

KEY MESSAGES FROM CANADA’S FAMILY ENTERPRISE COMMUNITY

1. Federal proposals represent significant tax reform for family business in Canada

The Minister describes the proposals as closing “tax loopholes” for the rich – this is clearly misleading. The federal proposals released by the Department of Finance on July 18 will fundamentally change the way private business is taxed in our country. Review and reform of our tax system may very well be appropriate however, it should be conducted in a more fulsome manner with appropriate study and consultation. Significantly reforming the tax rules for private business with a 75 day consultation period is just not appropriate.

2. Family business owners are the middle class

The approach and language in the new tax proposals is blatantly encouraging class distinction in Canada. They describe business families as the rich who use corporations as “tax loopholes”, and suggest that the middle class are victims of all of this. This is unfair and totally false, as a majority of small and medium sized business owners are middle class Canadians - they are hard working individuals who also employ many other people in the middle class in just about every community across Canada. The federal tax proposals directly target and significantly impact family business owners and by extension their employees and is therefore a negative for our middle class.

3. Family enterprise is the engine of our economy

Small and medium sized businesses are the backbone of our economy and responsible for the majority of job creation in Canada. This sector collectively is the largest employer in the country and a major contributor to our growth. There are literally hundreds of thousands of small and medium sized businesses in Canada. In addition to the employment they create, these business families are very philanthropic, contributing in a significant way to the communities from coast to coast where they work and live. The government’s tax proposals send a very negative message to current and future business owners about the nature and importance of their role in our economy.

4. It’s misleading to equate business owners with salaried employees

Business owners take on significant risk in running their businesses. The tax treatment of a business family should not be compared and benchmarked against a salaried employee who does not assume similar risks, and in fact enjoys the benefit of labour laws, employment insurance, and other mechanisms in the system. The current federal tax system, which allows business owners to use corporations and do legitimate tax planning in recognition of the risk and sacrifice they make, has been in place for decades and it is inappropriate to now characterize this as “loopholes”. Our tax system should support and promote business ownership for the contribution they make to our economy and the risks and sacrifices they take on for their employees and communities.

5. Proposed new rules introduce more complexity and uncertainty

Many would argue that our current system is already too complex making it burdensome for businesses to comply and for the CRA to administer. These new rules will introduce even more complexity and



