CFIB

**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS**

In business for your business.™

99 Metcalfe Street, Suite 1202
Ottawa, Ontario K1P 6L7

Letter sent by e-mail.

February 1, 2021

Subject: Supporting Bill C-208, *An Act to amend the Income Tax Act (transfer of small business or family farm or fishing corporation)*

Dear Members of Parliament,

On behalf of over 110,000 small- and medium-sized enterprises (SMEs), including 7,200 agri-business owners, that are members of the Canadian Federation of Independent Business (CFIB), we are writing to encourage you to support private Member's Bill C-208, *An Act to amend the Income Tax Act (transfer of small business or family farm or fishing corporation)* and ensure that it moves forward in Parliament.

As you may know, CFIB is a not-for-profit, non-partisan, business advocacy organization that brings the views of small business owners to all levels of government across Canada. CFIB is funded entirely by our membership and takes direction from them through regular surveys on a variety of issues. It is clear from the data collected from our small business members that this bill is very timely.

Currently, around 17% of businesses are actively considering winding down their business as a direct result of COVID-19.[1] Prior to the pandemic, our data indicated that almost three quarters (72%) of business owners were planning to exit their business within the next 10 years.[2] This represents approximately $1.5 trillion worth of assets that will be transferred to a new generation of entrepreneurs. While this can bring new opportunities, it also brings challenges for business owners and for the Canadian economy as a whole.

In addition, almost half (46%) of small business owners want to have their children take over the family business. However, the current rules in the Income Tax Act discourage them from selling their business to family members as it is more advantageous from a tax perspective to sell to an unrelated third party. This is because the sale of assets to family members is considered to be a dividend, whereas selling to a third party is considered to be a capital gain. As a result, business owners who sell to their children cannot access the Lifetime Capital Gains Exemption (LCGE), meaning they face a higher tax bill.

This is important because most small business owners rely on the sale of the business to fund their retirement; they do not have access to a pension plan, and if they paid themselves in dividends, most would have meagre RRSP savings. This unfair situation penalizes small businesses, family farms and fishing operations.

---

[1] CFIB, Your Voice Survey, Jan. 12 - Jan. 18, 2021, n = 4,701.
[2] CFIB, Getting the Transition Right, November 2018.

Given these facts, there is no better time to take meaningful steps to ensure the smooth transition of businesses to the next generation. Bill C-208 seeks to facilitate the transfer of small businesses, family farms and fishing operations between members of the same family. Specifically, it would give owners and buyers of the same family the same rights and privileges extended to non-related persons involved in a transaction.
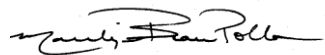
It is important to note that in the past 10 years, Members from nearly all the federal parties, have introduced similar legislation to the House. Over the last few months, CFIB has collected thousands of petitions signed by our members on this issue, highlighting its importance for small businesses across Canada. As such, we believe that this bill should have the full support of you and your colleagues in the House – it is time that this issue gets resolved.

We hope that you will decide to help move this issue forward by ensuring this bill passes Second Reading. In the meantime, if you have any additional questions, please feel free to contact us at Jasmin.Guenette@cfib.ca or Marilyn.Braun-Pollon@cfib.ca or call our Ottawa office at **613–235–2373 ext. 1201**.

Sincerely,

Jasmin Guénette
Vice-President, National Affairs

Marilyn Braun-Pollon
Vice President, Western Canada & Agri-Business