



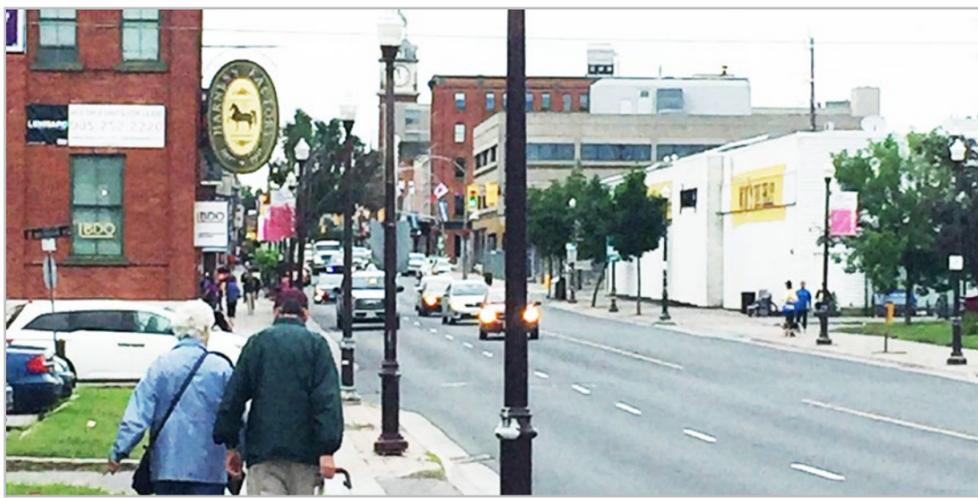
STRENGTHENING BUSINESS

## Proposed tax changes will have a big impact

By: Sandra Dueck, Policy Analyst, Greater Peterborough Chamber of Commerce

What does it mean to be a business owner? It takes somebody willing to risk it all to see their idea blossom from the kitchen table to a bricks and mortar building or even an online presence. It takes someone willing to spend the countless hours navigating the regulations and legislative requirements of at least three levels of government. It takes someone with drive to constantly battle, like a salmon upriver, to ensure the jobs they've created remain viable. It takes someone with a sense of community because most business owners also give back to the community they live in.

Interestingly enough, at a time when we are seeing more and more people take on the dream of entrepreneurship the provincial and federal governments are looking more and more at small business with a critical eye. As presented in a recent Ontario Chamber of Commerce (OCC) report, Canadians now create new firms at a higher per capita rate than Americans, partly a result of the rapid growth of the start-up ecosystem. As such, Canada currently ranks as a global leader in entrepreneurship, particularly for early stage projects. In Peterborough there is a tremendous ecosystem of organizations ready to help and offer a hand up to see new ideas become realities and tested ideas soar. But where Canada fails as a nation is seeing the majority of those start-ups continue to scale into larger and successful small businesses or even medium or large businesses.



The OCC report looked at what were some of the barriers holding back those start-ups from developing from one person operations to being sustainable enough to hire and create jobs in our communities. In the report it was revealed that over the past ten years, for example, 71 percent of the jobs created in the private sector can be attributed to the activities of small and medium-sized enterprises.

Why are we going over all of this? Because proposed changes to the tax system will have a major impact on the continued growth of small and medium sized businesses. And it threatens to disrupt the entrepreneurial ecosystem that has been driving Canada's economy one job at a time. In a white paper titled "Tax Planning Using Private Corporations" by the Department of Finance, the Finance Minister says "in the last year the economy added more than 300,000 new jobs." That's a bit misleading and takes away from the real work that lead to those new jobs. Let's be clear. The faceless economy did not add those jobs. Business owners did. Business owners in communities across Canada worked for contracts, increased their sales, and invested in new equipment (perhaps even with the assistance of a government program). As a result, those business owners were able to offer those jobs. That's how they became a part of the economy.

The Canadian Chamber of Commerce (CCC), along with many in the accounting profession, believe the proposed rules could potentially raise taxes, increase the administrative burden on SMEs and heighten the impact on family-run businesses.

On July 18, Finance Canada launched its 75 day consultation outlining four key changes that will affect businesses structured as private corporations:

- 1. Sprinkling income using private corporations:** Preventing a business owner from unfairly transferring income to family members who are subject to lower personal tax rates. In certain circumstances, owners would have to demonstrate that wages and dividend payments are "reasonable".
- 2. Multiplying the Capital Gains Exemption:** When an individual sells a small business, the first \$850,000 of capital gain is exempt from taxes. The government wants to prevent tax planning structures that enable multiple family members to use their exemptions.
- 3. Reducing the tax deferral advantage on portfolio investment inside a corporation:** 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 owner defers paying personal income or dividend taxes until the money is taken out of the business. The government is considering alternatives that would reduce this tax advantage.
- 4. Converting a private corporation's regular income into capital gains:** Income is normally paid out of a private corporation in the form of salary or dividends that are taxed at the owner's personal income

tax rate. In contrast, when a business is sold, it is taxed as a capital gain, where only one-half of capital gains are included in income, resulting in a significantly lower tax rate on income that is converted from dividends to capital gains. The government wants to tighten the rules to prevent certain tax planning structures, but it is open to more favourable treatment for genuine family business transfers.

Along with the CCC, chambers and boards of trade across the country are ramping up advocacy on this issue and are concerned with the timeline, tone and the desire to compare the taxes paid by entrepreneurs to how employees are taxed, which is like comparing apples and oranges.

These proposed tax changes apply to all businesses across all sectors from retail to landscapers to farmers and manufacturers. The current system has allowed for growth and jobs. The proposed changes threaten to make it more difficult to be a business owner stifling growth and jobs.

The economy doesn't create jobs, the business owner does. Give them tools to continue to do so and their success will also be Canada's.

Comments on the white paper and proposed changes are open until October 2, 2017 and comments can be emailed to [fin.consultation.fin@canada.ca](mailto:fin.consultation.fin@canada.ca)

Read more at: [peterboroughchamber.ca/blog](http://peterboroughchamber.ca/blog)

## Event Calendar

**Next Level PTBO** TUESDAY, August 29<sup>th</sup>, 2017

**Persian Empire**  
636 Queensway Court  
11:45am – 1:00pm

**Speakers:**  
Bruce Khabbazi, Persian Empire  
Mary Giuffre & Paul L. Clark, inspirainment inc.  
Chris Russell, Bryston Ltd.

**Details:** These Next Level business people will talk about their entrepreneurial story and how they're taking it to the next level. They will then introduce us to who they think is next!

**Cost:** Free for Chamber members and those considering Chamber membership

**Note:** Pre-registration required

**PBX @ The Mane Intent** TUESDAY, September 12<sup>th</sup>, 2017

2410 Cameron Line, Indian River  
4:00pm – 6:00pm

**Details:** Join us to learn more about this business and how you can learn with horses. PBX is a great opportunity for the business community, employers, consumers, and community agencies to make valuable connections.

Bring your business cards and get ready to get connected to the Peterborough business community.

**Cost:** Free, courtesy of Shorelines Slots at Kawartha Downs

**Chamber AM: Breakfast with the President & CEO** TUESDAY, September 12<sup>th</sup>, 2017

The Carousel  
116 Lansdowne Street East  
Coffee's on at 7:00am  
Speakers from 7:30-8:30am

**Speaker: Stuart Harrison**  
**Details:** Learn about the benefits of chamber membership, member discount programs, and advocacy work toward a better business climate.

Be ready with your 30 second elevator pitch to tell others what's going on in your business.

**Cost:** Pay for your breakfast

How do you #lovelocalptbo? Tell us on Twitter @ptbochamber

John Oldham  
Peterborough Museum & Archives

Chris Russell, Bryston  
Mary Giuffre & Paul L. Clark, inspirainment inc.  
Bruce Khabbazi, Persian Empire  
Experience how these entrepreneurs are taking it to the next level. Discover who they think is next!

PTBO CHAMBER MEMBER  
STRENGTHENING BUSINESS

### New eatery opens at Publican

After years of planning and work to restore the 170 year old historical building that inspired the brewery, The Publican House Restaurant and Taphouse has opened its doors. Chef Brad Watt has created a locally inspired pub food menu featuring a wood fired pizza oven, an oyster bar and beer pairing options with daily specials.



The bar features all of the Publican House beers, along with new specialty brews developed monthly. More: [publicanhouse.com](http://publicanhouse.com)

### Welcome to a New Member TJC Home Renovations & Additions

TJC is focused on providing custom carpentry to home owners who would like to renovate or add an addition to their home. Tim Casserly manages all aspects of home renovation and additions from excavation, demolition, management of compulsory tradesmen, framing, finish and all the many details within these subsections. When it comes to custom home carpentry, your vision is always possible.



TraylorFarms @TraylorFarms - 13h  
One pot meals, made from ingredients grown right here at #TraylorFarms! Visit our Farm Store for a full selection #heatandserve #homecooking

[www.peterboroughchamber.ca](http://www.peterboroughchamber.ca)

## A phone company that I've never had to call!

When I first asked Nexicom to provide phone and Internet systems for my home and business, I knew that I would get great, friendly service. After all, they've been a part of our community for more than 100 years and they're always trying to expand their services and find ways to help their customers.

But in the more than 16 years that Nexicom has been my Internet and phone provider I've never had to make one call about a service problem. Not one.

**And I didn't expect that. Thank you, Nexicom.**

Janet McLeod  
Owner, East City Flower Shop



Internet | Telephone | Security *More than you expect*

