

# LETTER

## UPDATE ON GOVERNMENT'S PLAN FOR SMALL BUSINESS TAXATION

As many of you probably have heard recently in the news, the Government of Canada proposed changes to the tax system that could significantly impact Small Business owners. There was a consultation period from July 18th until October 2nd to hear from different parties affected. On October 3rd, they released their findings. There are good news - it seems the feedback was heard and the Government will be reviewing their proposals and potentially changing them.

The initial proposal included restrictions on *income sprinkling* which is when a business owner transfers income to a child or a spouse with a lower tax rate. It also included limits on *passive investment income* - which is when private corporations invest after-tax funds into passive investments (such as GICs, bonds, etc.) because they have a lower corporate income tax rate.

As per statement released, the Governments said it will base its next steps on the following key principles:

1. *Support small businesses and their contributions to our communities and our economy.*
2. *Keep taxes low for small businesses, and support owners to actively invest in their growth, create jobs, strengthen entrepreneurship and grow our economy.*
3. *Avoid creating unnecessary red tape for hard-working small businesses.*

4. *Recognize the importance of maintaining family farms, and work with Canadians to ensure we don't affect the transfer of a family business to the next generation.*
5. *Conduct a gender-based analysis on finalized proposals, to ensure any changes to the tax system promote gender equity. About 83 per cent of passive investment income is earned by Canadian-controlled private corporation (CCPC) owners making more than \$250,000. About 70 per cent of these individuals are men.*

- Source: <http://www.fin.gc.ca/n17/17-091-eng.asp>

Whether or not these changes will come in effect, we suggest reviewing your current structure to see if and when you might be affected. We at Accounting Plus Financial Services would be happy to assist and discuss potential strategies that might work for your business.

Contact us:

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