

News Release

Growing coalition confirms tax proposals will affect middle-class business owners

Leading tax practitioners say that business owners with income as low as \$50K will be affected

Ottawa, September 27, 2017 – The Coalition for Small Business Tax Fairness, a unified voice of more than 70 organizations representing hundreds of thousands of business owners across the country, has written a new [letter to Finance Minister Bill Morneau](#) with professional analysis confirming that Ottawa's tax proposals will affect middle-class business owners, resulting in higher tax rates than other Canadians with similar income levels.

"We are alarmed by the huge gap between the government's statements about the impact of their proposals and the detailed analysis by Canada's tax professionals," said Dan Kelly, President of the Canadian Federation of Independent Business (CFIB) and member of the Coalition. "Tax practitioners are united in the view that these changes have the potential to affect all small business taxpayers, no matter their income."

"It is the farmers, mom and pop shops, and entrepreneurs, who invested everything into their businesses, that will be most affected by these changes, instead of targeting the real problem. The government needs to go back to the drawing board, hold a real consultation and listen to what tax professionals, provincial governments and the business owners who fuel the growth of our communities are saying," added Perrin Beatty, President and CEO of the Canadian Chamber of Commerce.

The government has claimed that these proposals would not affect business owners with incomes under \$150,000. Tax practitioners disagree.

One of the new rules introduced by the government would restrict small business owners from sharing income with family members. Tax practitioners say that this can affect business owners with incomes as modest as \$50,000. Also, as two-thirds of Canadian incorporated businesses are majority owned by men, the restrictions on sharing income with a spouse are likely to remove a disproportionately higher number of women from benefiting from their family's business.

The government is also proposing changes that would discourage small business owners from holding certain types of investments in the incorporated company. According to tax practitioners, business owners retain business earnings in the corporation to safeguard against economic downturns, secure bank financing and invest in other start-up companies.

Tax practitioners have confirmed that the proposed tax changes would result in higher combined corporate and personal taxes for business owners across the board and in many cases, small business owners would incur tax rates far greater than what an employee with a similar level of income would pay.

The Coalition, which has doubled in size since August 31, is asking the federal government to review carefully the analyses of tax professionals across the country, take these proposals off of

the table, and launch meaningful consultations with the business community to address any shortcomings in tax policy.

The Coalition for Small Business Tax Fairness is encouraging business owners and other concerned Canadians to contact their Members of Parliament and use the hashtags #unfairtaxchanges #taxesinéquitables on social media. For the full list of Coalition members, please visit smallbiztaxfairness.ca.

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Quotes:

“The agriculture equipment manufacturing sector represents 12,000 Canadians and their families predominantly in rural areas; as entrepreneurs who have put their lives on the line to invest in and grow their family business, the sector consistently exports more than \$1.8 billion of farm equipment to over 150 countries. The scope and complexity of the proposed tax changes puts a lot of this at stake, and we must fight to ensure that fairness prevails for our members.” — **Leah Olson, President, Agricultural Manufacturers of Canada**

“Franchisees are the backbone of the communities they serve, by employing people of all backgrounds, supporting local initiatives, and helping grow the economy. As business owners, they assume significant risk, but have been able to achieve success through hard work and support from family members. Simply stated, CFA believes the changes being proposed by the Minister will hurt Canadian franchisees.” — **Ryan J. Eickmeier, Vice President, Government Relations & Public Policy, Canadian Franchise Association**

“The residential construction and renovation industry has always largely consisted of family-run businesses that help build the communities they operate and live in, many over several generations. These are hard-working Canadians trying to earn a middle-class living, hire local workers, and create a future for their families. The government’s proposed tax changes threaten the very existence of these businesses, posing a threat to small local companies in every community and the jobs they create.” — **Kevin Lee, CEO, Canadian Home Builders’ Association**

“We look forward to working with the Minister of Finance to ensure that any changes help secure the future of agriculture and not hinder it.” — **Mark Wales, Chair of the Canadian Horticultural Council’s Business Risk Management Committee**

“We are fully supportive of the government’s pledge to advance evidence-based policy-making. Our members are concerned that the government’s proposed changes to small business taxes are not sufficiently informed by the level of research, analysis and consultation required to ensure a full appreciation of the impacts this will have on Canadians - not just entrepreneurs and small business owners but also on the overall health of the Canadian economy and competitiveness in the short and long term.” — **Leigh Harris, Vice Chair (Interim) National Board of Directors, CMC-Canada**

“Canadian business families are scared, confused, and demoralized. Years of planning for business succession will potentially go up in smoke! And we’re being called tax cheats along the way. Canada can do better, we must do better—our economy depends on it.” — **Allen S. Taylor, Chair, Family Enterprise Xchange**

“These egregious proposed tax changes would negatively impact the family farm in ways that are both profound and complex. The federal government needs to reverse course on their ill-advised tax hike attack on our middle-class family farms. — **Levi Wood, President of the Western Canadian Wheat Growers Association, grain farmer**