

Federal Liberals rethinking tax changes to small businesses

Ottawa must pull full package of reforms off table, MHCA says

The Trudeau government has asked Finance officials to find a way to protect the intergenerational transfer of family enterprises from the impact -- rising tax bills -- of the tax reforms for privately incorporated Canadian businesses.

After weeks of harsh criticism on the proposed reforms, the Liberal government is dialing back a proposal that would make it more expensive to transfer a business to a family member, than to an unrelated party.

"That's progress, but really what it indicates is that the federal government has moved precipitously and should take the whole package of tax changes off the table," MHCA President Chris Lorenc said Thursday. "They need to be studied by independent tax experts and subjected to real and meaningful cross-country consultation before anything is reintroduced.

"Small business owners, men and women, coast to coast were legitimately angered by this assault upon their ability to sustain their businesses, create wealth and jobs in this country, participate in legitimate long-term tax planning and family succession planning," Lorenc added.

"The wrath of small-business owners will be felt by the federal Liberals at the polls , absent a genuine step back from the precipice of flawed taxation policy."

The reforms seek to alter the way taxes are applied to the use of dividends -- their disbursement to family members, and the conversion of dividends to capital gains, which are taxed at a lesser rate. Further, Ottawa plans to restrict the use of an incorporated small business as a vehicle to make passive investments.

The MHCA has been part of a business coalition in Manitoba opposed to the tax changes. The coalition has spoken out publicly, met with regional minister Jim Carr and written letters asking that Finance Minister Bill Morneau step back from planned reforms. A recent opinion poll found their popularity has fallen markedly with Canadians.

To protest the planned tax changes, individuals can "Write Your MP!" at www.protectgrowth.ca, an online campaign launched by the Canadian Chamber of Commerce. The password is Chamber2017