

Tax Fairness Town Hall Report

9/29/2017



A report on Canadian's views of the government's proposed changes to tax planning using private corporations, and considerations to improve the Canadian Tax System.

LEONA ALLESLEV, MP
AURORA - OAK RIDGES - RICHMOND HILL

Tax Fairness Town Hall Report - 29 September 2017 – Leona Alleslev, MP

Introduction

Community members from Aurora-Oak Ridges-Richmond Hill came together to discuss the government's proposals on tax planning using private corporations (including income sprinkling, passive income, and capital gains). The Town Hall highlighted the strength of democracy in Canada as well as the importance of small businesses to not only this community but to Canada as a whole.

Town Hall Details



Date: **Sunday, September 24th 2017**

Time: **1:00pm – 2:00pm**

Location: **Aurora Public Library, 15145 Yonge St. Aurora, ON L4G 1M1**



72 Attendees: *Small Business Owners, Accountants, Aurora Chamber of Commerce, Richmond Hill Board of Trade, Incorporated Individuals, Doctors, Lawyers, and more.*



114 emails (and counting): *All emails received were in opposition to the government's current proposals to change tax planning using private corporations*

General Tax Proposals for Government Consideration

This tax conversation was not limited to the current three tax proposals. There were a number of overarching concerns raised by constituents, which are outlined below.

1. Take steps to better **enforce existing tax rules** including categorization of workers and the issuance of T4As and schedule 14s.
2. **Simplify the tax process** and compliance burden
3. Take steps to **strengthen CRA support** for tax payers (perhaps through hiring more CRA employees during tax time) and having a separate tax inquiry line for accountants
4. Focus on **targeting the underground economy** (not only offshore tax havens, but more importantly, industries like real estate and construction where home renovation transactions in cash are not reported)



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Tax Proposals for Income Sprinkling, Passive Income, and Capital Gains

Specifically regarding the conversation around income sprinkling, passive income, and capital gains, constituents provided proposals for consideration, which are outlined below.

Passive Income

- Extend the consultation period and if implemented, **provide a longer transition period**
- The government could consider the possibility of having a **cap on passive income**, perhaps something including a limitation on savings of up to 3 years of gross revenue, or a percent of asset replacement/investment or renewal cost.
- Explore mechanisms for owners of **private corporations to contribute to Employment Insurance (EI)** to be eligible for parental benefits

Capital Gains

- The main concern constituents raised with capital gains is the **intergenerational transfer** of private corporations. The government should ensure that the principle of transferring private corporation ownership between generations is **not more onerous** than transferring it to a third party.
- Constituents also raised **concerns over the complexity and compliance burden**, and therefore suggest that the implementation period be extended

Income Sprinkling

- Constituents are concerned about the **compliance burden** of the proposed tax changes with income sprinkling. The government needs to ensure that the “reasonableness test” process does not become cost prohibitive or burdensome to private corporations.

In Conclusion

Constituents have expressed measured support for the objectives of the proposed tax changes but are deeply concerned with the practical implementation both from a structure and execution timeframe perspective. I trust that this report will assist in informing decisions on the proposed tax changes, as well as give way for future measures to be taken regarding overall tax fairness in Canada.

Sincerely,

Leona Alleslev, Member of Parliament for Aurora-Oak Ridges-Richmond Hill