



Dates to watch for on federal tax changes

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

The Chamber network across the country is continuing to #protectgrowth in response to the proposed small business tax changes. Recently, the Peterborough Chamber of Commerce hosted a workshop on the federal tax changes and what those changes will mean for Peterborough businesses. There is a video recap of the session on our website: peterboroughchamber.ca

In the Fall Economic Statement of October 24th, the federal government changed course on a couple of fronts, such as no change to the Capital Gains Exemption and a reduction to the Small Business Corporate Tax Rate to 10% on January 1, 2018 and 9% on January 1, 2019, but there is still concern around potential changes to passive investments and income sprinkling.

The Peterborough Chamber of Commerce and dozens of other chambers and boards of trade had the opportunity to hear from Finance Minister Bill Morneau at the Canadian Chamber of Commerce (CCC) Annual General Meeting in Fredericton at the end of September. This meeting was very much at the height of opposition and resulted in a policy resolution calling for a comprehensive review of the tax system through a Royal Commission. The Peterborough Chamber also asked that any proposed tax changes for small business be subject to an economic analysis.



Hon. Bill Morneau, Finance Minister (l) speaking with the Hon. Perrin Beatty, President & CEO, Canadian Chamber of Commerce

Since that meeting the CCC has committed to launching its own competitiveness assessment of Canada's business tax system in 2018. With mounting regulatory compliance costs at all levels of government, proposed carbon taxes, and the continued advancement of the tax reform bill in the United States, understanding Canada's tax competitiveness is key to continued growth.

What has changed and where does concern still exist?

The Small Business Corporate Tax Rate will be reduced

The government will reduce the federal small business tax rate from its current level of 10.5% to 10% as of January 1, 2018 and 9% as of January 1, 2019. This measure reinstates the gradual rate reduction to 9% announced by the previous government but halted in Budget 2016. The tax rate reduction was included in a Notice of Ways and Means Motion tabled as part of the government's Economic Update on October 24.

This reduction will save companies earning \$500,000 in income eligible for the small business deduction \$2,500 in 2018 and \$7,500 annually from 2019 on.

The Canadian Chamber has welcomed this move.

Higher taxes on Ordinary Dividends

In conjunction with the small business rate reduction, the personal tax rate applied to ordinary (non-eligible) dividends will increase. The purpose is to maintain the integrative nature of the personal and corporate tax systems, ensuring that the aggregate level of tax paid on dividends will remain the same regardless of whether income is earned as an individual or through

a corporation. However, this change could result in an overall tax increase for some small business owners, which for some, might exceed the savings associated with a reduction in the small business tax rate.

The Chamber has proposed that a grandfathering mechanism be introduced.

Rules related to "Income Sprinkling" will be simplified

Widespread and serious concerns were raised with respect to the complex rules the government was proposing to introduce aimed at restricting the payment of income to adult family members unless the amounts were determined to be reasonable. The government also proposed that it would treat some capital gains as ordinary dividends.

The Chamber remains concerned that the changes, when they are announced, will not take into consideration all of the ways that family members contribute to a small business and that the reasonableness test that will be applied by CRA will still be intrusive and complex.

We have called for the government to:

- Announce its simplified rules as soon as possible and allow ample time for input from business;
- Consider at a minimum an exemption from the rules for spouses; and,
- Postpone the implementation of the changes until January 1, 2019 at the very least.

Proposals for the tax treatment of Passive Income will be revised

The government intends to proceed with proposals to increase tax on corporate passive investments funded from after-tax business earnings, effectively double taxing

the eventual distribution of passive investment earnings. However, the government now proposes that the new tax increases will only apply to passive income in excess of an annual threshold of \$50,000 and will be applied only on a go-forward basis. It is expected that the draft legislation will be tabled along with the federal 2018 budget.

The Chamber's position with respect to the government's new proposals to tax passive income is that:

- The \$50,000 threshold is inadequate for small businesses that are saving in order to make larger investments in innovations or business growth;
- The threshold is too small to provide business owners with long-term earnings security;
- The government should not proceed with its passive income rules until a full economic impact assessment has been carried out and an approach has been developed that can ensure there will be no unintended negative consequences to business investment.

The CCC has identified some next steps and dates to watch for:

- December 15** – The Senate Finance Committee will release its report on the Small Business Tax changes based on the cross-country consultations it undertook during the fall in which many Chambers took an active role.
- Sometime before Christmas** (our bet is just before Christmas) – The government's new rules on income sprinkling need to be tabled if the government is to meet its January 1 date for implementation.
- March** – Budget 2018 will most likely contain draft legislation on passive investment.

Event Calendar



TUESDAY December 12th, 2017

The Carousel
116 Lansdowne Street East
Coffee's on at 7:00am
Speakers from 7:30-8:30am
Speaker: Heather Watson, acorn30
Cost: Pay for your breakfast

What you'll learn: It seems that social media is the new holy grail of marketing. It's a powerful tool but there are many things that people don't talk about that you should be absolutely aware of when using digital media. Knowing the opportunities are one thing but understanding the challenges will set you up for success in the long run. Join us for this thought-provoking session.

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

Cost: Pay for your breakfast



WEDNESDAY December 13th, 2017 (Chamber & WBN Members only)

Creating your Digital Marketing Roadmap

Chamber Boardroom
175 George Street North
12:00pm - 1:00pm
Speaker: Toby McLeod, Strategy.ca

What you'll learn:

How consumers discover and purchase what they want, when they want, in today's "always on" digital economy, and how you can help ensure your business is their preferred choice.

Why 96% of website visitors leave, never returning or converting into a lead or sale and how to avoid this costly mistake.

A 5-step digital marketing strategy that can generate more leads and sales for your business, quickly & affordably.

Cost: Free (Bring your lunch)

Sponsor: Bell

Note: Pre-registration required



Full Events Calendar can be found at peterboroughchamber.ca/events



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For more on the 2018 campaign contact Karen August: karen@peterboroughchamber.ca



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Welcome to our newest Chamber members

We know that we build a stronger business community together and Chamber membership means that you belong to a trusted network of professionals who strengthen the local economy.

Thank you for joining the Peterborough Chamber of Commerce:

- AMANA International
- BWXT Nuclear Energy Canada Inc.
- Canadian Cannabis Clinics
- Creative Kwe Coaching
- Jiyu-Shin Karate School
- Keene Truck Inc.
- Peterborough Commercial Development Inc.
- Roshell Freight 2.0 Inc.
- Sylvia James, Sales Rep Royal LePage Frank

Are you looking for a local business to meet your needs?



Our members do it all... check out the Chamber business directory to connect with our 900 members: web.peterboroughchamber.ca/search

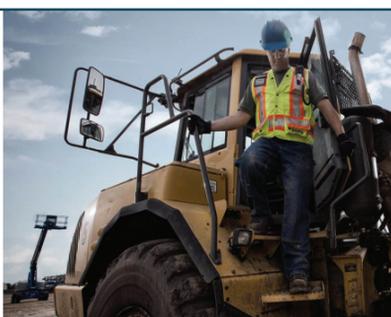
Chamber members, send your Member Milestones to reception@peterboroughchamber.ca or call 705-748-9771 x0.



Trent Valley Honda @TVHonda · Nov 28
Our Toy Drive box has started filling up with goodies for our local community. Make sure #ptbo you drop off your NEW, UNWRAPPED toy soon as the December 9th cut off date is fast approaching. #supportingourcommunity #hondaproud #lovelocalptbo



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