

Tax changes would hurt family businesses

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Explaining the federal government's proposed small business tax changes is no easy task. Perhaps the best way to explain it, and to understand the passionate outcry from small business, is to offer the following example.

Sitting at home, watching the Bombers play on a warm summer day, there's an unexpected knock at your door from a Finance Canada official.

He informs you that, while for decades the government has used the tax system purposefully to encourage you to save for retirement and to invest in our economy, you are now a tax evader. Yes, your RRSP tax deferral, designed by the federal government, is now not fair to middle-class Canadians (the government won't tell you who is "middle-class" exactly, just that you aren't).

The government now deems your retirement savings "dead money." You should be spending it today — regardless of need — instead of saving it for tomorrow. Otherwise, you will face a new tax of over 70 per cent. Because working hard to save for retirement should not benefit you more than 30 cents on the dollar.

For your daughter, who is interested in buying your fourth-generation family home in St. Boniface — the government is raising the taxes you would pay when selling it to her. In fact, you would save money by selling it to a non-family member from out of town.

If you have any concerns with these "fairness" changes, you have 75 days — 45 of which are before the September long weekend — to state your case in support of keeping your "unfair tax loopholes."

This is effectively what happened to small business on July 18. Finance Minister Bill Morneau released a set of tax changes in the dead of summer that will radically impair

the ability of small business owners to save for rainy days, to do succession planning, to invest in growing and creating jobs.

The first of these changes looks to raise taxes on family members who work in the business. Under these changes, Canadian private companies will be forced to show the value of the contributions of family members to the business. Take your favourite neighborhood family restaurant. The owner has been paying her husband \$40,000 a year to do the books — along with hundreds of other things that let her focus on the family business. She also pays her son \$10,000 a year to work there while not in school.

Under the proposed changes, that business owner will have to prove the "worth" of her family's labour to the Canada Revenue Agency (CRA). If she's unsuccessful, her family will face thousands of dollars in higher taxes.

The second change will increase taxes on family businesses being passed down from one generation to the next. The change will actually incentivize selling to a third party rather than selling to your own kids. It's great that a child wants to become the third generation to run the family business, but when their parents are facing an increased tax bill of tens of thousands of dollars, the choice isn't so appealing.

A couple weeks ago, the Business Development Bank of Canada (BDC) noted over 40 per cent of Canadian entrepreneurs plan to retire in the next five years. If we want to see the continuation of family-run businesses in Canada, we need to support the intergenerational transfer of businesses, not hinder it.

The last of these changes targets saved income in businesses. Every household needs a rainy-day fund. Most businesses do, too. It's called prudent financial planning. They hold these funds so they can one day invest in planned expansions or new technology — or survive economic downturns, such as the 2008 financial crisis, when Canada lost 30,000 businesses. If the current proposals were in place then, the numbers would have been significantly higher and the recession longer.

October is Small Business Month, a time when we should be celebrating the job creators of this country, not threatening their survival with divisive, class-based rhetoric and proposals. Over 95 per cent of the businesses in this country have fewer than 50 employees. From 2005 to 2015, small businesses created over a million jobs in Canada — almost 90 per cent of all private-sector jobs created. These are the restaurateurs, shop owners and young startups who employ our neighbours and are deeply connected to our local economies, issues and causes.

Find out more about your small business community. Tell your MP that you care about small business. Let small business know you appreciate the one million jobs they've created for you and your children. Visit www.protectgrowth.ca.

Small businesses don't ask for much — just to be heard, respected and encouraged to do what they do best: grow and build prosperity in communities across Canada.

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