

businesses in the system, they reduce the number of returns the CRA processes, the number of businesses seeking services, the number of input credit refunds, and the number of businesses that are subject to audit.

In most cases, the loss of government revenue associated with raising the threshold can be offset by lower administrative costs and lower input tax credit refunds.

RECOMMENDATIONS

That the federal government:

1. Increase the GST/HST threshold to \$75,000 incrementally over 2 years as part of the next federal budget and indexed to inflation thereafter.
2. Maintain the option for businesses earning less than the threshold to collect and administer GST/HST if they so choose.

Investing in Building Community

DESCRIPTION

Community organizations and not-for-profits in Canada are constantly reaching out to governments to help with capital projects. A private investment vehicle, such as a community real estate investment trust, could help these organizations and reduce funding pressure on all levels of government. While at the same time, the rise of the social enterprise demands the attention of our business development supports.

BACKGROUND

With the rise of the social enterprise and the reality that not-for-profits are businesses in their own sense, this is the time to consider solutions.

According to The Canadian Community Economic Development Network, "Social enterprise" refers to business ventures operated by non-profits, whether they are societies, charities, or co-operatives. These businesses sell goods or provide services in the market for the purpose of creating a blended return on investment, both financial and social. Their profits are returned to the business or to a social purpose, rather than maximizing profits to shareholders.¹⁷

Using Ontario as an example here are some stats from 2016:

- Ontario has almost 10,000 social enterprises employing an estimated 160,000 people.
- Social enterprises serve 3.4 million customers per year.
- 68 per cent of social enterprises in Ontario have a poverty reduction focus.
- Global investors committed \$10.6 billion USD in impact investment in 2013 and intended to invest 19 per cent more — or a total of \$12.6 billion USD — in 2014.¹⁸

According to the Ontario NonProfit Network, the non-profit sector is a \$50 billion economic driver which generates 5.2% of Ontario's gross domestic product and employs a million people.¹⁹

¹⁷ <https://ccednet-rcdec.ca/en/page/definition-social-enterprise> Retrieved on May 9, 2019

¹⁸ <https://www.ontario.ca/page/making-impact-ontarios-social-enterprise-progress-report> Retrieved on May 9, 2019

¹⁹ <https://theonnc.ca/our-work/our-financing/> Retrieved on May 9, 2019

Given the above statistics, the time is right to think about how not-for-profits and social enterprise can continue to thrive in our economy.

At this time, we envision a two-pronged approach.

1. Create a new stream for assessing social enterprise through the Community Futures Network. This network is in our rural communities and gives loans to local businesses. A stream to offer loans to social enterprises would strengthen the sector and allow for continued rural community business development.
2. Expand the type of properties that can be serviced by a Real Estate Investment Trust (REIT) to include social housing, healthcare, and infrastructure. In doing this, there would also have to be an increase in the percentage of assets allowed under the trust for development activities. We envision calling this type of structure a Community Real Estate Investment Trust (C-REIT).

In 2018, Grant Thornton released a report titled "REITS as a force for good". In the document, they explore the evolution of the REITs in Canada and five other countries. They come to the conclusion that using an adapted REIT model for social properties can be beneficial. These investment vehicles could be used by local authorities, create sustainable funding across political cycles, stimulate development to balance demand and supply, and meet the desire that investors have to see both financial return and a social purpose.²⁰

In order to encourage investment in these vehicles and keep the investments working for a community, we suggest investors realize a tax credit for their investment. There are current examples of such tax planning including in the mining industry where flow-through shares are allowed to be issued by a corporation and investors realize a tax deduction for their investment.

Not only would this approach serve both the private and not-for-profit sector, but municipalities will also benefit. Many currently have massive infrastructure needs, yet also want to be responsive to community needs.

With this two-pronged approach in place in a community, there will be less pressure to fund not-for-profit and community organization requests at large amounts. In fact, the City of Peterborough recently decided to cap community funding at \$1 million in this budget cycle.

RECOMMENDATIONS

That the federal government:

1. Create a new lending stream for assessing social enterprise within government funded business growth networks (eg. FedDev Ontario and the Western Economic Diversification Canada).
2. Review the REIT regime with the objective of broadening the availability to social enterprise and community capital projects such as affordable housing, environmental and capital builds for not-for-profit organizations.
3. Create legal, financial and taxation structures to foster innovation, investment and development in property.

²⁰ "REITs as a force for good" Grant Thornton LLP <https://www.grantthornton.ca/globalassets/1.-member-firms/canada/insights/pdfs/grant-thornton-reits-report.pdf> Retrieved on April 25, 2019