

WHAT A TRUMP PRESIDENCY MIGHT MEAN FOR YOUR BUSINESS

WORRIED ABOUT HOW DONALD TRUMP'S PRESIDENCY MIGHT AFFECT YOUR BUSINESS? HERE ARE THE QUESTIONS WE GET ASKED THE MOST FROM A TAX PERSPECTIVE. SURPRISE! THE NEWS IS MORE GOOD THAN BAD.

SHOULD I WORRY ABOUT TRUMP'S PRESIDENCY AND THE REPUBLICAN MAJORITY IN THE HOUSE AND SENATE?

Although based on conjecture, from an income tax perspective, it would seem the answer is no.

BUSINESSES

From a businessperson's perspective, Trump has proposed reducing the US Federal corporate tax rate to 15% from the current 35%. The House Tax Reform Blueprint (announced in June 2016) proposes a US Federal corporate tax reduction to 20%. Many commentators doubt that such a drastic cut in tax is realistic and that a rate reduction to 25-28% is more likely. As for who will pay for these cuts, Trump claims that his tax plan is fiscally responsible. Measures that have been proposed include: taxing profits earned in offshore entities, even if not repatriated; the elimination of certain interest deductibility and the elimination of many business credits. In addition, itemized deductions for individuals, such as state and real estate taxes, will not be deductible, and charitable contributions and mortgage interest may have ceilings.

INDIVIDUALS

For individuals, Trump plans to reduce the top personal tax rate from 39.6% to 33%. However, the income level at which the top rate applies would be lower. Additionally, Trump will most certainly repeal Obamacare, which included a 3.8% net investment tax. This will directly benefit US citizens living in Canada, as this additional tax was not creditable against Canadian taxes. For Americans living in the US, between losing the ability to claim deductions and paying higher tax at lower levels, the rich will not likely see a reduction in their taxes, and may even see an increase. Another item affecting the wealthy is that carried interest will be taxed as ordinary income instead of the current taxation as a capital gain.

Estate tax affects Americans living in the US, as well as US citizens living in Canada. Although Trump proposes to eliminate the US estate tax, it may be unwise to do estate planning based on this assumption, given that historically, estate tax has often been modified.

SO TRUMP MAY HAVE A POSITIVE EFFECT ON MY BUSINESS FROM A TAX POINT OF VIEW?

As it stands now, it's possible his tax proposals could be good for Canadians. Those doing business in the US will benefit greatly from a lower tax rate, and yet they may not have to pay for the major shortfall in revenues which Trump claims are being paid for by the wealthy. However, with combined Federal & Provincial tax rates in Canada averaging at 26.7%, lower US corporate tax rates could hurt our competitiveness in attracting foreign investment.

IS IT A GOOD TIME FOR ME TO EXPAND MY BUSINESS INTO THE US?

This is one of the questions I am asked most often. The answer will change drastically if Trump reduces the business tax to 15%. People who are planning to conduct business in the US need to watch this to see how to structure expansion and investment in that country. What I tell my clients is not to make business decisions based on income tax. We make business decisions based on many things and tax is only one of them. Now might be the best time for you to enter the US market based on all factors considered – or it may be best to wait. In short, the answer is not black and white.

DO YOU THINK HIS PRESIDENCY WILL AFFECT CANADIANS OVERALL?

The bottom line is that everything that happens in the US ultimately affects us in Canada – we just don't know exactly how at this early stage. As a result of Wall Street betting that Trump will be good for business, the stock market has gone up since he was elected. This benefits everyone. However, when it comes to NAFTA, Trump has called the agreement "the worst trade deal in history". So, will he renegotiate? This could have a major impact on the way business is done in North America, not withstanding any changes in the income tax rate. As always, the future is uncertain. We'll see.



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Nina is a seasoned tax expert who specialises in US taxation, US and cross-border tax planning (including income tax and inheritance tax), US corporate tax returns, and individual US tax returns for Canadians and US citizens living in Canada. She also provides her clients with the taxation advice they need for compliance issues and expansion into US and Canadian markets.

Her substantial portfolio of clients primarily includes US citizens living in Canada, Canadian individuals investing in US real estate and partnerships, as well as Canadian companies operating franchises and subsidiaries in the United States, across a wide range of business sectors. Nina is especially interested in real estate and wholesale. Real estate brokerage firms regularly call on her expertise in order to provide their clients with specialised and up-to-date US taxation advice.