federal Budget

By:
**Canadian Finance & Leasing Association
("CFLA")**

The CFLA represents the interests of the asset-based finance industry ("ABF") in Canada. The CFLA has over 200 corporate members from coast to coast who are active in the asset-based financing, equipment, and vehicle leasing industry.

Members range from large multinationals to national and regional domestic companies, crossing the financial services spectrum from manufacturers' finance companies and independent leasing companies, to banks, insurance companies, and suppliers to the industry.

CFLA members are key partners with Canadian businesses and consumers and are a crucial source of funding for small and medium enterprises in this country.

In 2018, the ABF industry financed an estimated \$416 billion of assets, supporting a broad network of dealers, manufacturers, distributors, vendors and brokers, and their customers throughout the country. 90% of all new vehicles and 40% of all machinery & equipment are financed by our industry.

Recommendation: That the government increase the 2021 automobile deduction limits and prescribed rates for determining the taxable benefits on automobile operating expenses from \$800 to \$1,100 to keep up with inflation.

While the fleet industry has done a good job at keeping overall costs down, the automobile deduction limit and prescribed rate for determining **the taxable benefits on automobile operating expenses has not changed the current limit of \$800 since it was initially set in 2001**. Adjusted for inflation, this represents \$1,112 in 2020 dollars.

Combined with the pressures of the COVID crisis and ensuing economic downturn and uncertainty, accessing funds at reasonable cost will prove more challenging, in particular for mid to smaller fleet lessors, which will lead to increased financial pressure on running a commercial vehicle fleet.

The CFLA therefore recommends the government increase the deduction limit for 2021 to \$1,100. This can help soften the economic blow from the COVID crisis and free up much needed capital in the market.

Increasing the deduction limit for automobile operating expenses will encourage urgently needed capital investment within Canada at a time when our capital investment has fallen far behind other developed countries.¹ As a result, our businesses are less competitive and our workers are less productive. In a dynamic global economy, we need more capital investment to keep our economy growing.

Capital investments boost the economy over the short-term while laying the foundation for long-term growth. These investments raise output, increase wages over time, and increase tax revenues for government.²

¹ For more information, please see Robson, W.B.P. (August 2019). [Thin Capitalization: Weak Business Investment Undermines Canadian Workers](#), Commentary No. 550, C.D. Howe Institute.

² See more information on <https://www.growwithcapital.ca/>