

## PROPOSED NEW TAX RULES - UPDATE

As previously reported in our newsletter, on July 18<sup>th</sup>, 2017, federal Finance Minister Bill Morneau ("Morneau") released for consultation a discussion paper and draft legislative proposals (the "Papers") addressing tax planning arrangements using private corporations. It is the government's view that these changes are necessary to close perceived tax loopholes and improve the fairness of the Canadian income tax system. In our view these proposed measures represent the most significant amendments to the taxation of private corporations in Canada since the 1972 tax reform. If enacted, these proposals would generally have broad application, including increased income taxation on distributions of income among family members and passive income earned on undistributed active business earnings. In addition, there will be several potential adverse tax consequences surrounding the transfers of shares of private corporations. To view our previous release, please [CLICK HERE](#).

The Papers suggest that these measures will improve the fairness in our tax system by removing advantages gained through the use of private corporations and by closing loopholes while promoting innovation and support of Canadian businesses. We disagree with these assertions. Since the release of the Papers, we have made representations to MP's, and other members of the PMO, shared our concerns directly with senior members of the Department of Finance and have spoken at professional organizations. In particular, we have highlighted the potential economic consequences and unfair or unintended tax implications arising from the sweeping changes being proposed.

The consultation period was to last 75 days and will end on October 2<sup>nd</sup>, 2017. We, along with many business groups, economists, Liberal MP's and other professionals believe that in order to have a proper consultation, that period must be extended. It is our hope that our government is listening to the legitimate concerns of Canadians and those views expressed by the best and brightest economic and business minds of our country.. Although it is important to have a logical debate on the Papers, we certainly feel that the rhetoric used by Morneau and Justin Trudeau in defending the Papers has been neither helpful nor healthy. To have a public dialogue which divides Canadians between different social and economic groups ("class warfare"), is bad for ALL Canadians. To view the Papers and their references, please [CLICK HERE](#).

On Monday, September 25<sup>th</sup>, we attended a conference hosted by the Canadian Tax Foundation and we were joined by members of the Department of Finance. While we had hoped to have some further direction on the application of what have been called some of the most complicated changes in tax law, we were told that we have to wait until the consultation period is over. They did promise some very rapid comments on certain specific tax provisions. Rest assured, we will be keeping you current as to these changes and review any recommendations or planning relating thereto.

Should you have any questions on the Papers, please contact us at PSB Boisjoli.