

Saskatchewan Chamber Work to Date on the Proposed Tax Changes to Private Corporations by the Government of Canada

Background

In July 2017, the Federal Minister of Finance, Bill Morneau unveiled draft legislation that proposed sweeping changes to the taxation of private corporations in Canada. For the Government of Canada, these actions are part of a larger effort to improve the “fairness” of the tax system by cracking down on tax planning strategies and the underground economy. Accompanying Minister Morneau’s draft legislation was the release of a white paper from the Department of Finance Canada that focused on three main strategies:

- Income Sprinkling
- Passive Investment Income in a Private Corporation
- Converting Regular Income into Capital Gains

Advocacy Efforts

Since Mr. Morneau’s announcement, The Saskatchewan Chamber of Commerce has received numerous emails and phone calls from our members on this issue and the message has been consistently loud and clear – the business community strongly opposes these tax changes as they will reduce the incentive for private investment, increase administrative complexity and compliance costs for businesses, distort the market for business owners looking to sell shares, and create additional challenges to the inter-generational transfer of business shares to family members. The Chamber strongly urges the Government of Canada to retract their tax proposal.

What We’ve Done So Far:

- Published a brief report entitled, [*Issue in Focus Taxation: Proposed Changes to the Taxation of Private Corporations in Canada*](#) that provides a summary and analysis of the proposed changes. This report was circulated to members via email.
- Submitted an [*open letter*](#) to the Minister of Finance Bill Morneau outlining the Chamber’s deep concerns with the draft legislation and reiterating our official position as part of the 75-day public consultation period.

- Communicated information and fostered increased engagement with the general public through social media channels and a stand-alone blog that can be found at <https://taxactionsite.wordpress.com/>.
- Coordinated our advocacy efforts with the Canadian Chamber of Commerce and other business groups to ensure a unified front for the business community.
- Created and published an [online petition](#) that has gathered almost 500 signatures to date and will be presented to Saskatchewan Members of Parliament and Minister Morneau in the very near future.
- Articulated the concerns of our members to the Federal Minister from Saskatchewan, the Honourable Ralph Goodale.

What We've Heard from Saskatchewan Businesses

The Saskatchewan Chamber is also encouraging businesses to join the fight against the tax changes and have their say by taking part in the [online petition](#), the results of which will be sent out to each of the 13 Federal MPs from Saskatchewan. The response to date has been overwhelming, with approximately 500 businesses, representing over 10,000 employees, signing the petition.

Businesses across the province are speaking out in other ways. Below is an excerpt from Gavin Semple, Chair of the Regina-based Brandt Group of Companies discussing the impacts of the proposed tax changes on businesses - both large and small, as published in the September 18, 2017 edition of *The Globe and Mail*:

"This is an attack on private businesses across the country. It doesn't matter whether you're a dry cleaning outfit with four employees or you're a company like Brandt with 1,800 employees. The cumulative effect is brutal. What it does to our decision-making is we start to question our direction and our strategy. Do we want to invest here?"

Featured in the same article is a quote from farmer Megz Reynolds, who along with her husband, operate a 640 acre farm just outside of Kyle, SK. Like many farmers across the province, she is an incorporated business owner who is afraid she and her husband may not be able to afford to buy the farm from her in-laws when they retire, should the Federal Government's tax plan be implemented:

"If we were to buy that land from my father-in-law, we would actually be taxed at a much higher bracket than if he was to sell it to a complete stranger effectively because, under the new rules, it would be taxed as a dividend rather than a capital gain."

We Need Your Help!

Over the past several weeks there has been a significant groundswell of opposition from small business owners and local business groups as many Liberal MPs are

starting to feel the heat from their constituents. However, the Federal Government is digging in. Both Finance Minister Morneau and Prime Minister Justin Trudeau have doubled down on their tax proposal plans and are bracing for a fight.

The Chamber is encouraging businesses to make their voices heard by contacting their MPs and local Chambers of Commerce, and signing the petition [here](#).

You can also contact Joshua Kurkjian, our Director of Research and Policy Development by phone at 306-781-3125 or by email at jkurkjian@saskchamber.com if you would like to tell us more about how the proposed tax changes will impact your business.