

RESTAURANTS

CANADA

# RESTAURANTS CANADA - PRE-BUDGET SUBMISSION 2026

MAY 2026



The voice of foodservice | La voix des services alimentaires

**RECOMMENDATION 1:**

That the government permanently exempt all food, including restaurant meals, from GST/HST to lower food costs for Canadians and stimulate job creation and economic growth in the restaurant industry, and related industries such as Canadian agriculture, in communities across the country.

**RECOMMENDATION 2:**

That the government establish permanent full first-year expensing for restaurant capital investments under the Accelerated Investment Incentive, including leasehold improvements, equipment, modernization, automation, and digital technology investments, to support reinvestment, productivity growth, and modernization in a sector that contributes nearly 4% of Canada's GDP.

**RECOMMENDATION 3:**

That the government modernize the small business deduction by increasing the eligible taxable income threshold from \$500,000 to \$1 million to reflect rising business costs and support reinvestment, growth, and job creation among small and medium-sized businesses, including restaurant operators.

**RECOMMENDATION 4:**

That the government establish a tax credit for technology investments and modernization in the restaurant industry to support productivity growth and operational resilience among small and medium-sized restaurant operators.

**RECOMMENDATION 5:**

That the government work with the Canadian Food Inspection Agency, and provincial and territorial counterparts, to establish mutual recognition of food safety certifications and harmonized inspection standards through the Canadian Free Trade Agreement regulatory reconciliation process, reducing unnecessary administrative burdens and barriers to interprovincial commerce.

**RECOMMENDATION 6:**

That the government enhance the Youth Employment and Skills Strategy by creating a dedicated funding stream for local employment service providers to develop sector-specific training programs for the restaurant industry, supporting youth employment and workforce development in communities across Canada.



Restaurants Canada is a national, not-for-profit association representing Canada's diverse restaurant and foodservice industry, including restaurants, bars, caterers, quick-service operators, suppliers, and other foodservice providers. Founded in 1944, we advocate on behalf of more than 105,000 businesses across the country, from small family-run establishments to large national chains.

The restaurant industry in Canada is a jobs and economic powerhouse.

- Canadians visit restaurants 23 million times every day in communities across the country.
- Restaurants generate over \$125 billion in annual sales, accounting for 4% of Canada's GDP.
- We are the fourth-largest private sector employer in Canada, with 1.2 million workers representing six percent of the national labour force.
- We employ more Canadians than auto manufacturing, aerospace, banking, primary agriculture, and steel combined.
- We are the single largest source of first-time jobs in Canada, employing 480,000 young people, representing one in every six youth jobs in the country.
- Our industry contributes \$26 billion in federal, provincial, and municipal taxes annually and generates \$2.25 in total economic output for every dollar spent, well above the national average of \$1.92.

## **CURRENT CHALLENGES**

Canada's restaurant industry is under growing financial strain, as persistent affordability challenges, rising operating costs, and uneven consumer spending continue to erode profitability. Today, 36% of restaurants are operating at a loss or just breaking even - triple the level seen in 2019.

Consumer behaviour reflects the same strain: According to an Angus Reid poll from March 2026, 71 percent of Canadians have reduced non-essential spending in the past three months, with direct consequences for restaurant traffic and revenue.

At the same time, broader economic uncertainty is limiting operators' ability to invest and deploy capital for modernization, growth, and sustainability-related improvements. As the federal government advances a "one economy" approach focused on growth, resilience, and competitiveness, Budget 2026 should recognize the central economic role of the restaurant industry. The restaurant industry is typically the first to feel economic pressure when Canadians are struggling and when affordability is strained, it doesn't just affect restaurants, it ripples through communities, supply chains, and local economies.

Additionally, labour shortages primarily in rural, remote and non-urban centres continue to compound pressures, with up to 105,000 job vacancies projected across the sector by 2030, threatening the stability of individual businesses and the broader network of employment they sustain. Restaurants Canada will continue its active conversations with the federal government and parliamentarians about the long-term workforce solutions our industry needs, including investments in youth training, technology, and immigration solutions with a path to permanent residency.

The measures outlined in our submission are targeted and practical. They will reduce the cost burden on operators, improve conditions for investment and growth, and provide more resilience to Canada's restaurant sector so that it can continue to contribute to job creation and economic growth in communities across the country.



## RECOMMENDATION 1: PERMANENTLY EXEMPT ALL FOOD FROM GST/HST

Canada's tax treatment of food is inconsistent in a way that works against restaurants and the Canadians who rely on them. Grocery food is exempt from GST/HST; restaurant meals are not. The consequences of that asymmetry are well-documented. When the GST was first introduced in 1991, restaurant sales declined by 7.3 percent. When the government implemented a temporary GST holiday from Dec – Feb 2025, foodservice sales increased by 8.6 percent and an estimated 24,000 jobs were created. The evidence from both directions' points to the same conclusion: this tax suppresses demand, costs jobs, and places an unnecessary burden on consumers already managing tight discretionary budgets.

Permanently exempting all food, including restaurant meals, from GST/HST would lower food costs for Canadians and stimulate job creation. Restaurants Canada estimates a permanent exemption would generate over 64,000 new jobs, produce billions in consumer savings and address affordability concerns, all while increasing government revenues through the broader economic activity that follows. For every dollar spent in the foodservice sector, \$2.25 in total economic output is generated.

*Restaurants Canada calls on the government to permanently exempt all food, including restaurant meals, from GST/HST to lower food costs for Canadians and stimulate job creation and economic growth in the restaurant industry in communities across the country.*





## **RECOMMENDATION 2:**

### **ESTABLISH PERMANENT FULL FIRST-YEAR EXPENSING FOR RESTAURANT CAPITAL INVESTMENTS UNDER THE ACCELERATED INVESTMENT INCENTIVE**

A new full-service restaurant location in Canada often requires between eight and twelve million dollars in capital investment before it opens its doors. That investment, covering kitchen equipment, leasehold improvements, technology infrastructure, and fit-out, is recovered slowly under Canada's current Capital Cost Allowance regime, which limits first-year deductions to a fraction of actual cost. Meanwhile manufacturing and clean energy investors can access full first-year expensing while restaurant operators cannot. The Accelerated Investment Incentive, the closest available measure, is temporary and currently being phased out, creating further uncertainty for operators planning capital expenditures. The result is a structural tax disadvantage that delays cost recovery, compresses early-stage cash flow, and reduces the after-tax return on investment precisely when it matters most to a business decision.

Competitor jurisdictions now offer 100 percent first-year write-offs for eligible construction, making those markets demonstrably more attractive for capital that might otherwise flow into Canadian restaurant growth. Expanding the Accelerated Investment Incentive would put Canada's restaurant sector on equitable footing with manufacturing and accelerate reinvestment.

*Restaurants Canada calls on the government to establish permanent full first-year expensing for restaurant capital investments under the Accelerated Investment Incentive, including leasehold improvements, equipment, modernization, automation, and digital technology investments, to support reinvestment, productivity growth, and modernization in a sector that contributes nearly 4% of Canada's GDP.*

## **RECOMMENDATION 3:**

### **INCREASE THE SMALL BUSINESS DEDUCTION THRESHOLD TO \$1 MILLION**

The overwhelming majority of Canada's more than 105,000 restaurant locations are small, independently operated businesses. With profit margins of three to five percent, these operators have limited capacity to absorb rising costs, invest in their businesses, or build financial reserves against disruption. The \$500,000 small business deduction threshold has not been meaningfully adjusted in decades. In that time, the cost of opening and operating a restaurant has risen substantially, driven by inflation in food costs, labour, rent, and equipment, while the threshold that determines how much business income qualifies for small business tax treatment has remained effectively static. A threshold set for the economics of a past generation provides materially less relief than it once did.

Increasing the threshold to \$1 million would restore the practical value of the deduction, allow more restaurants to retain earnings for reinvestment in operations, equipment, and staff, and provide a measure of relief at a time when the industry is struggling.

*Restaurants Canada calls on the government to modernize the small business deduction by increasing the eligible taxable income threshold from \$500,000 to \$1 million to reflect rising business costs and support reinvestment, growth, and job creation among small and medium-sized businesses, including restaurant operators.*

#### **RECOMMENDATION 4: ESTABLISH TAX CREDITS FOR TECHNOLOGY INVESTMENT AND MODERNIZATION**

Modern technology, including AI-driven inventory management, automated ordering systems, and advanced automated, energy efficient kitchen equipment, offers Canada's restaurant sector a concrete path to improved productivity and greater resilience against labour shortages and input cost volatility. The barrier is not willingness but cost. High upfront capital requirements place these investments out of reach for most small and medium-sized operators, who make up the bulk of the industry and stand to benefit most from modernization.

A targeted tax credit for technology investment and modernization would lower the financial threshold for these investments and accelerate productivity gains across the sector. The result would be a more competitive and sustainable industry, better equipped to manage the structural pressures that will continue to shape the operating environment in the years ahead.

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#### **RECOMMENDATION 5: HARMONIZE FOOD SAFETY STANDARDS AND ACHIEVE MUTUAL RECOGNITION OF CERTIFICATIONS**

Canada's restaurant operators navigate a fragmented landscape of food safety standards, certification requirements, and inspection protocols that vary significantly across provincial jurisdictions. For restaurant chains operating in multiple provinces, this patchwork creates duplicative compliance obligations, inconsistent certification recognition, and administrative costs that bear no relationship to food safety outcomes. A food handler certified under one provincial standard may not be recognized in the next province, creating barriers to labour mobility and adding credentialing costs that fall heaviest on small operators least equipped to absorb them.

The federal government has both the mandate and the mechanism to act. The Canadian Food Inspection Agency can convene provinces and territories to develop mutual recognition of food safety certifications and establish common inspection standards through the Canadian Free Trade Agreement's regulatory reconciliation process. This is precisely the kind of internal trade barrier Prime Minister Mark Carney has directed cabinet to dismantle, and the restaurant sector offers a practical and immediate opportunity to demonstrate progress.

*Restaurants Canada calls on the government to work with the Canadian Food Inspection Agency, and provincial and territorial counterparts, to establish mutual recognition of food safety certifications and harmonized inspection standards through the Canadian Free Trade Agreement regulatory reconciliation process, reducing unnecessary administrative burdens and barriers to interprovincial commerce.*

## RECOMMENDATION 6:

### ENHANCE THE YOUTH EMPLOYMENT AND SKILLS STRATEGY WITH SECTOR-SPECIFIC FUNDING

Canada's restaurant industry is the country's single largest source of first-time jobs, employing 480,000 young Canadians and providing foundational workplace skills that benefit workers throughout their careers. With up to 105,000 vacancies projected across the sector by 2030, a better-prepared workforce entering the sector would support both individual business stability and the broader resilience of local economies across Canada.

Enhancing the Youth Employment and Skills Strategy by creating a dedicated funding stream for local employment service providers to develop sector-specific training programs would reduce the training cost burden on individual operators, improve job readiness among young Canadians entering the workforce, and help address the persistent skills gaps that contribute to vacancies across the sector. Shifting the cost of specialized training from employers to government-funded service providers is an efficient, targeted intervention that produces meaningful benefits for workers, businesses, and communities.

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