

Friday, September 1, 2017

MP Kyle Peterson
Newmarket-Aurora

RE: Consultations on Tax Planning Using Private Corporations

Dear Mr. Peterson,

I am writing to express my concern over Finance Canada's proposed rewrite of the existing tax rules concerning tax planning using private corporations. The Newmarket Chamber of Commerce is the voice of the business community, speaking on behalf of almost 900 businesses in Newmarket-Aurora. In the past few weeks, we've heard from numerous members of the Newmarket Chamber who are worried about the recent proposals by Finance Canada.

What the Finance Department is proposing will have a detrimental impact to the Canadian economy. Contrary to what has been said up till now, the new rules won't just significantly affect large corporations, but also new entrepreneurs and small business owners (97.9% of Canadian businesses according to the most recent stats).

Many tax professionals and leaders in the business community have come out strongly against the proposed measures because of the devastating impact this will have on small businesses. Many small business owners will have no other option than to cease operations.

There are certain aspects within the proposal which seem to discourage business owners from investing in their businesses. For example, currently an owner can accumulate portfolio earnings inside a corporation and pay corporate income tax rates (which are generally much lower than personal rates). The business owner can defer paying personal income or dividend taxes until the money is taken out of the business. Reducing this tax advantage will put businesses at risk since those earnings are placed there as a safety net to access during times of economic volatility. Additionally, a lot of business owners utilize this reserve during times of growth and expansion. Removing this advantage will hurt businesses looking to grow. This is a misguided approach, especially in Canada where small businesses are already facing difficulty in scaling their operations and becoming larger corporations.

I've addressed certain aspects of the proposed measures but I am similarly concerned with other parts of the proposal. As a member of the Canadian Government and our local representative in Parliament, I ask that you speak to the Minister of Finance to highlight the significant impact these changes will have on small business and, more importantly, to the Canadian economy.

Regards,



Debra Scott
President & CEO
Newmarket Chamber of Commerce