

My business is not a tax shelter: don't treat it like one.

To: Prime Minister Justin Trudeau
 Finance Minister Bill Morneau

My MP: _____

Fax c/o CFIB: 1-613-235-4137

From: _____
 Name

 Signature

 Business Name

 Email (Optional)



“We have to know that a large percentage of small businesses are actually just ways for wealthier Canadians to save on their taxes...”

- Prime Minister Trudeau's interview with the CBC's Peter Mansbridge, September 8, 2015.

I am worried that your government does not appreciate the important role independent businesses play in Canada. Several of the following decisions/proposals will cause serious harm to my business:

- Dropping your promise to cut the small business corporate tax rate to 9%
- Raising CPP premiums on my payroll for 7 straight years starting in 2019
- Hiking EI premiums by 3% in 2018
- Introducing and raising carbon taxes/pricing for 5 years starting in 2018
- NEW: Your proposal to limit sharing business income with family members
- NEW: Your proposal to raise taxes on investments (passive income) held by my business
- OTHER: _____

CFIB speaks for me when advocating for the following measures that will help grow my small business:

- Reject calls from academics and big business groups to eliminate the lower small business rate
- Cut the small business tax rate from 10.5% to 9% as you promised to do
- Do not place restrictions on legitimate businesses accessing the small business tax rate, as the Quebec government has done for very small firms
- **Drop your proposals to limit sharing income among family members involved in the business**
- **Drop your proposal to restrict holding passive investments in a corporation**

The Small business tax rate is vital to my business and allows me to invest savings back into my business.

Business Taxable Income	Current rate: 10.5%	General rate: 15%	Increase (in \$)
\$50,000	\$5,250	\$7,500	\$2,250
\$100,000	\$10,500	\$15,000	\$4,500
\$300,000	\$31,500	\$45,000	\$13,500

*The numbers in the above tables are simplified calculations based on estimates in the event of an elimination of the small business tax rate. No other factors are taken into account as part of these calculations.

Your government **announced plans in the budget to review several important small business initiatives they suggest may “inappropriately reduce personal taxes of high-income earners”** (Federal Budget 2017, p.200).

- Sharing income with family members
- Saving passive investment income in a corporation
- Converting a corporation’s income into capital gains

RHETORIC: *Government says these are surgical measures that will impact a small number of people who are abusing the system. They say it isn't fair that an employer should pay less tax than an employee on the same income.*

REALITY: *Experts say these changes could impact a large number of businesses, in all sectors including family businesses, farming and professionals, with significant and unfairly increased tax exposure, compliance requirements and unintended consequences.*

Economics 101: Why entrepreneurs need fair tax treatment

Lower taxes on small businesses help recognize the risks entrepreneurs take. My employees do not use their homes for collateral.

I need retained earnings to grow my business in good times, to help grow and ride out the bad times.

I pay \$1.40 for every \$1 my employees pay in EI for my entire payroll below MIE. My EI costs are going up. I cannot claim EI.

I match CPP contributions at 4.95% of income to MPE for my entire payroll. My CPP costs are going up.

First Strategy: Income Sprinkling – An Example

- Jonah and Susan are Ontario neighbours, each earning \$220,000
 - As a **business owner**, Jonah is able to divert income to three adult family members who have no other sources of income
 - As an **employee**, Susan can't do this. She therefore pays \$35,000 more in tax (\$79,000 minus \$44,000)

	Jonah	Susan
Total earnings	\$220,000	\$220,000
Salary paid	\$100,000	\$220,000
Dividends paid to family members (after corporate tax)	\$102,000	-
Total tax paid (personal and corporate)	\$44,000	\$79,000
After-tax income	\$176,000	\$141,000

Department of Finance - July 2017

