

# CFIB Response to Consultation on Tax Planning Using Private Corporations

## Introduction

Small business owners are deeply concerned about the proposed changes to the tax system announced by the Department of Finance on July 18, 2017. Despite government statements that these changes will not affect the majority of small- and medium- sized enterprises (SMEs), an overwhelming majority of tax professionals, and small business owners themselves, say the proposed federal tax changes will hurt middle- class business owners and their families.

The government’s consultation paper targets three tax planning tools used by Canadian- controlled private corporations (CCPCs). They are:

- ▶ Income sprinkling (or income splitting);
- ▶ Passive investments in a private corporation; and,
- ▶ Converting income into capital gains.

CFIB will provide feedback based on the results of a survey conducted in mid- September of more than 8,500 small business owners and more than 400 tax professionals; hundreds of calls from concerned business owners and; countless conversations with tax professionals from firms large and small. Our feedback will focus on the realities of running a small business in Canada, the impact of the changes on the middle- class, an overview of the impact of each of the proposed tax measures, and a series of recommendations.

## Realities of small business in Canada

First, it is important to address how the proposed tax changes were introduced by government. The language surrounding the changes indicates a limited understanding of how small business owners and entrepreneurs operate. For example, contrary to the language used by the government, these tax measures are not “loopholes” but, rather, they are tools that were specifically created to recognize the unique situations and risks faced by small business owners. In fact, these are legitimate ways for small business owners to grow

their business, ensure the stability of the firm during uncertain times, or to save for their retirement. Characterizing them as “loopholes” used by wealthy Canadians has implied that those using them are tax cheats. This language, repeated over and over again, has deeply offended many small business owners who pride themselves on paying their taxes and contributing positively to their communities and their country.

We have serious concerns with how the consultation focuses on comparing an employee with an employer making the same amount of money, seeming to imply that all of their other circumstances would also be similar. This is an erroneous assumption given that employers do not have access to the same benefits and protections of employees, including (but not limited to): paid vacations and holidays, paid vacation times, extra pay for overtime work, access to Employment Insurance should they lose their jobs, pensions and health benefits (often subsidized, if not paid, by the employer), among many others. Nor does it account for many of the other responsibilities of an employer that are not required of an employee such as collecting and remitting taxes (GST/HST, source deductions, etc.), paying both the employer and employee shares of Canada Pension Plan premiums, often paying their employees first when times are tough, taking financial risks to operate their business, among others. Therefore to suggest that an employer and employee making the same amount of money should be taxed exactly the same way neglects to understand the role employers play in contributing to society and the risks they face in doing so.

In fact, starting a business is not a licence to print money. Small businesses owners face multiple hurdles and struggles along the way in order to keep their doors open. The life of an entrepreneur is not an easy one – often, it means mortgaging your house, taking loans from family members, and working for years without taking a single vacation day.

As such, we believe that it is important to remember why tax planning tools such as these exist in the first place. Firstly, the costs and the burden of regulatory compliance are much higher on smaller firms than their larger counterparts. As a result, they spend more time and money complying with regulatory requirements at all three levels of government. Previous CFIB research found that the annual cost of regulations for smaller businesses is almost five times higher than for larger firms. For example, in 2014, it cost businesses with fewer than 5 employees \$6,683 per employee to comply with regulations, versus \$1,462 per employee for larger businesses with more than 100 employees.<sup>1</sup>

Secondly, smaller businesses have a more difficult time accessing financing than larger firms. Not only is it more difficult for an SME to get a loan from a financial institution, it is also much more expensive due to the perception of risk in the business. Instead, SMEs rely on retained earnings in order to make new investments, innovate and grow their business. Allowing small firms to retain more of their earnings to put back into the business was one of the goals of the lower rate of tax on small business in the first place.

Thirdly, the amount of risk taken by many small business owners should be recognized by governments. Unlike employees, the majority of small business owners do not have a stable source of income. As such, small business owners face many hurdles when running a

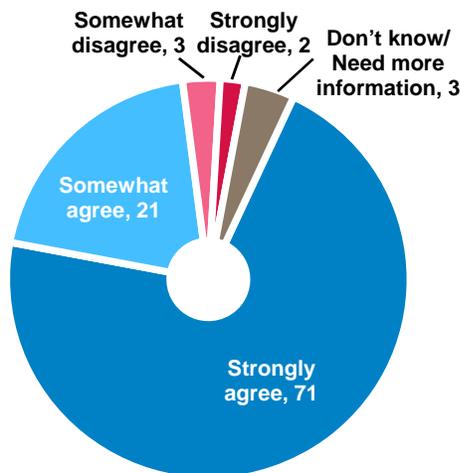
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<sup>1</sup> CFIB, Canada’s Red Tape Report 2015, January 2015.

business, and 92% of SMEs believe these tax proposals will only create additional uncertainties for their business (see Figure 1).

Figure 1

I am concerned that the proposed tax changes will create additional uncertainty for my business. (% response)



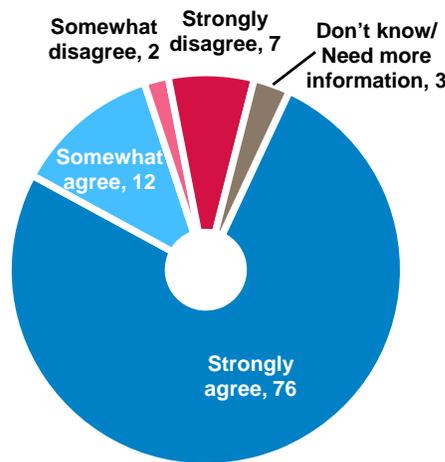
Source: CFIB Tax Changes on the Way Survey – preliminary results, September 2017, n=8553.

Between September 6<sup>th</sup> and 14<sup>th</sup>, CFIB conducted an online survey of our members and tax practitioners on the federal government's proposed tax changes, providing a backgrounder to all respondents that briefly explained each change. The survey received 8,553 responses from business owners (excluding tax practitioners) and 410 from tax practitioners only. For business owners, the survey has a margin of error of +/- 1.06 percentage points, 19 times out of 20. For tax practitioners, the margin of error is +/- 4.84 percentage points, 19 times out of 20.

Given these are the realities for most small business owners, CFIB fears that the impacts of the proposed tax changes will be much broader than the government suggests and will have implications on many small businesses in Canada. These are not small measures to shore up the tax system, but, rather they are significant policy changes to tax structures that have been in place for over 40 years. Many may bring a host of unintended consequences to small businesses in Canada. In fact, 88% of small business owners believe that the government is proposing these changes without fully understanding the impacts on SMEs (see Figure 2).

Figure 2

The federal government is proposing a set of significant tax changes for small business without fully understanding the impacts. (% response)

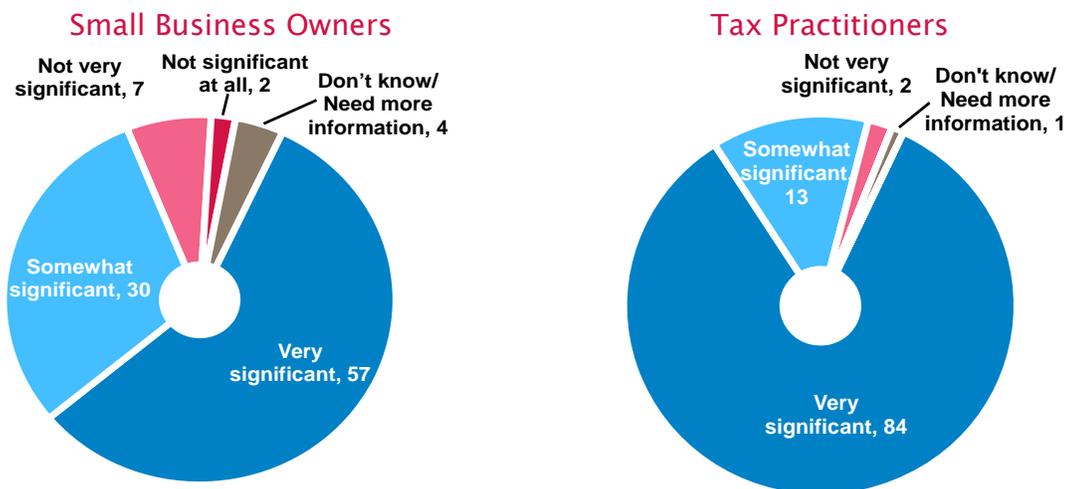


Source: CFIB Tax Changes on the Way Survey – preliminary results, September 2017, n=8553.

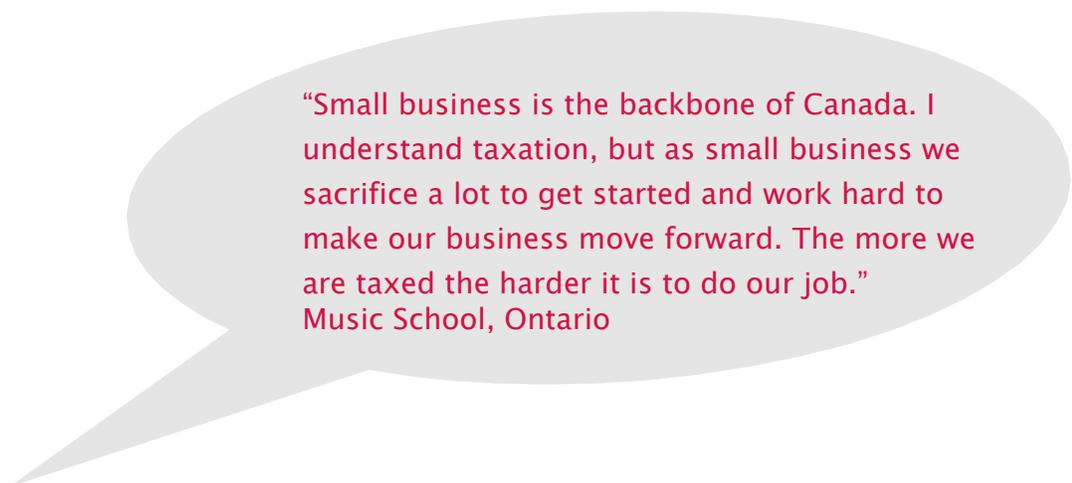
Furthermore, 87% of small business owners themselves view these changes as either very (57%) or somewhat (30%) significant to their business (see Figure 3). In a separate survey of tax professionals, 97% of a sample of over 400 tax professionals see the proposed tax changes as very (84%) or somewhat (13%) significant to their small business clients. Given the potentially broad significance of these proposed tax changes, CFIB considers the timeline for this consultation entirely inappropriate to fully deal with all the implications and complexities of these proposals.

Figure 3

How significant are the proposed tax changes to small business? (% response)



Source: CFIB Tax Changes on the Way Survey – preliminary results, September 2017, n=8553 (tax practitioners, n=410).



“Small business is the backbone of Canada. I understand taxation, but as small business we sacrifice a lot to get started and work hard to make our business move forward. The more we are taxed the harder it is to do our job.”  
Music School, Ontario

### Impacts on the middle-class small business owner

While the consultation paper uses examples of a business owner earning \$220,000 per year, this example is far from the reality of most small business owners. In fact, our research has shown that small business owners are firmly in the middle class. Employers are about four-times more likely to be earning less than \$40,000 per year than earning more than \$250,000, with two-thirds earning less than \$73,000 per year.<sup>2</sup>

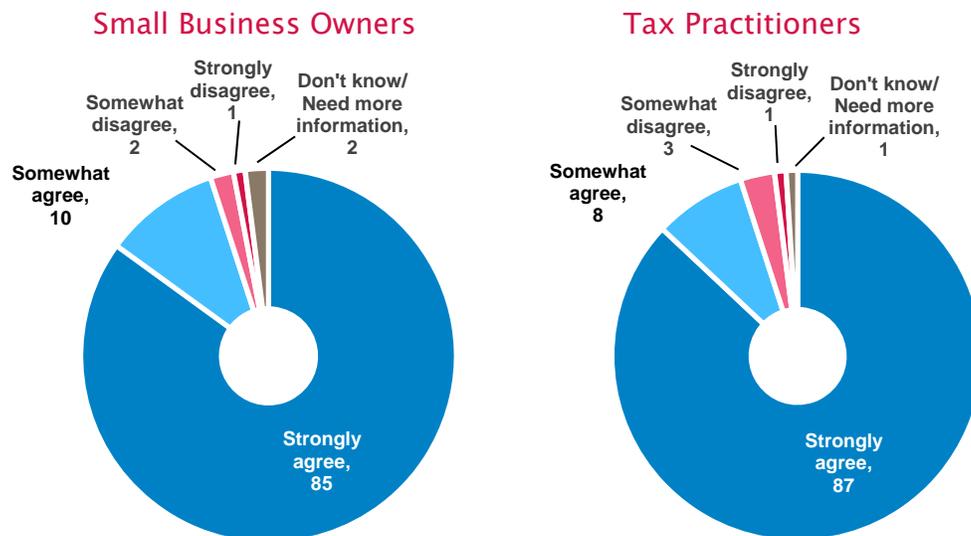
But despite the government’s public statements that these proposals will not affect small business owners earning under \$150,000 per year, tax professionals from a wide variety of firms who regularly deal with these tax measures have demonstrated that in fact, these changes would include small business owners earning well under that amount. A majority of small business owners themselves also dispute the notion that only the wealthy will be impacted: 85% strongly agree 10% somewhat agree that changes will harm middle-class small business owners and their families (see Figure 4). Our survey found that 95% of tax practitioners also believe these changes will harm middle class business owners.

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<sup>2</sup> Source: Statistics Canada, 2011 National Household Survey Microdata, adjusted to 2016 consumer prices.

Figure 4

The proposed tax changes will harm middle-class small business owners and their families, rather than close a few tax loopholes for the wealthy.  
(% response)



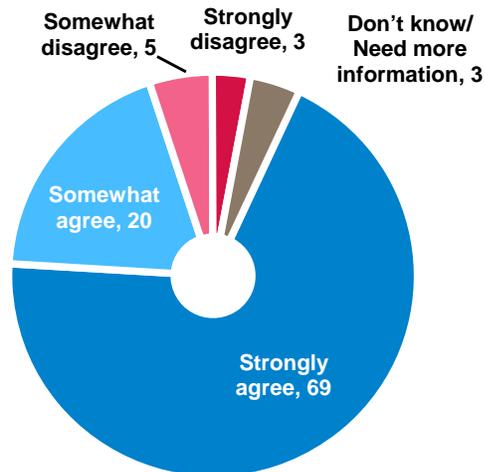
Source: CFIB Tax Changes on the Way Survey – preliminary results, September 2017, n=8553 (tax practitioners, n=410).

In addition to this, the impacts on the middle class will extend beyond business owners to impact their employees as well. The majority of Canadians in the private sector are employed by SMEs, who constitute 90% of private sector employment.<sup>3</sup> Small business owners reported that they either strongly (69%) or somewhat (20%) agree that the proposed changes will make it more difficult for them to grow their business and create new jobs (see Figure 5). As SMEs play a vital role in job creation, there would be damaging consequences as a result of these tax changes on the middle class business owner and ultimately on the economy as a whole.

<sup>3</sup> Sources: Statistics Canada, Labour Force Survey (LFS); and Innovation, Science and Economic Development Canada calculations

Figure 5

The proposed changes will make it more difficult for my business to grow and create jobs. (% response)



Source: CFIB Tax Changes on the Way Survey – preliminary results, September 2017, n=8553

## Feedback on proposed tax changes

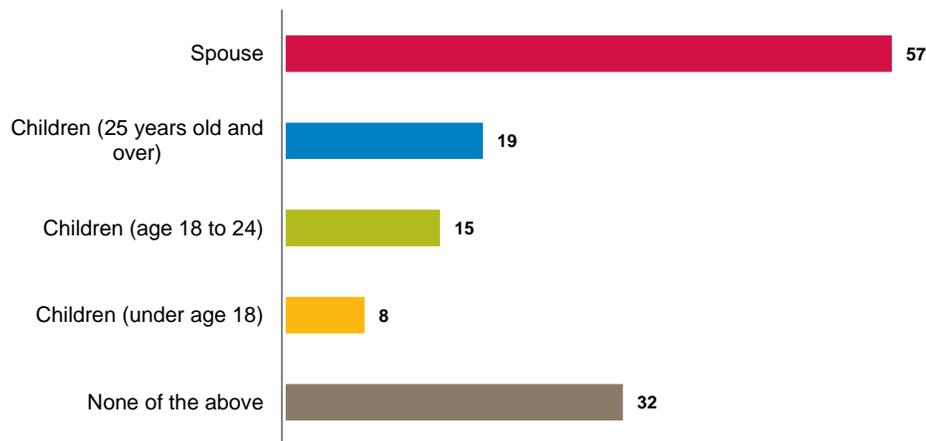
### *Family income sprinkling*

The government's proposed changes to limit how business owners sprinkle income among family members demonstrates a fundamental misunderstanding of how many small businesses operate. When an entrepreneur takes the first big step to starting his or her business, the entire family becomes involved. At minimum, the family share in the risk associated with starting a business. Often personal assets, like equity in a home must be used to start the firm. Spouse and other family members often play critical roles in contributing to the business' success in many formal and informal ways. Our research has found that almost 70% of small business owners employ family members in their business.<sup>4</sup> And almost as many (68%) provide compensation from the business to family members, most of whom (57%) pay it to their spouse (see Figure 6). As a result, any changes to these rules will have a broad impact on small businesses, regardless of whether they make \$50,000 or \$150,000 a year.

<sup>4</sup> CFIB, Employment Insurance Survey, March-April 2016, n=7,880.

Figure 6

Other than yourself, do any of the following members of your family receive compensation from your business (e.g., salary/wage, dividends, etc.)? (% response)



Note: respondents who selected "None of the above" cannot also select other options.

Source: CFIB Tax Changes on the Way Survey – preliminary results, September 2017, n=8553.

Although the proposed changes will not eliminate income sprinkling, the proposed enhanced and expanded "reasonableness test" will add significantly more complexity, which would in turn bring added costs and uncertainties for business owners. Small businesses owners are particularly concerned about how the Canada Revenue Agency will interpret and apply these new rules as they already often face conflicting, inconsistent and unclear information from CRA.

"I think it is reasonable for a family to participate and help out in a small family business. Creating additional paperwork according to the proposed tax proposals seem to discourage the use of family members and encourage hiring strangers to do the same work, as there would be fewer barriers than hiring family."  
Manufacturer, British Columbia

Furthermore, we believe that limitations on paying dividends to family members who are shareholders effectively means government is making decisions on who owns the business. A long-standing reasonability test already exists to cover wages and salaries paid to family

members, with exclusions for those under age 18. The use of salaries and dividends for family members in the business often serves to encourage adult children and spouses to play a role in and pay close attention to the business for emergency or longer-term succession purposes.

We are concerned these changes may discourage family members from participating in the benefits and future of Canadian SMEs.

We are also concerned that these changes will have a disproportionately large negative effect on women. As research shows that two-thirds of incorporated businesses are majority-owned by men, limitations on sharing income with a partner will inevitably mean that more women will be cut out from the benefits of business ownership. As government is now using a gender lens in evaluating budget measures, we urge it to apply this policy to these changes.

Finally, the consultation paper states that the benefit to government of implementing these measures will be approximately \$250 million per year. While this is not a small amount of money, in the context of the Canadian government's overall budget it represents less than 0.1% of the total budget. The cost to small business owners to deal with these new provisions will be significant and we question whether the revenue expected from this change is really worth the added complexity and cost for small business owners to comply and for CRA to administer.

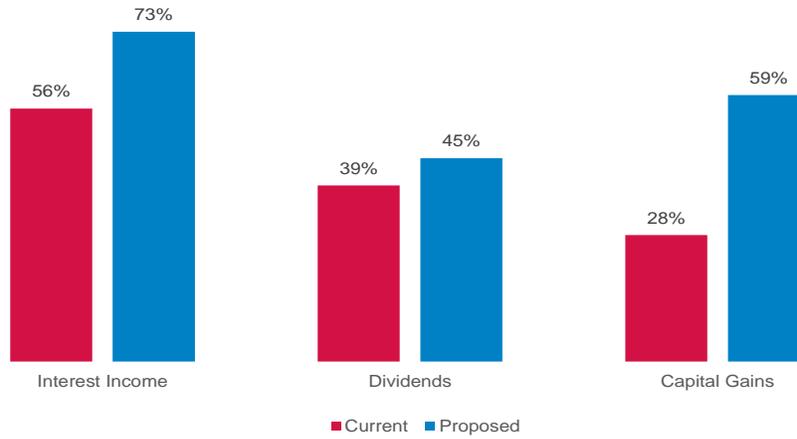
*Passive income in a private corporation: Why the proposed changes are not the solution.*

One of the basic tenets of the tax system is integration, which ensures business and personal taxpayers of similar incomes pay roughly the same amount of tax. Rather than improving integration of the tax system, analyses from almost every private sector tax professional demonstrates that the passive income proposals would lead to business owners being taxed at an even higher rate than employees earning the same income in many cases.

Although this particular proposal does not contain draft legislation, the tax practitioners that CFIB has consulted have expressed concern that the combined corporate and personal tax rates for business owners in Ontario, for example, could be as high as 73% on investment income and 59% on capital-gains earned by the business (assuming the business owner is paying the highest marginal rate of taxation) (see Figure 7). This is much higher than what an employee receiving a similar amount of income from investments or capital gains would pay. Regardless of the level of income, it is our understanding that the proposed tax changes would result in higher combined corporate and personal taxes for business owners across the board and would therefore no longer be aligned with the principle of tax integration.

Figure 7

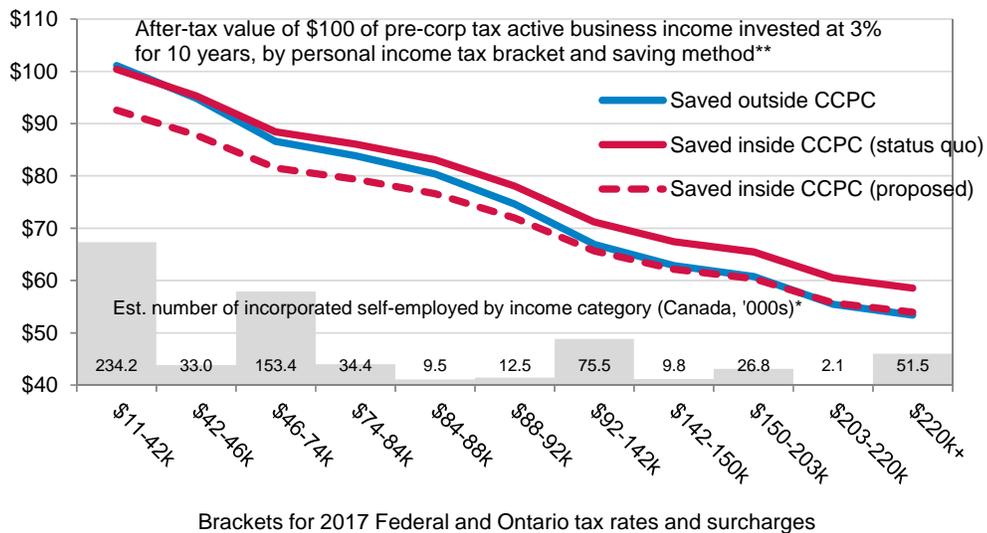
### Comparison of Effective Tax on Passive Income between Current and Proposed Tax Rules



Furthermore, additional calculations further demonstrate that while these proposed changes may lead to some better integration in higher income brackets over time, small businesses in lower tax brackets (where most business taxpayers are found) will see the value of their savings reduced to less than employees who invest the same amount of money over the same period of time, therefore making it worse for those business owners at the lower end of the income scale (see Figure 8). This cannot be allowed to go forward in its present form.

Figure 8

### Passive investment: tax integration seesaw



\*2011 NHS microdata, distributions of total personal income adjusted to 2017 prices

\*\* Based on K.Milligan calculations:

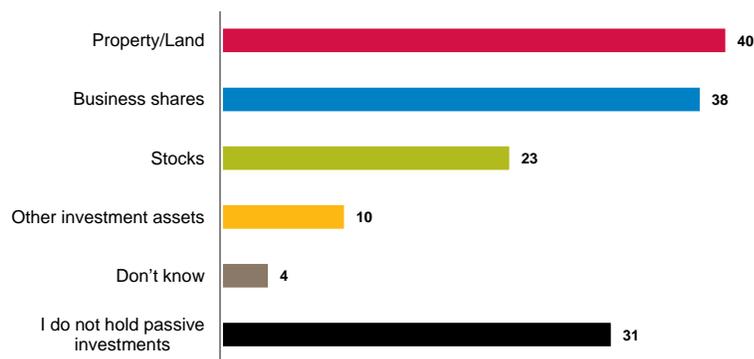
[https://docs.google.com/spreadsheets/d/1\\_iQ4I07X776vY82JITdgMDIEvubDYypegsYvj9JOqo/edit#gid=0](https://docs.google.com/spreadsheets/d/1_iQ4I07X776vY82JITdgMDIEvubDYypegsYvj9JOqo/edit#gid=0)

### *Passive income in a private corporation: Why is it important to a small business?*

Small business owners rely on passive investments for a variety of reasons which we will outline below. Our research found that 69% of business owners hold passive investments in their company with most investing in property or land (40%), and/or business shares (38%) (see Figure 9).

Figure 9

What types of passive investments (i.e., not directly related to your business activity) do you typically hold in your business? (% response)



Note: respondents who selected "None of the above" cannot also select other options

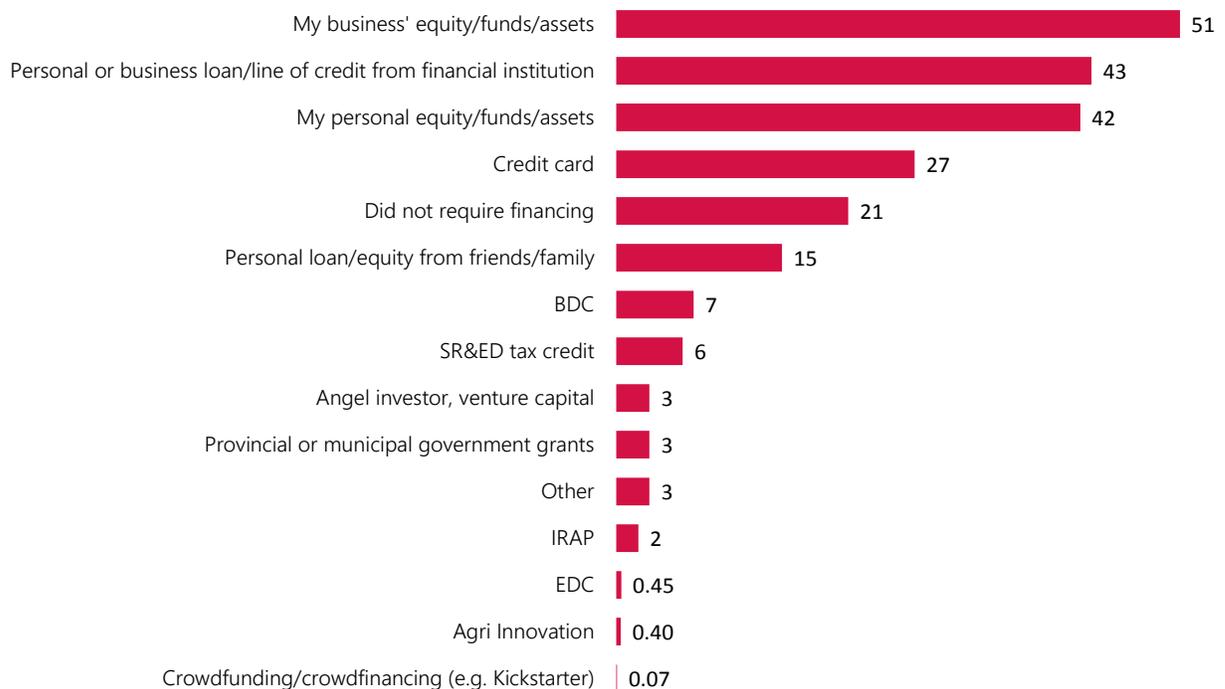
Source: CFIB Tax Changes on the Way Survey – preliminary results, September 2017, n=8553.

So why do so many small businesses have passive investments in their business and why is it so important? The reality of running a small business is that income levels can fluctuate significantly from year to year. Tools such as passive income streams in the corporation help offset any losses in leaner times and ensure they can keep paying their employees and remain open in times where the economy or the business may be struggling.

Furthermore, SMEs do not have the same access to financing as larger firms. It is more difficult and expensive for a small business to get a loan from a bank. On top of this, businesses that do receive financing from banks may be required to keep a fixed amount of retained earnings in the corporation, or limit the amount that can be distributed to the shareholders. In order to make investments in their business, small business owners must therefore rely on capital already in their business, often in the form of passive investment income. As the federal government pursues its Innovation Agenda, it is important to note that, in order to finance innovation within their business, small business owners primarily rely on assets within the business – including passive investments (see Figure 10). Government cannot be encouraging business owners to focus on innovation and take greater risks with one hand while serving to dry up the primary source of innovation funding with the other.

Figure 10

Which of the following sources of financing did your business rely on in creating/improving its products, services or processes during the past 5 years? (% response – select as many as apply)

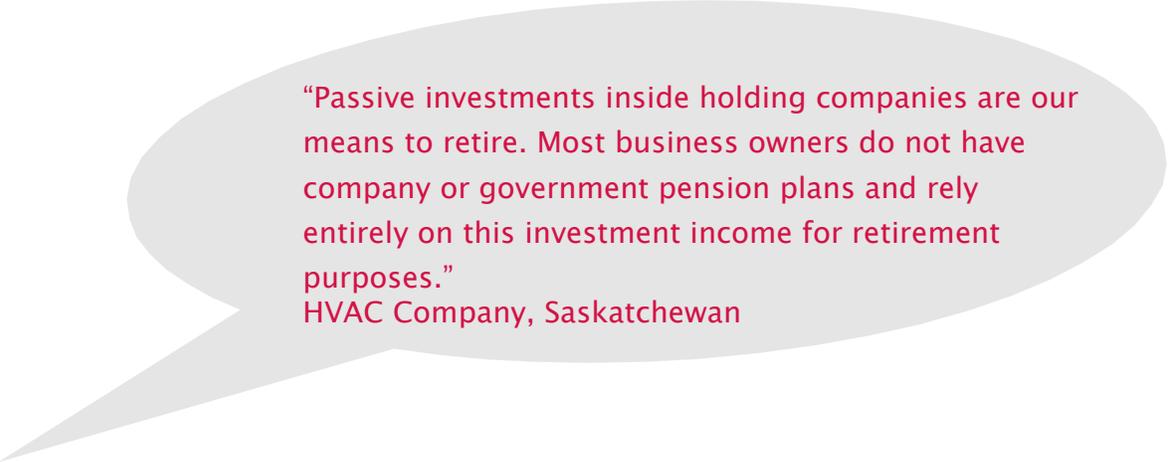


Source: CFIB Innovation Survey, December 2015-February 2016, n=6399.

In addition, many angel investors use passive income to invest in new start-ups and innovative businesses, particularly in the technology sector. The proposed changes could discourage many from making these investments or investing as much as they once did, limiting the financing options for new businesses. Many small business owners rely on passive investments to save for large purchases, such as new equipment or a down payment on a building for their business. Still others use passive investments in order to save up for very large stock purchases that may only be done once or twice a year but require large up-front costs. Clearly, these changes would limit the ability of many small businesses to grow their business and make necessary investments.

“With regard to passive income and holding capital, [it’s] almost impossible to borrow money as a small business owner thus we keep relative large sums of capital for equipment acquisitions and to grow the business organically.”  
Aerospace Company, Ontario

Small business owners also do not have access to the generous pensions and benefits available to public sector workers and some private sector employees. Although business owners can access private savings vehicles such as RRSPs and TFSAs for retirement, and many do, the reality is that many small business owners are often only able to modest amounts from their business, and choose to leave money in the business to make future investments or serve as a cushion for weaker periods. In fact, many small business owners are often not able to contribute to their retirement until their later years, once their business is more stable. Additionally, if a business owner pays him or herself in dividends, they are not able to contribute that income to their RRSP. As a result, business owners often rely on passive investments held in their business to help fund their retirement. In many cases, though, even money in the business intended for retirement savings is needed for the business itself. This additional flexibility compared to RRSPs is extremely important and should not be discouraged by government policies, such as these proposals.



“Passive investments inside holding companies are our means to retire. Most business owners do not have company or government pension plans and rely entirely on this investment income for retirement purposes.”  
HVAC Company, Saskatchewan

It is also important to note that female-owned small businesses may disproportionately feel the brunt of these changes. While they can choose to access Employment Insurance special benefits, many women entrepreneurs rely on passive income investments in order to take parental leave to ensure that their business can stay open and employees continue to be paid.

Finally, we believe these measures would also put small businesses at a competitive disadvantage when compared to publically-traded firms whose passive investments will still be taxed at the same rate as active income allowing them full access to these types of vehicles within their companies. Furthermore, it is our understanding that this could put Canada in a unique situation compared to other countries which allow this type of business savings and reinvestment vehicle.

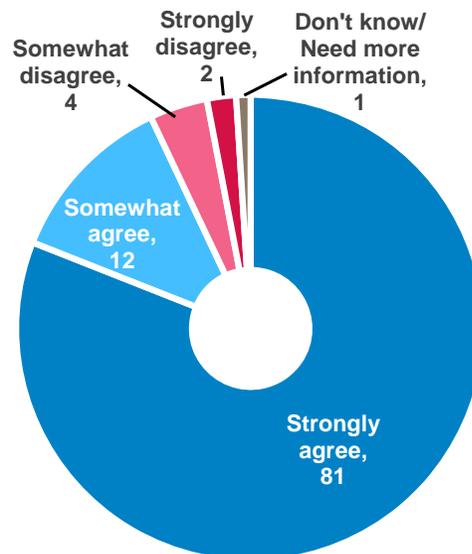
Ultimately, we believe the current proposals will force many business owners to make the choice between avoiding higher tax rates by immediately taking out their passive investments, or paying higher taxes by keeping money in their business to save for reinvesting in the business or unforeseen circumstances. As a consequence, many businesses will be much more vulnerable in the face of economic uncertainties and may no longer be able to make the same level of investments to grow their business.

### *Converting income into capital gains*

Many small business owners hope to keep their business within the family when they retire by transferring or selling it to their children. Currently, it is more expensive for business owners to sell or transfer their business to their children than it is to a third party. CFIB is concerned that the proposed tax changes on capital gains will make it even more difficult and expensive for small business owners to transfer their business to the next generation – which could also discourage many young entrepreneurs from taking on the family business. Ninety-three percent of tax practitioners are also concerned that these proposals will make starting a business less attractive to young entrepreneurs (see Figure 11).

Figure 11

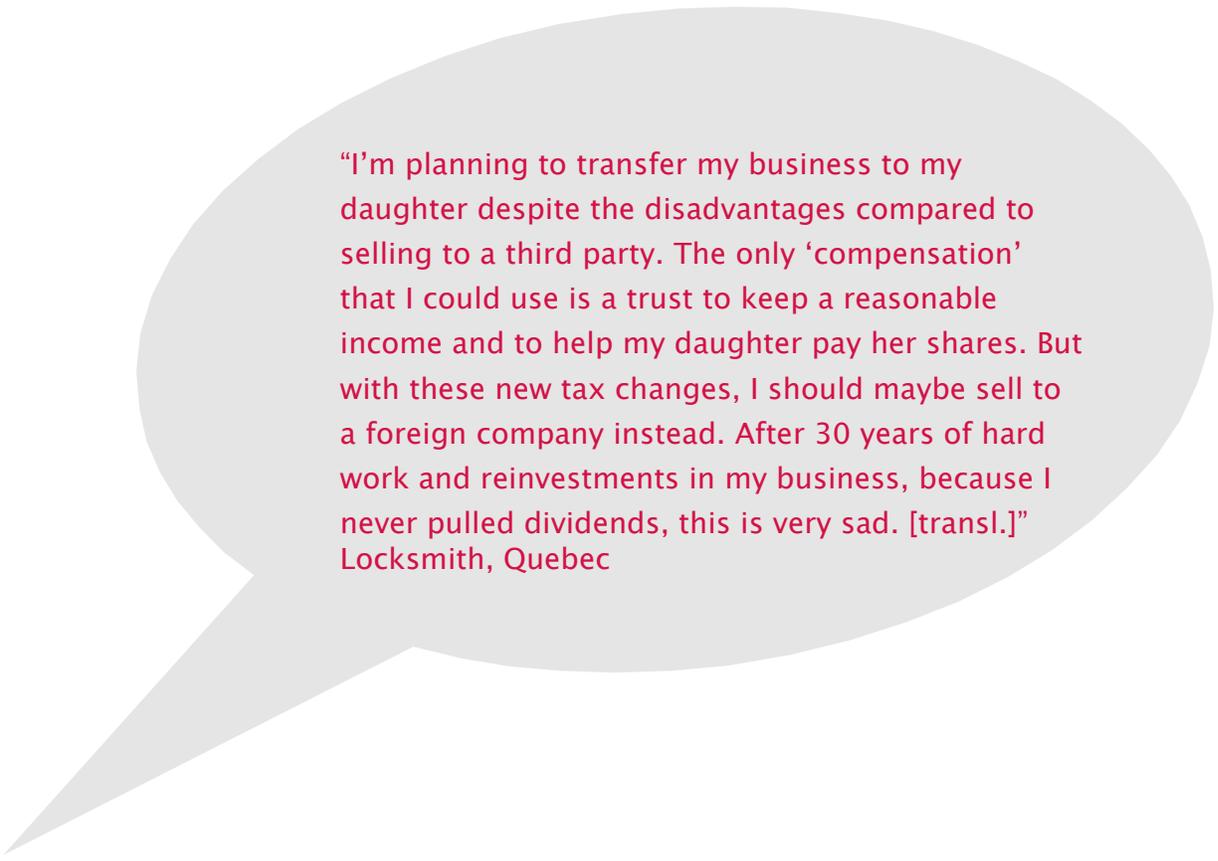
The set of proposed tax changes makes it less attractive for young entrepreneurs to start a business. (% response)



Source: CFIB Tax Changes on the Way Survey – Tax Practitioners - preliminary results, September 2017, n=410.

We regularly hear from CFIB members that they have refused to sell their business to a private equity firm or multi-national as they know the chances that the jobs and economic benefits will leave their community. If fewer business owners choose to keep the business in the family, this could have serious economic consequences on Canada.

In addition, tax practitioners have suggested that taxes on intergenerational transfers in cases of the death of the business owner could increase by as much as 70%, depending on the province or territory as it would move from an effective dividend rate of 24- 27% to 40-46%. In addition to this, this increase would be retroactive even in cases where a death occurred before July 18, 2017.



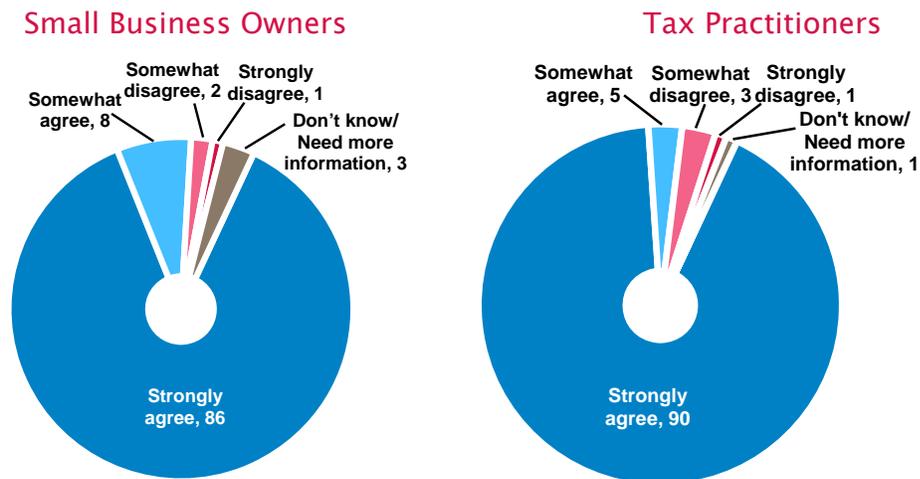
“I’m planning to transfer my business to my daughter despite the disadvantages compared to selling to a third party. The only ‘compensation’ that I could use is a trust to keep a reasonable income and to help my daughter pay her shares. But with these new tax changes, I should maybe sell to a foreign company instead. After 30 years of hard work and reinvestments in my business, because I never pulled dividends, this is very sad. [transl.]”  
Locksmith, Quebec

### Conclusions and recommendations

These tax proposals represent one of the biggest changes to the tax system in over 40 years. CFIB strongly believes that there will be many negative, intended and unintended consequences for small businesses if they are implemented. Rather than achieving the goal of “fairness”, these changes would make the tax system even more complex, result in middle- class business owners being worse off than other taxpayers, and add to the many uncertainties small business owners already face. Not surprisingly, 94% of small business owners and 95% of tax practitioners do not support the government’s proposed changes to the tax system (see Figure 12).

Figure 12

Overall, I do not support this set of proposed tax changes. (% response)

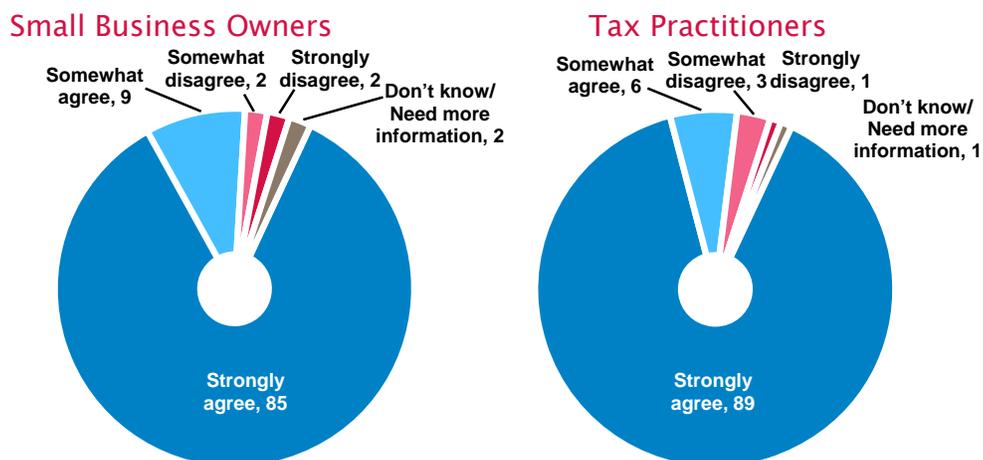


Source: CFIB Tax Changes on the Way Survey – preliminary results, September 2017, n=8553 (tax practitioners, n=410).

CFIB does not believe that the proposals in the consultation paper are the best way to address the issue of “tax fairness.” Should there be any abuses of the current tax system, CFIB is ready to work with the government to find solutions that specifically address these without unfairly targeting small business. A similar proportion of small business owners and tax practitioners agree that these proposals need to be taken off the table and replaced with a genuine consultation with small business (see Figure 13).

Figure 13

The proposed tax changes should be dropped and replaced with a genuine consultation with independent business owners on any problems with the tax system. (% response)



Source: CFIB Tax Changes on the Way Survey – preliminary results, September 2017, n=8553 (tax practitioners, n=410).

Although the government has indicated that some small changes could be brought to these proposals, CFIB believes that the breadth of changes included in the consultation paper requires far more than a few tweaks. We make the following recommendations to the government:

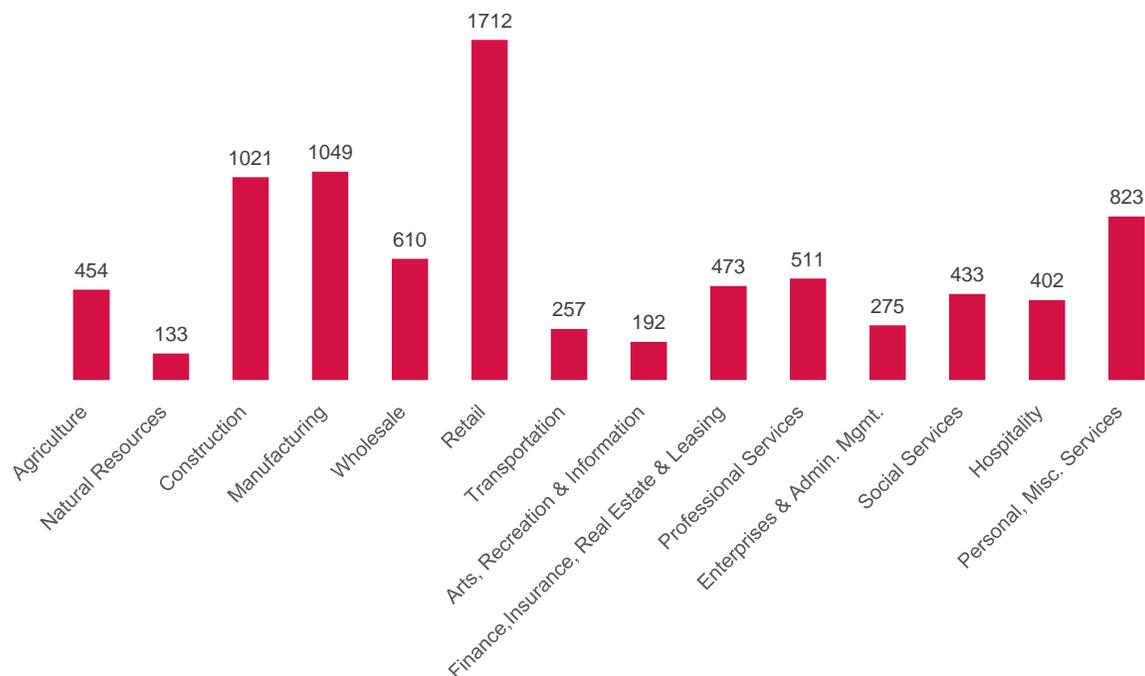
- Take these proposals off the table.
- Launch meaningful consultations with the business community to address any shortcomings in tax policy without unfairly targeting independent businesses.
- Consider a comprehensive review of the Canadian tax system with a view toward fairness and simplification for all taxpayers, which was recommended by the Standing Committee on Finance in their report dated December 2016.
- Any changes to the tax treatment of business owners, in either the short or longer-term, should ensure:
  - There is no impact to middle- income small business owners from any measure, including those targeted at income sprinkling or capital gains
  - There is no scenario under which a business taxpayer ends up paying more in effective taxes than a personal taxpayer;
  - There be no retroactivity of any kind.

Thank you for the opportunity to provide input to this process. We hope that the government will consider our concerns and make the necessary changes to ensure that small business and entrepreneurs can continue to thrive and create jobs right across Canada.

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## Annex A

### Total number of survey respondents by major industrial sector



Source: CFIB Tax Changes on the Way Survey – preliminary results, September 2017, n=8553.

## Comments from small business owners (by province)

These are just a fraction of the over 700 pages of comments from members that CFIB received as part of the survey on the proposed tax changes. CFIB also received over 400 calls and emails from business owners across Canada – some of their comments have also been included below.

### *Yukon*

“Extremely burdensome on small businesses across Canada. Ill- conceived and very poorly designed.”

“These tax change proposals will impact my ability to plan and save for my retirement, they will also very greatly affect my ability to invest dollars back into the business. I have re- invested all my retained earnings in my business and need the ability to do so as financing options are very limited. Sale of my business is my retirement plan and ensuring the business is a going concern and that equity in the business is maintained is important. Any succession plan to transfer ownership of my business to my children is being put at a distinct disadvantage. My children should also not be taxed unfairly as compared with other youth who might be employed by my business. In the small community in which I live, I am the major employer of youth. If my children work for me they will be taxed unfairly and they may have no other option for employment, never mind the fact that I might need them desperately given many other considerations, including an extremely poor labour market in our area. The sacrifices of small business owners, and the incredible financial risk we assume to ensure our businesses succeed are not being considered at all. The government needs to remember the original reasons why business tax rates were established lower in the first place. A 70% + potential marginal tax rate is LUDICROUS. Also double and triple taxing income is not acceptable. My community wouldn't be much of a community at all if my business were to close up due to its inability to make ends meet due partially to the numerous tax increases that are being forced onto small business. Absolutely these sorts of tax changes will ultimately result in reduced salaries to employees. The government MUST approach tax reform with a genuine and appropriate consultation process. These proposed changes should be dropped completely and a better process for tax reform be considered. The disrespect and lack of appreciation the middle class small business owner is receiving, given all that we bring to the Canadian economy is stunning.”

“We have operated our business for 20 years, with nary a guaranteed paycheque (the first years, there were none), no whiff of a pension, and now the rules that allow us to contemplate a retirement - are disappearing. If this kind of reform is to happen, it needs to be well into the future so that people can plan, not trash all the planning that they have done.”

“These proposed tax changes will cost job in my work place between this and the carbon tax taking cost saving measures will be the only way to survive and that means cutting JOBS.”

“I feel that this is huge government overreach and significantly damages small and medium business community in Canada. The harm to the average business outweighs the marginal tax gains and endangers growth in companies including mine. I am on the same level as many other business owners in that all of my efforts and finances have been invested in growing my business over the past 10 years. We have gone from no employees to 6 full time and 4 part time employees over this period due to these measures. Personally I have invested everything in my business and do not have personal retirement savings or CPP or EI like regular employees do. I also have family members that invest their time and effort in my business every day including intangible things like grocery shopping for me when I work 15 hour work days. Are they not entitled to share in the successes of my business? They also share in the failures and struggles of my business depending on the year. I feel like the government does not respect or understand what the business community contributes to this country.

This year I will pay over \$80,000 in business taxes, not including personal taxes that I also pay. As a business owner, do I not contribute enough already to the government?"

"The proposal will go a long way to breaking the back of small business as there would no longer be avenues for entrepreneurs to efficiently get funds from their business. It is important to remember that the business is in effect the retirement plan for the owner. As Canadians we are already overtaxed and this additional layer for small business put in play the fact that it will no longer be advantageous to establish and operate a small business."

"I feel as a 36 year old who is looking to take over the family farm in the next few years that I will be disadvantaged if our incorporated family farm is taxed higher. We have high land costs that need to be saved for and 30year payback on it. If we are to pay for this land in order to keep family farms alive, we need all of the current available tax advantages. It is difficult to make things work on an average year, let alone difficult years where disaster strikes. Crop insurance on our land does not pay us what it takes to pay the bills & we need a cash reserve/equity built up in order to weather the tough years. [...]"

"We are currently going through succession planning and this changes everything on how it is supposed to happen. Maybe I am better off to not take over the company and find other ways to create an income. I work very hard in order to be prepared for retirement. I work hard to keep 14 other people working. These proposed tax changes change the way I will look at owning my own business one day if I even want to now!!"

"As a small family business in it's 25th year in operation, we are very concerned with the proposed changes to the tax proposals. As we are nearing retirement age, we have always worked very hard at our business and this will negatively affect our future. We do not have the luxury of a guaranteed pension and find these proposals disheartening after all our years of paying taxes (sourced deductions, income tax, corporate tax, property taxes, city business tax, etc.) and now our hard work will be taxed at an enormous rate!!"

### *Northwest Territories*

"This is a money grab by the Liberal government to pay for their wasteful spending. I will be pursuing less risk investment for business growth - fewer employees will be hired - downsizing. I am a "middle class" entrepreneur - have invested years of personal time & personal money to survive as a business. Have worked very hard to have a retirement plan for the future; capital gains exemptions are very important for this plan."

"These changes creating uncertainty in the operation of our business. They seem to be aimed at professional corporations in particular but they are going to impact all CCPC's. The basic rules for operating a CCPC have been relatively stable and consistent for the decades and risk/reward decisions, including decisions on how to manage retirement income, have been made based upon that common understanding. These changes are completely upset that calculus and will have a hugely negative impact on those individuals near retirement that placed their trust in the government's rule setting process."

"As I see it small business pay a significant amount of taxes into the economy at this time. We produce significant employment and pay fair taxes as things now stand. As I see it these proposals are set to put a damper on what is already a tough fight to be a successful small business entrepreneur in Canada."

"We have set up a passive investment corporation (all legal) to fund our eventual retirement. If this proposed tax change takes place it would put our ability to ever retire in jeopardy."

“As a young entrepreneur buying a business, it will make it very difficult for me to make payments for the loan I am needing to buy the remainder of the business.”

### *British Columbia*

“15 years ago I bought a business on the verge of bankruptcy that was 150k in debt. There were less than 30 employees. I saved those employee's jobs, saved creditors from losses, and built a company that has created 200 full time annual jobs. I sacrificed my health, relationships, and endured unimaginable stress. I feel those 15 years went by in a blink. I am proud of our organization and what I have done. (largest manufacturer of our type in BC and in the top 50 of BC's fastest growing companies.) Yet I totally underestimated the sacrifice and commitment required. I am now a so called one percenter. When asked if I would do it again I frequently say "no". That was before these tax changes. Now it is an EMPHATIC NO! Let's be honest here. No level of government really does anything to help small business but burdens us with more and more challenges. In spite of that most owners are ethical, involved in community, charities, etc. Instead we are labelled tax cheats.”

“Our business is the quintessential 'mom and pop' operation. Our kids were raised in our store. Our clients enjoy the family dynamic of our operation. The roles my husband and I carry in are operation are very different, we divide and conquer the work load and take on roles that best suite our abilities. Neither one of us could run our operation on our own. We subsidize our business by keeping our wages low. To take any tax advantages away from us would force us to reconsider whether we continue to run the business. If our business environment becomes more hostile we may call it and close the operation.”

“The government should encourage and support small business to grow and flourish. This would create employment, support the economy, which in turn generates a substantial tax base. Applying the proposed tax laws would only create short term gain and long term loss to the government.”

“I work 75- 80 hours a week at best and my wife's efforts allow me to have a personal life. is that not worth something? Is raising kids not a worthy job?”

“These proposed changes, in addition to the "specified corporate income"(SCI) changes that have already been enacted, will change the entire Canadian Controlled Private Company (CCPC) landscape, as we have come to know it over the past forty five (45) years. The Liberal Government prior to the election, mentioned that they wanted to review the income tax rules with respect to "professional corporations"(PC's), however when they made the changes for SCI, they did not restrict them to PC's, but worded them so that all CCPC's were impacted. This has had the effect of increasing the CCPC corporate tax rate for family owned and operated companies that might do 10% or more of their business with other family owned companies. This is "every day" business in small towns and communities that are comprised of, farming, fishing, logging, retail and service companies. There is a very easy "fix" to this problem, have the existing rules refer only to PC's and transactions between PC's and other non- professional companies.

Many small CCPC's are not owned and operated by wealthy individuals. The majority of them are owned by middle class people who are taking financial risk and working many more hours per day, with the assistance of family members, then a non-incorporated middle class individual who is an employee. This majority of CCPC's are the back bone of our self-employed businesses that generate a significant portion of the jobs and business opportunities, in Canada. Consequently it does not seem unreasonable that these CCPC's should have access to preferred income tax rates and income splitting that might not be available to their employees. It provides an incentive for the risk taking and many hours of hard work, that a significant number of these CCPC owners experience. The lower corporate tax rates also leave more after tax dollars in the CCPC's for reinvestment in growing, expanding and hiring more employees. "Reasonable Tests" take 5- 10 years through the courts to get established.”

“Proposed tax changes seem to be taking away small tax savings for those that risk everything to create jobs in this country. Small business owners, in the large part, are not multi-millionaires that are actively trying to avoid taxes, they are simply trying to find a way to in the long term to justify taking the risk that others do not want to undertake to help grow this country. Liberal witch hunting of the so called "rich" is off base and insulting to those that provide employment, seek to increase productivity and try to achieve a balanced business in Canada.”

“Since we are already struggling just to survive any impact of this sort is very serious. I honestly feel that at the rate things are going that if the government wants to keep changing and taxing that they should at least offer to purchase at fair market value my business and then I shall work for them and then they can go ahead and implement all the changes they want as it will now be them trying to earn a living trying to compete with the new on line shopping and trying to hire staff and try to afford to pay them soon to be \$15 an hour. As now I wish I got a government job rather than work work work. They have no idea what its like to sometimes have no choice but to work 7 days a week. Sometimes as business owners we are not even allowed to be human beings because there is no one to replace us if we get sick or stress leave what is that. The government has no problem in recognizing workers rights etc. yet a small business person like myself in changing times has seen what once was a good choice no longer is. I feel stuck and no longer want the stress of even owning a small business. Thanks Mr. Government soon you can have it all. or rather you won't have any lil guys hire lil guys to pay taxes.”

“If I understand their proposed changes correctly, taxing business owners on money they choose to keep in the company will be a big problem for me. I need this buffer to grow my business. We're currently renovating our store with money from cash flow. If I was penalized with higher taxes for keeping money within the business then I am forced to seek outside financing - something that is unnecessary and expensive. Furthermore, my brother who is 14 years younger than me is wanting to buy my shares out in the next 5 years. Stripping the company of profits yearly severely reduces our options for financing this buyout. Again, he will likely be forced to seek outside financing which is typically more expensive and onerous terms. Allowing business owners to manage their cash flow is fundamental to operating a successful organization.”

“Those brave enough to enter into self-employment take a huge amount of risk and have no guarantee of income, pension, and benefits. Small business represents about 50% of the workforce in Canada and deserve not to be excessively taxed and penalized. Most importantly I deserve to be able to have a tax plan to reduce tax for future income withdrawals.”

“These changes will significantly affect myself and my family. We have invested our life savings into our business to keep it alive. Our pension is in the business. We have carried all the risk on our shoulders but hired and paid all our employees well. My wife has supported the family while I have worked. These changes will hurt us and our business and also effect the amount of money we can use in the business to keep it viable. [...]”

“Small business struggle to stay afloat. Costs continue to rise, hydro, heat, employees, supplies, ICBC, etc. These tax changes will send many over the top. Small business is the back bone of this country, we employ the most people, and take enormous financial risk. Most of us work 12 hr plus days, seven days a week. I would hope that our government would encourage small business, not hold a mallet over our heads. [...]”

“As a small business owner, I feel like we're getting hit on all sides. More taxes, higher interest rates, rising minimum wage. We export into the US and sell locally as well. The federal government is trying to portray business and being successful as a bad thing. I will have serious doubts about expanding our business in Canada in the future if we are to pay over 50% in taxes.”

“We just bought the business within the past two years and are still paying for it. We are looking for ways to increase the modest earnings for the benefit of the owners and of our workers. More / higher forms of taxation or fees of any kind will negatively impact us all and are not welcomed. We are overtaxed in Canada as it is. Governments need to take their hands out of our pockets and decrease taxation not increase. Small business cannot afford more / higher forms of taxation without it causing negative impact on us and in turn the economy of the country.”

“WE employ 36 people and provide very good medical and financial packages to make their lives easier. To remove any incentive to stay in business, as owners what is the sense. We are the ones that have our homes held as collateral for loans along with everything else in our business. All proposed changes should be taking this into account. Who else other than small business owners have to provide collateral in order to make a living? We do not have any government pension package to see us through our retirement years, the CPP we all know is not sustainable when government employees and officials double dip, we will most likely not even qualify for benefits in the first place and even if we do we will be penalized, not looking very rewarding for looking after so many people over the years. Like small business if your books do not look profitable you NEED to address your expenses. If we do not have enough funds to pursue advancement we cannot just go after someone else to make it work in our favor.”

“Tax law is already difficult to navigate. These new measures will only create more expense to small business. Not only does Revenue Canada wanting more out of our pockets but the expense for accounting and legal will also increase. Accountants and Lawyers already take no responsibility if there is a problem with your taxes and by adding more issues to the pile is not the answer.”

“Taxation is not the way to solve government finances more taxes I pay the less I can spend on my business i.e. inventory, upgrades, expansion. Every move small business makes is taxed and the trend is nobody wants the burden of running a small business and they are closing at alarming rates so no money in no money for the taxation.”

“We are a third generation family farm and have spent significant time planning for succession to the next generation. We have utilized a separate corporation to hold passive income that would help with that transition. These proposed tax changes pose a serious threat to a smooth transition of the farm to the next generation. It also creates a tremendous amount of uncertainty which is never good for business. Many businesses have spent years and significant funds to plan under the current tax laws. To propose changes retroactively and without consultation is both unfair and punitive.”

“We are a small sales and service business, family operated, and do not make a lot of "extra" money. We have always been a business that only makes wages not profits. We have always employed (and educated) kids right out of school and have employees with families, etc. If the government goes ahead with these proposals it is uncertain if we would be able to continue our current practices of trying to help our community and preparing young people to thrive in the trades (small engine and marine technicians). We need the government's support to keep our small business afloat by lowering tax amounts, not making it harder for us, and giving them the ability to take more from us. The government needs to go after big business not small business - which is what they said they were going to do!”

“I think this proposal will seriously reduce the incentive for businesses to make investments. Taxing investment income at the same rate as personal income makes no sense because investments are risky. Investing in my own business is not a sure thing. If these changes pass, we will definitely slow down investment, and I would expect that the country will slow down economically, and that will affect my sales too. Additionally, I would expect that raising the cost of business so high will encourage a black market, a hidden economy. [...]”

"I am a small business owner with several employees. I pay them well, we work on a flex- time basis, which suits them as well as myself. My employees tend to stay with me and have been employed at the company between 14 and 24 years. Over the years I have employed almost every one of their children at some time or another. However, the risks to the business are all mine. When the market we supply is in a downturn, I have to pay out severance, which I am okay with doing. They deserve that. What about me? I plan well and have money set aside for my retirement. I am not eligible for EI. I dislike the thought of my savings being eroded due to this new tax proposal. It doesn't seem fair after being a good employer for so many years."

"We are small business owners in our 20th year. We have little in the way of pension and benefits and were poised to engage in an employee buyout plan. People who have spent their lives in government or union shops have no clue the stress associated with the risks of running an independent business. WE took NO income from our business for the 1st 5 years, worked 6 days a week and had no holidays in the first 15 years. Now that we were looking at winding down and relaxing, how can we do that if the proceeds of our efforts all go to the taxman?"

"Proper consultation was not entered into by the government, many of these changes will make it harder for the small family businesses that are the back bone of our economy. It's hard enough to compete now, with the extra time, effort and sacrifices that legitimate small business owners put into their business taking away these few tax advantages make it almost impossible to make a go of it."

"Having built my small family business up from scratch to one with 26 employees over the past 14 years I am now working to transfer ownership to my son. As I have put all my profits back into growing the company I need to be able to transfer ownership and obtain retirements income for my self. The proposals penalize me for my commitment to build a business and the risk and challenges I took over those years to grow it and create new jobs."

"Not only will the proposed tax increases hamper our bottom line, but it impacts us as far as hiring staff. I also don't like the government painting our small businesses as tax cheats. We are the ones that drive the country's economy. We don't get paid vacations, we don't get gold plated pensions like government employees. Our lives are at risk as business owners, we can lose everything we own if business goes bad. We can't simply walk away to another job. The government is mismanaging the economy, ballooning the deficit larger and larger. [...]"

"We worked extremely hard since 1991 by mortgaging our home, holding off on paying ourselves, working weekends and weeknights and putting everything back into our business. During these last 27 years we have accumulated real property that we considered our retirement money for the long hours, loss of family time and efforts endured. The Federal Government seems to think as a small business owner we are taking advantage of tax breaks but our paycheques were never guaranteed and our risks demand the tax break at "end of life" for our small business. Small business is one of the largest contributors to middle class workers and over taxing us will reduce our numbers. What everyone is left with is big business and they control the Federal Government tax initiatives as they have a much bigger voice and can't get thrown around like us."

"Three real- world changes that will occur if these proposals are passed into legislation as written: 1) I will have to lay off 2 employees, so my spouse and my business partners spouse can be gainfully employed and thus meet the 'reasonableness' test for drawing dividends. 2) I am already holding off purchasing new equipment that I use for my own business and lease to another service business that helped start I hold 25% share in. The punitive tax treatment on the passive leasing incoming will require me to reconsider investing in this type of thing. So expansion plans for this service business are on hold right now as I write this. Nobody is getting hired because I'm not going to invest in the equipment they need to use. 3) I was planning to build up my retirement savings in the business, all my surplus earnings to date has gone back into the business. I have been paid dividend income since I started so I have no past RRSP room to use. This seriously impacts my retirement planning."

“As a contractor I am not protected in any way by the government when a client decides not to pay for my services. It is up to me to spend money in court and spend my time chasing the money instead of spending my time working. As such there is great risk that I incur. I still owe my suppliers money and I still need to pay my employees. With these tax changes it makes it even harder to keep my head above water. Why should I bother employing people when I can go to work for a company and not take on any risk? If these tax changes take effect then there will be many more companies shutting down and even less jobs available. As a business owner there needs to be help from the government in helping us to succeed. It is ridiculous to hear that the government is penalizing us for creating jobs and taking all the risk.”

“These changes should not be made. We are a small seasonal business and we take pride in providing jobs for our loyal employees each season, and hopefully someday to our child and his friends. Why make this so strict and difficult for small business owners? More research needs to be done with better informed consultants that see the big picture! Please, please put a hold on these immediate changes.”

### *Alberta*

“I am deeply saddened and disturbed at the current federal government’s changes. I have made sacrifices my whole life to save money for my retirement. The government makes me feel like a criminal that needs to be punished. In reality I am a single mom struggling to keep my restaurant afloat and now my life's savings and financial plan are in jeopardy.”

“This is a Family run business. Without the Family succession plan I would be selling out and would have sold last Year before all the new tax laws.”

“We feel that the Canadian Government is forcing the new small business tax changes without proper consideration to who these will affect and how. Many small business owners are part of the middle class which are the focus of the current government. We feel that small business owners take great risks by being entrepreneurs and actually creating jobs in our economy. The government is punishing us for doing this. These actions will also encourage companies to focus their efforts on tax evasion to make up for these changes.”

“My wife helps with the bills, month end paperwork. All my daughters help out in the shop, loading machines and helping to clean up. It's giving them exposure to work that they would not find anywhere else. My 12 year old even mentioned she might want to become a machinist. Trades people are getting older and retiring, many shops I know of have a hard time finding replacement workers and I think small shops like mine can provide the experience to young kids that a large corporate shop wouldn't be able to. I provide services to people in my community that is hard to find. We need to help small business to survive and not be taxed more”

“It is about risk and reward. If there is no reward why take the risk? If people had not risked something to build this country where would we be? Would we be?”

“The shameless misrepresentation of Small business as Tax Abusers is unacceptable. “Reasonableness” (Sprinkling etc.) has always been the rule / test. It is more an enforcement issue for CRA. passive Income is a 'Hot-Potato' as I take huge risk in my business to help get assets to clients hands (interest) and I am already taxed on that very in a very penal manner (52% I think) - and in this environment - I pay tax on that Income - only to (often) end up in court trying to collect it (never mind the PST/GST that I never receive but have long since paid). Farming is another matter - Family Business- in that sense (Trusts and handing down the farm) cannot be taken on in a joke of a review period.”

“I am a small business owner with 12 employees. There is no pension for me when I retire. I want to do well in business so that my employees do well and so I can put money away for retirement. RRSP's

already are taxed twice. After tax income going in and 40% coming out. I can't afford any more tax than this. Please consult with small businesses and CFIB so that the proper tax measures are in place. Thank you.”

“I have had my own business for 40 years, and it has taken me this long to be able to save enough to "maybe" retire. These changes will make it nearly impossible. I have employed 18 people throughout the time I have had this business (41 yrs this year) and have made sure my employees could retire often doing without myself thinking i had it figured out till this liberal government just in the stroke of a pen wiped it out. My daughter is in the process of taking over the business as i took over from my father, and she often wonders why she should work 6 days a week just to have the government take it. [...]”

“It will reduce ability and incentives for me to continue to grow my business.”

“It is very hard to survive in this economy as a small family owned business. Many of the so called advantages you propose to remove will greatly affect income levels for many small business owners. I understand what you are trying to do. But I think there should be an area of small businesses that should not be effected by applying some kind of financial limit say in the area of 1 million gross sales for the business. This would allow many of the most effected business people to operate their business, keep the employees on the payroll and actually make a living wage. In the grand scheme of things this would make little difference in tax revenue to the government, and may even spur the economy upward making for more disposable income into the hands of these who need it.”

“Our family business is small in reality. Employing less than 10 people and doing less than a million in sales. I am about as middle class (probably lower middle class) as you can get and just over 50 yrs of age. This proposal shows just how out of touch this government is with the plight of the people it says it wants to help. If the end goal is to make individuals like myself reconsider self-employment and the employment of others then these are great proposals. This will have a significantly negative impact on our business, and my ability to pay myself as I am often one of the lowest paid employees in my own company . . . funny how that happens. I challenge you to actually take a look at that. I believe that you will find that the owners of many a small business have such variable incomes that it would boggle your mind. If there are good years yes you might pay yourself a bit more, but when there are lean years you sacrifice your own income so that your employees don't suffer. I put myself over \$300K in debt with the economic downturn in Alberta the last few years that hit at the same time we were trying to move locations to save on our rent bill. I cashed in every ounce of RRSP savings I had, ran up crippling credit card bills, decimated my other savings, and put over a 100K onto a line of credit tied to my mortgage (so rather than being able to have my house paid off in about 7 years it will probably be 17). I'm not complaining about that as those were all my decisions. But to have the government now come and tell me that I don't pay enough tax, that I'm cheating the system, that I'm getting advantages my employees don't have and that they want to make it more difficult for me to repay myself in future is galling. [...]”

“This will impact our business by moving not ahead with further investment in our business, resulting not hiring more staff which results in a lower employment for Canada and tax base.”

“There are some tasks, like collating, which most adults hate, but my children would be willing to do. I do not hire them for fear of tax problems with CRA. I have a family business and there are countless examples with businesses (mine included) in my town where family members chip in (unpaid) to help when needed. This is not recognized but probably makes up at least a small fraction of Canada's GDP. (I know a farmer whose children helped move an irrigation pivot several times a day in the field...hard work and it should not be called income sprinkling if they were to be paid.) Passive income should be at a low tax rate as this is a rainy day fund, but higher tax rates have discouraged using this for investment which can create jobs...my business savings simply stay in a bank account and the returns are terrible.”

“My family business is now in its second generation. My two sisters, my wife and I acquired it from my parents nearly 30 years ago. I've worked in the business most of my adult life. My son has now joined the business and we have plans in place (family trust) to pass the business along to his generation. I've learned a lot about operating the business over the years, but the most important lesson came in the severe economic recession in the early '80's. We collateralized our personal assets and gave personal guarantees to the bank in order to make payroll. Wages and staff were cut and we took from the business only what we needed to make our payments and feed our families. Since surviving that period we've worked hard to build reserves to cushion us from another downturn and we've experienced a few since. Now we're faced with a digital transformation of our business model. The magnitude of that challenge parallels the Industrial Revolution. The reserves allowed us to grow through acquisition and capital investment. It's now helping us invest in digital initiatives. We now have 20 locations around Alberta and operate from our new \$32,000,000 manufacturing facility. We don't sprinkle income or covert it to capital gains, however, taxing our passive income will impact our reserves that backstop the debt to build our new facility and stand ready for acquisitions when they present themselves. This part of the proposal will put Canadian businesses at a competitive disadvantage and should be scrapped.”

“These new tax changes would hinder me from selling my family business to my children. As I have left all of my profits in the business to grow it, now I will be penalized when taking out some of the profit in future years. If there is no benefit to owning a small business that hires people and gives back to the community, why would I go through all the hassle and stress and long hours to get the same pay as someone that goes to work 9- 5. Then again if there are now business owners then there aren't any jobs either. I think the government should scrap this and work on real reform over a longer time line with small changes so that they have a real idea of the change it will have on the economy. This will be brutal to the Canadian economy.”

“The tax burden of both federal and provincial government is putting a stress on our business, so much so that we will have to close some of our locations. That coupled with the increase in minimum wage which will speed this process up. Lay off are imminent before the final closure of stores.”

“I am the majority owner of a small business started in 1937 by my Grandfather, Father and Uncle. I was enticed by my Father to join the Company as a future shareholder of the business. After graduating from University as an Industrial Engineer I was offered jobs by large corporations, however, I chose the opportunity offered by my father of growing the business that he had created. In my business life I have created a Computer company which developed computer systems for many business. If the proposed changes in the tax laws were implemented, I would not encourage my sons to take over my business nor start a business in Canada. In fact one of my sons started a business in the U.S. and I would encourage my other son and daughters to do likewise. There are major risks in creating a small business. If there are not rewards worth the risk why try.”

“Owning a small business in Alberta, the last few years have been difficult. We have managed to keep our employees working, however, we have had to use our own money and cash inside the business to do so. The government would rather I take the money out of the business so they can collect additional tax. During a down turn we now would have to borrow money, paying interest or lay off employees until conditions improved. Small business and entrepreneurs are very important to economic growth in Canada Do not discourage this growth as many small business owners already take on huge personal risk and liabilities. Simplify the tax system not make it more complicated.”

“Increasing the tax burden on my small business, in any way, will reduce the amount of capital available for additional investment in our business. With the additional tax burden I don't see how we could add staff in the future.”

“The tax burden on small business is already onerous and any additional tax would certainly decrease any incentive to grow or expand a small business. The reason small businesses exist is to make a

reasonable profit for the risk taken, but when the government wants all the profits in their pockets for no risk taken, it only incentives small business to cease operations or move operations to a country or location that is more favorable to the business owner. There is a point where small business says the risks and work involved is not worth the profits left after tax.”

“Our business is in transition, the next generation starting to farm. This tax proposal will make this very difficult. We as small business do not have a pen paid by the government, we saved this money for our retirement. We created jobs for many people to make the economy grow.”

“After 23 years of providing many first time jobs for the community, this may just be the straw that breaks the camel’s back. Business is difficult enough, and the LONG hours (far more than the 40 per week wage earners put in) just won’t make sense if this proposal is enacted. We are seriously considering closing up shop and living off of the government like so many others do.”

“It makes it difficult for business owners who are not pensioned to accumulate retirement assets and removes any financial reward to people willing to take on the risk of starting their own business, work hard, and create jobs to help support other employees and their families.”

“Very unfair for hard working small business owners that are trying to support families and create some sort of funding for their retirement years.”

“It places a huge tax burden on my business. I have my house as collateral against my business, I have a lot at risk and now the gov’t strips out the reward. [...]”

“Based on the proposals, it appears our government does not understand business. Businesses will retain earnings to build a war-chest for expansion. This expansion means expenditures in new staffing, additional equipment, acquisition, real estate to own the business location rather than renting. At the end of the day, the individual business owner is still taxed at the fair rates when the money flows out of the corporation. Retention in the corporation means job security to all those employed, and a brighter future for them and future employees. This is how our economy grows. Changes to the current tax system discourages me and causes me to ask - Why continue to do business in Canada? It would be much easier for everyone to just get a job working for a civic, provincial or federal government. Small business already has difficulty competing with the benefits so readily available to government employees. Our government is complete disconnected with reality.”

“The tax changes will really hurt all small businesses as it will stop us from growing our business and stop us from hiring staff when we need more staff. Our business is not a tax shelter, we are not hiding any large incomes from the government. This government needs to speak to the small business owners, not just think we are all hiding income.”

“My husband and I run our own corporation, we both working and take salaries. Our oldest daughter (currently 18) works for us full time. We have plans for our son 15 to work part time this year. If the government requires us to prove employment for all of us it will add a new paperwork burden to our small business and family. As it is, small business owners work hard all the time to make their business successful. My husband and I easily put in 50- 60 hours a week each. This affects everyone in the family why should other couples/families have the right to combine income but small business owners are punished for this activity. Our living expenses as a family are also greater then people that work for others, we do not have medical benefits and we have no extra retirement benefits handed to us. Any retirement funds above CPP need to be earned and saved by ourselves. Providing small benefits to small businesses can only strengthen small businesses and in turn our economy. Beating up small business owners will only cause us to close our doors and stop employing others.”

“This will increase our tax burden significantly. My husband and I both work full time and our T5 last year was 32000. Each. If we had to pay personal tax on top of corporate tax we would not have enough

money to have an employee which we need. Our total business income was 265,000 which supported 3 full time and 1 part time person. With the additional tax we would not be able to pay our full time employee an adequate salary to live.”

“Extremely unhappy with the proposed tax changes, we are a small family business and we work very hard long hours but take a very moderate salary. We are trying to save for our retirement by investing in stocks and real estate and now the government wants more of our hard earned dollars! My husband and myself share the workload at home and at work and our children often come in to help out where needed. We use the income sprinkling to offset the taxes. Small businesses are the backbone, the bread and butter of Canada, we work hard for our families and we employ lots of local people, very unfair how the government is going about this. Needs some more thought and input.”

“Our family has always operated the business conservatively to minimize risk and, to the best of our abilities, ensure our survival. When we have cash surplus to our operating needs we invest it in a conservative low-risk portfolio of stocks, bonds and money market instruments. That provides a cushion to offset our debt and backstop our operating needs in times of economic stress. Equally important, that cash will be available when opportunities present themselves (acquisitions, etc.), make capital investments or launch new divisions to grow our business and transform it in this era of digital transition.”

### *Saskatchewan*

“Incorporating a business is not just about lowering your personal tax burden. The self-employed business owner creates jobs and takes a great deal of risk in doing so. The corporate structure can permit the corporation to take on debt and own assets, thereby protecting the personal assets of the owners, reducing the risks in providing jobs. The self-employed owner does not have access to all the general benefits, such as EI, and in small business the other typical benefits employees might expect are not as common; medical, dental, pension, etc. I would have to earn 20 - 25% more than a large corporate, or public sector employee to be just as well off, which is the value of the benefits. Maybe it would be fair if employees had to pay taxes on the full value of their benefits? Small business owners need benefit opportunities that can equal those available to employees.”

“We are a Family business for 39 years and now the next generation is strongly involved. I need an exit strategy that won't cash strap my kids and by proposing some of these changes the taxes will definitely become a factor with the transition.”

“This is an unprecedented attack on small business under the guise of "fairness". It is anything but fair. Small business needs a stable tax platform to be effective in multi-year planning for growth and sustainability. Dropping a bomb like this on our laps without any warning is unacceptable.”

“This is of great concern to those of us that operate a small business via a corporate entity. They fail to recognize the benefits that small businesses have for the overall economy such as increased investment and employment and the tax revenues that these activities generate as compared to an employee that works and pays his or her share of personal income taxes only. The current forms of taxation are in place to recognize the risk and to encourage business growth and investment which is beneficial to the economy and the country in general.”

“I just turned 52 years old and have been working in my family's business for 35 years now. I had hoped to be able to retire at 65 but now after consulting with my accountant, financial advisor, and estate advisor, it appears that I will have to continue working until age 72 because of these new proposals. They have also warned that the down economy in the west may push that to 75. I am very disheartened with my government right now and I'm not sure why I've bothered to work my butt off and be a net contributor to Canada when I will not be able to enjoy the fruits of my lifetimes work. I honestly do not believe that my government understands the huge impact this will have on small

business owners and hope that they postpone any changes until they hear from the people who will be impacted in such a negative way. I am so disillusioned and frustrated right now.”

“It will limit the funds that are available for future reinvestment in the business.”

“In a struggling economy, with uncertainty in the oils/gas sector and with international pressure from trade disputes, the last thing we need is a greater tax burden on small business, legitimate small businesses that pay taxes and employ thousands of people. If their goal is to increase tax from businesses that can afford it, the government should focus on multimillion dollar companies that can afford to pay large sums of money for teams of accountants that take advantage of loopholes allowing these corporations to avoid paying their fair share of taxes, not small businesses.”

“I save money inside my business to protect my business, myself, and my employees from sudden downturns in the economy which just happened because of the oil down turn in western Canada. No one in my business got laid off, hours reduced or wages cut because I saved for that day. Also when I do business improvements or repairs I have money available without using expensive lines of credit or loans. I don't think I should be punished for being responsible owner.”

“There certainly some people who take unfair advantage of these tax processes and these people needed to pay the proper amounts. I am in favour of closing the loop holes but not at the expense to honest business owners who still need to plan for the future, pay a fair tax burden and take on the "RISKS" of being a business owner.”

“This is a slap in the face. Beyond all the usual concerns, I also think that this govt is forgetting who drives innovation in our country. It is small business owners who are nimble, risk takers that constantly drive for efficiencies and improve competitiveness. Canada has "disappeared" from the Global Innovation Index because of too much government already, in my opinion. These measures will keep us permanently on the list. Small business and the entire middle class it employs, of what remains, will be hurt the hardest. This segment of our society are not tax evaders. They are budget minded, full responsible citizens, working to modernize our country. [...]”

“Part of being in business is the succession plan, the proposed changes will make this difficult. Also taxing money not yet allocated will inhibit future hiring and growth strategy.”

“Biggest impact is for saving for equipment and being taxed at a higher tax rate. This year we are spending \$600,000 on equipment using our own money that we paid tax on. We are seasonal so we have to have a lot of cash on hand to cover expenses over winter and do not want to be taxed at a higher rate. [...]”

“[...]. Under the current rules I have been able to create a viable succession plan for my businesses. Under the new rules the good young people I'm setting up to take over could not be blamed for losing interest, resulting in many jobs being lost that have been there for decades. These proposed changes would affect me negatively, but not nearly as much as future generation.”

“Small business is becoming less attractive more competitive. All costs are rising rapidly, and all the benefits of owning a small business are disappearing. I guess the future is for huge corporations only, with most working for wages for those huge corporations. I am virtually debt free own my own property and all equipment and question all too often why I chose this route. I see very few young people taking the risks I did many years ago.”

“Starting our own small business was the biggest risk my wife and I ever took in our business careers. As a small business there are no financial guarantees, all risk is on the individual business and there certainly isn't anyone coming to the rescue if things get tough. Small business is the biggest employer in Canada, as such the government should be doing everything in its power to make this as strong and

successful as possible. These tax proposals are much more detrimental than beneficial and could end up shrinking the tax base rather than growing it.”

“Very small business (under 250,000 gross income per year) and planning a family purchase of business with the least amount of issues as possible. Small businesses hire local and keep employees hired without layoffs and such. These proposals will hurt the availability of funds to keep employees on full time. Small corporations such as ours should not be looped in with the large corporations.”

“We are a family business and this will definitely have an impact on us. How will this affect my brother and myself? We have worked over 20 years waiting to be next in line to run the company. Will we be taxed to the point that it won't be worthwhile to take over the company? If we walk away from over 20 years and sell then there is a bunch of other people here that will no longer have a job to come to. [...]”

“In our situation, farm transfer and retirement are in the near future, this creates a great deal of uncertainty potential cost to this process.”

“These tax changes will decrease my family income significantly. I work 50- 60 hours a week. My wife works 35- 40 hours a week and our kids work cleaning, painting etc. when they can. I am not hiring more staff to do these jobs so I will be trying to keep up by myself. My family income is well in the "Middle Class" so I see these changes as an attack on the middle class getting ahead versus the rich stealing money from the middle class and poor. We are not stealing from Revenue Canada but working in the framework they give us. The only retirement income I will have is invested in my business. Take away that and then I might as well not work so hard to get ahead.”

“Running a small business is not like working for an employee. A small business owner has all the responsibility, the stress and the head ache. We work long hours with no overtime and no stat pay. Running a small business is not fun and if there are not some incentives to running a business why would anyone want to do it. We work hard for years in the hopes that someday it will pay off. As for income splitting, when you own a small business the whole family owns a small business whether they want to or not. You have family members running for the mail, running to the bank, running for insurance, they do whatever you can't afford the pay someone else to do, and if the children are not old enough to run errands they pay by never seeing the parent or parents that are running the business. [...]”

“In farming, it is either feast or famine so a corporation is essential to evening the income tax paid. A number of years ago, fisherman & farmers had the option of 5 year averaging. Now that his gone, a corporation is the only way to even their income. Most farmers pay their family as they do a lot of work on the farm. Presently, in our situation, family members are the only workers we have on the farm.”

“The proposals will prevent the accumulation of capital within a corporation that could be used to expand the business, acquire additional assets or simply prepare for a lean period when earnings are not available to carry the business through that period. I think that the proposal does not consider that at some point, the money held in the company will be paid out and taxes will be paid at that point. The equivalent would be to tax pensions at source and I don't see that proposed anywhere. A short sited proposal with no consideration of the effect other than short term.”

“The proposed tax changes significantly hinder the opportunities for selling my business to my children; the suggested tax rates should I not be unable to bequeath my company shares to my husband are at a punitive level.(due to the restrictions in the insurance industry regarding ownership of shares without an insurance license) More consultation is required for any tax changes.”

“With the growth of our company retained earnings have been invested to help build our business. This is a way to increase our growth so we can increase our employment numbers. Increases in all the

changes to PST, EI, WCB, Safety Requirements, CPP Health and Dental Plans for employees, and many more have caused high overhead burdens for mid-level companies like ours. In this ever increasing competitive business and all the increases to our overhead we have been forced to reduce our labour force already by 20%. This change will make a difference again. We take an income and based on how our year is going we issue dividends. In the past we have even gone months with little or no income. We have taken 2nd mortgages on our home to invest in our company to help it grow. If the government continues to increase our overhead burden we might have to rethink a succession to our business to our son who will find it too hard to operate with this pressure. I feel there are those who think owning a business is so great. The 16 hour days 7 days a week - pressure of meeting deadlines - safety compliance - the worry of bidding on projects - no vacation time with family has taken its toll on our physical being that no one sees. Unlike those who can go home and enjoy their family and friends we live our company 24/7 as many lives depend on our success and money management. We have never missed a payroll but used to employ up to 80 labourers and now maintain approximately 40.”

“I own a small business with my two sons as partners both of them having children. Involved in oil, gas and potash exploration which has been very slow for the past three years has put a lot of pressure on our budgeting to stay in a positive territory. We don't have the luxury of implementing a tax to supplement the shortfall we have seen in the past three years. [...]”

“The current tax proposal will strongly limit our potential to grow our company. It appears that the federal government is forcing small businesses into leaving their funds in the bank instead of facing the heavy taxes of investing the cash in hand. The cash in hand is needed for growth or to save for slower times or expansion into a large business. We are currently experiencing a slower time and currently surviving on previous profits. If we paid additional tax on our investments, we would have had to cut costs by limiting salaries or worse letting go of employees. Small business owners take on risks. The federal government does not offer unemployment insurance to business owner, does not offer maternity/paternity leave to business owners, and does not offer CPP to business owners. Additional taxes take away from the saving for these types of events. We are behind the federal government in trying to level the playing field, and close the loopholes that are being taken advantage of, but small businesses are not all the same.”

“This will effect more than two employees in my business as the tax reforms will hurt me and my young family. We will have to work more hours to have the same income level as we do now. We collect GST, LCT, PST and all the taxes on payroll and submit them exactly like we should, never mind property tax etc. Our payroll is over two hundred thousand dollars a year in a town of just over one thousand people. We also donate lots to local charities. If these proposed changes go through we will be left with no choice and cut two staff members and stop all donations.”

“It is making me feel like I will have a lot tougher time trying to exit my business when it comes to retirement, because who's going to want to risk any investment in small businesses!”

“AS a small business owner I need to continuously have monies set aside to weather the construction industries up's and down's. Without flexibility this will only lead me to either not take the extra risk to keep staff employed or down size overall.”

“As a small professional corporation, I should be allowed to keep reserve funds in my company as I see fit. These funds will be taxed at some point. We do not have access to EI or maternity leave and this would allow us to use these as needed and for further investment in our business. Margins are tight in small business and this would definitely hamper our ability to expand our businesses if we have an increased tax burden. Also as a member of the agricultural community, I don't think it is unreasonable for income splitting to be used, especially by farmers.”

“It will impact SO much more than just my business. Employees, customers, you name it, all directly impacted. Parameters will need to be scaled back on all accounts to make the business a successful entity. Everyone will feel the pressure, not just myself, the owner.”

“As a small business owner, my family has sacrificed time and uneven income streams in order for me to build my business. I work more than 40 hours a week to ensure that my employees will have a job every day. My retirement is based on selling my business and reaping the rewards of financial management and risk that I've taken on for the last 20 years. The proposed tax changes provide NO incentive for an entrepreneur to take that leap of faith to grow a business and impact the lives of his/her customers and employees. A sure - fire way to kill the small businesses of this country is to enact these proposed tax changes. I strongly request that you reconsider these measures.”

“As we look at expanding our business in the future we have set up a holding corporation to do just that, hold the funds for future investments, but if we now have to pay additional taxes on that it will severely hurt our expansion plans. As a small business owner we need all the advantages we can to try and grow our business and compete with the massive corporations out there (many of whom are multi-national so can spread their income and losses over a larger area) and the last thing the government needs to do is put more tax on small business owners, it will only drive us out of business and get rid of the already struggling middle class citizens.”

“We are very concerned that the Government is making these changes without fully considering the implications for small business and farming, in particular. We fear any changes to Capital Gains Exemption and eligibility for family members will seriously impact the survival of the family farm. Farmers pay taxes they have no control over, just by doing business. They have no avenue to pass on part of the tax burden to their customers, as other businesses do. Most farms employ one or more people, both family and other, in the operation of their business. Farmers also have huge capital investment, both in land and equipment in order to do business. Perhaps the Government needs to take a look back, to understand why some of these so called "tax advantages" were put in place in the first place. I hope our government will decide to support small business, and not cripple us with these proposed changes.”

“We are within a few years of retirement. Using the services of a large accounting firm we have structured our finances for our retirement in the most tax efficient way. This legislation negates most of our planning and we don't know where we are at. We have a size amount of cash on hand which we use in place of a revolving line of credit. As well, being in the construction industry which continues to be in difficult times, we have had to utilize sizable amounts of our cash on hand to finance our business (we haven't made a profit in several years) and to maintain our bonding for projects which is necessary to obtain work. I do not think that the Finance Minister understands fully the complexities of small business.”

“These tax changes make me question the future viability of my business that is already struggling with a slow economy. The changes may actually lead to my business laying off employees or possibly the closure of my company.”

“The proposed changes will affect in every aspect. There should be no changes to the taxes as businesses are the ones employing people and are already paying contributions etc. Business owners need a tax break to compensate.”

“Depending on how onerous the "reasonability test" is it could be very significant, or not at all significant to me. My spouse works with me in my business and I pay her a salary. She is also a shareholder, so again I would need to see the "reasonability test" to understand if this is in fact actually fair or not. If a law is passed it should be VERY specific, and not left to a bunch of bureaucrats at the CRA to apply their version of "reasonable".”

“The Federal Government does not understand how a small business runs. The capital tied up in a small business is 100% their own. When there are cash shortages it comes out of the owners’ pocket, during slower times staff is kept on instead of being laid off to retain our people, when employees work 8 hours a day owners work 12- 16 hours a day and weekends during peak seasons. If a person making \$50,000 a year paid the tax that the small business owner pays he would not have any take home pay. The proposed change will result in small business closures and employee layoffs. Remember small business is needed.”

“I believe small business owners carry a huge tax burden already. They take a very large amount of risk and mostly get a very low return. Small business owners are responsible for providing incomes to a large number of Canadian people so the income from these small businesses is taxed at so many levels it is quite unbelievable. They pay all source deductions, provide health benefits, income is taxed at corporate tax rates 1st then again when the owner takes it out of the company either as income, dividends or capital gains or all of the above. They pay property taxes either as property owners or as renters. They keep the PST and GST tax systems going. We give income to our employees who all pay income taxes, PST, GST, property taxes, etc. etc. etc. My estimation is that more money goes to taxes in total than ever goes to the business owner who takes all the risk of investing and starting a business.”

“I’ll have less cash in the business for employee wages and benefits as well as improvement or expansion of the business.”

“The tax proposals may make our business unsustainable. At best we would be limited to our future growth or the ability to hire help as it will cut into budget that much more. If we cannot afford to hire in the future- then we will be forced to sell out and this will affect not only our business but also our family, our community and our lifestyle. These proposals cut right into the heart of Canada. [...]”

“The proposed changes, especially the passive investment segment will severely limit my business's ability to self-insure against downturns in markets and non-profit years. This loss could and will result in the layoff of employees during difficult years, more so than what would normally occur. As long as the investments are held by the corporation, the owners (shareholders) do not receive any benefit. If the Federal Government wishes that the funds of a company be used to grow the company, then they have to realize that at times, a prudent plan may include the reserving of funds until such time as business opportunities dictate. To simply spend money because it is there is not a proper or logical business plan!”

### *Manitoba*

“Small business has always been the engine to generate job growth in this country. I think the government is failing to recognize the spirit, stress and risk entrepreneurs are faced with when owning a small business. Personal reputation and finances are at stake. By making these tax changes I think more people will stop and think what are the benefits of running my own company vs. just being another employee. I worried about the departure of more doctors from Canada. The small town I grew up with cannot attract a doctor to work there and has been forced to close its hospital. I am also worried about the added administrative work to prove children are actively working in the business. There is bound to be more audit work as small businesses respond by pushing the limits on other tax areas such as personal vs. business expenses.”

“I believe our government is going down the wrong path. Most small business owners take risks to start their businesses and should have certain ways to benefits for that success. To view an employee in the same light as a business owner is wrong. Employees are a very important factor in the success of the business but they don't have the same liabilities as the business owner. The proposed tax changes won't affect our business significantly but it definitely will affect many throughout Canada

and will limit job growth. Now we want to penalize successful businesses/farmers who drive our economy.”

“The proposed changes restrict our ability to expand and create employment, it may force us to sell the business to a company that pays less tax than we do.”

“It would significantly affect our bottom line. We use that money to invest in equipment, pay for employment benefits, employee bonuses. Small business is the backbone of the economy. What is the federal government trying to accomplish here?? Penalize business owners enough and I guarantee some will shut down their operations and then what??”

“If this legislation should pass basically the family farm and family business are dead. That would be very sad for our country.”

“These new tax proposals are totally unfair. Small to medium sized business are the backbone of the Canadian economy. We have worked hard to build up our business taking very little income for many years. We have risked a lot together with our families to try to build up our business. For 40 some years we have made our plans under the tax laws of the Government. We have paid our fair share of tax for many years and have slowly built up our business while creating more jobs. I urge the Government not to implement these new tax proposals.”

“The proposals could result in double tax or more for many business owners and that the reference to loopholes is misleading. The ability to allocate income to family members has been a basic planning opportunity that has been recognized and accepted by finance, CRA and both the Liberals and Conservatives, for decades. The capital gain exemption was introduced 32 years ago in 1985 as an incentive to stimulate investment in small business. It seems rather odd that the current government now refers to these accepted planning techniques as loopholes. Furthermore, business owners organize themselves based on the existing tax laws in place. For the government to retroactively impose changes back to July provides no fairness in the tax system which is what the Federal Government is saying is their main reason for the tax changes. Finally, having a consultation period of only 75 days with half of that time over the summer holiday season is also not appropriate given the magnitude of the proposed changes. Both businesses and the Federal Government require more time to review the proposed changes to understand the impact they will have on business and the economy.”

“Surplus cash in corporations often are buffers for severe downturns in business. Without cash no business can pay its employees or suppliers and will go into receivership. Business owners don't have the defined benefit pension plans, paid maternity leave, vacations, health plans, etc. [...]”

“Business owners put everything they have on the line, houses, family life, cars, investments every day. Hoping and praying that their hard work will come to fruition. Most of us work 70- 80 hours a week, missing all sorts of commitments to try to get ahead. We have employees that are making more money than us and working less hours. Why? It is for the challenge and it is what we believe in, it is for our families, and our country. It would be nice if the government would stop lumping all business owner in to this rich wealthy people and start having the back of the small business owners who are really striving to make Canada into a strong hard working country. [...]”

“I risked everything I owned to get my business started and for 15 years I drew a poverty level salary. CPP is my only pension plan and now the liberal government is trying to make it difficult for me to get a benefit from years of hard work and sacrifice. Our businesses have also created over 20 full time jobs helping Canadian families prosper without while the government is wasting the tax dollars we generate without creating any real jobs. [...]”

“A small business owner takes on significantly more risk than a person that is employed by others or by government. While growing a business, a business owner puts his or her future on the line with

hopes that their business will eventually become successful. When you are employed by others that is not the case - you collect a pay cheque and are able to plan and save right away. There need to be tax offsets to help mitigate this risk and there should be benefits to people who take a risk. Risk takers (small businesses) play a significant role in helping to grow the economy and must not be overlooked.”

“Small and Medium sized business are under appreciated in Canada. Most people think just because you own a business you have lots of money. To the contrary, you have invested all your money into your business. And then when you want to retire, or are not able to run your business any longer you find out that everything you have worked for is tied up in your business and the government wants half of it. Owning a business has many risks that employees do not want to take. That is why they are employees. They want to get a pay check every week, they do not want the stress or the headache of managing a business and they are not doing the same level of work as a business owner. It’s like comparing apples and oranges. It is getting harder and harder to find a Canadian that want to come to work to work. You hire staff and train and train and train some more. You mentor and reward your employees and they become like family. If you are lucky they stay, some are lured away by government and corporate jobs that offer big bucks and pensions that you can never compete with.”

“I feel the proposed changes are very unfair. In the early years of my business (1984- 1994), I 1) Placed a second mortgage on my home, 2) Borrowed money from family members, 3) Relied on my wife's income to survive, 4) Took no personal income until all employees were paid, 5) Worked 60- 75 hours a week. All to keep the business alive. We are now in a position to consider retirement, only to have what we thought to be the fruits of our labor potentially taken away. Our business is NOT a tax shelter. My feeling that our Government is out of touch with what it is like to operate a small business is shared by many clients and others in the business world.”

“If these tax proposals are implemented, it will significantly impact the way I use company funds in order to expand / grow, obviously more taxes will be paid which will affect the bottom line, therefore more funds will be used during the business process / planning, converting into less growth, reduced labor in order to keep funds a little more stable, not to mention the fact that as business owners a lot of our personal funds and personal assets are on the line, what is left to compensate for that risk. If these new measures are imposed, I will have to downsize to about 50% and stay conservative to alleviate that risk factor, why risk anything when there is no benefit.”

“As a farmer I am in a very capital intensive industry and the proposed changes will impact the transition to the next generation (farming and non- farming) detrimentally. This is the worst tax proposal for small businesses I have ever seen in my 30 years of farming”

“I think that comparing the tax picture of an employee or public servant with that of a small business owner and suggesting they should be the same is completely unrealistic. Business owners face unique risks, have to make sales, pay employees and have to work much longer hours than employees, and without the same employee benefits or pension plans. I worked for eleven years as an employee, then went into my own business, so am well aware of the differences, and nearly went bankrupt at one time. My wife did not work directly for the business, but sure paid the price in terms of being married to the business owner and having to raise the family and look after the kids largely one her own many times. Anyone who told her she did not deserve an income from the business would risk being hit over the head with a frying pan.”

“As identified earlier in the survey, there should be a genuine consultation with small business owners, farmers, doctors, etc. Bringing out such major changes without a longer time frame looks like it is just being done for show. Stating that small businesses owners are not paying their fair share of tax shows that the Minister and advisers have little to no understanding of all the challenges of running a small business and how many different ways a small business is taxed. Small businesses

create more jobs in Canada than 'big' business, yet we are being penalized by both this process and the changes being suggested.”

“As business owners in rural Manitoba we now find that bank financing for any small business project, including land or property purchase is virtually impossible unless you have a minimum of 50 to 60% equity, more is required for equipment and inventory. This has been the case now for a few years and is only going to get worse. As a small business corporation we are forced to accumulate much more capital to expand and if there is higher taxation on assets that need to be accumulated inside the corporation that will reduce the ability to save toward expansion and provide job growth. If money is removed from corporation early and taxed personally at the highest rate there is even less capital to fund future growth.”

“Small business have huge risk, many with no pension plans and employee a large number of Canadians. These changes are just a further way to discourage new entrepreneurs from starting up.”

“as a small business owner I have laid my whole life on the line to make this company work I employ 100 people and their families depend on how well our company does I have had to personal guarantee and take out second mortgage on my home to make this work and finally when it is all come together after 25 years I will have to pay more in taxes I do have a family trust set up but I cannot move around money what good is this.”

“Small businesses do not necessarily make a lot of money. They invest money from their savings to create these small businesses and have their savings at risk if the business does not do well. They need some tax relief to offset the risk and for the many extra hours of work that they do to cut down labour costs. If they were being paid by the hour they would not be earning a great amount per hour.”

“More taxes will mean less ability to hire more staff, expand business, save for retirement and hurt succession of the business when being sold.”

“I keep income within the corporation to develop new business ventures. Without being able to withhold capital within the corporation, it would take me several years longer to develop the funding needed to create new business' and hire new employees. I currently have 2 businesses which employ 22 full and part time staff. I have averaged over the last 25 years as a small business owner, a minimum of 56 hours per week working, with a lot of the busy season at 100+ hours weekly, with no extra remuneration. My wife works as a bookkeeper for the corporation, and works a second job part time. There is no reason she should not deserve a portion of the profits, as she is directly involved with the corporation. [...]”

“As a seasonal business, this change will mean we need to eliminate a minimum of 1 full time position and lay off 2 full time employees for the winter months.”

“Small businesses and farms make the economy here in Canada STABLE and STRONG. These changes will jeopardize that and could have stop young entrepreneurs from starting up in Canada.”

“We have been business owners for over 30 years. We have been paying and collecting payroll taxes, provincial and federal taxes all this time. We are now at the stage when we are looking at retirement. Any new tax changes that are implemented may harm this process. New business owners have a hard time to try to get funding, as well as ourselves finally trying to get our retirement out of a business we have worked at for 30 years. We have no retirement plan! This is it! We have worked our way from start up, and would actually like to see some of our hard earned cash fall into OUR pockets!”

### *Ontario*

“I run a 90 year old SME in London, and the new reforms the Liberal Government is proposing is deeply concerning to me. Owning and running a small business takes considerable risk and

investment. The proposed reforms your government are considering reduce or eliminate any sort of incentive to accept more risk as a business owner, and stifles an organizations ability to grow and prosper, thereby offering new jobs to employees.”

“We have a very small business with no pension plan of any kind. We have always felt that any benefit received with regards to tax rates etc., helped offset the expenses we pay towards health, dental and our retirement savings. I think this should be taken into consideration.”

“This is a terrible proposal and must not go through. Small business is being hit by increased minimum wage, CPP benefits, EI benefits, WSIB increases. New regulations that they are forced to accept. Give us a break. We are all not rich and well off. We are just trying to make a living for our families and help the economy by employing individuals.”

“We would say that obviously there are inherent risks in running a business, especially a manufacturing one these days. We would like that the government understand those risks and that we are up against a global market that has already squeezed us to the limits of profitability. We are happy to say they we pay our employees the most we can and always do as we recognize the meaning of being a good employer to our fellow Canadians. This so called “levelling the playing field ”as was mentioned by some in the government is an affront to people who have to manage their own business not to mention their retirements through this ever changing landscape. Any artificial attempt by the government to somehow lessen the profitability we can make will indeed cost jobs and might even lead some to close their doors , as there would be no reason to continue and struggle to employ their workers just for the sake of saying they are business owners.”

“We are a small CPA Public Accounting firm in operation since 1971. We have a wide range of clients which are primarily Small Business Enterprises. The majority of our clients are not “wealthy”, as intimated by the Finance Minister, neither are they the beneficiaries of multi- million dollar Trust Funds such as our insouciant Prime Minister is. Our clients are very concerned with the proposed changes because most employ family members who are paid by their corporations. Our clients are very concerned with the proposed changes because implementation of these changes will negate many years of careful tax planning building the structures to enable passing down the business to family members. The proposed treatment of passive investment in a corporation would result in excessive tax rates. Integration exists with our current rules. The government is totally ignoring the risk capital and hard work which small business owners put into building their businesses. These punitive proposals will force many businesses to shut their doors and push other businesses to sell rather than pass on their businesses to the next generation, effectively costing employees’ jobs. These proposals do not take into consideration accrued gains until the proposal dates, which effectively is retroactive taxation. The Government threatens to use GAAR provisions to intimidate taxpayers.”

“We have 6 family members in our business and also employ an additional 24 folks that are all skilled and professional as well. These additional employees are also treated with a very fair compensation and benefit package that will be affected and necessary should these tax reforms come into effect. With the risk and the burden of operating a business such as ours in Canada, we question whether it is even worth it many times. There are way too few perks for us already with the many challenges in business. We are an average family and do not live an elaborate lifestyle because we have the consistent obligation of re- investing in our business and in the people on our team that work diligently to keep our business going.”

“The complexity of operating a small business is unbelievable compared to 20 years ago. We don't have manpower to deal with WSIB, Neer reports, CVOR reports, Business taxes, staff shortages, labour laws. That's why so many businesses in our area are going underground. Cutting back on staff to one or owners. Removing business signs from vehicles and working by word of mouth.”

“The Federal government needs to slow down and take a close look at all the ramifications before making any changes. It's important that they don't make the same mistake that their provincial counterparts are doing in Ontario by trying to raise the minimum wage too high and too fast.”

“Spouse does receive income but she is heavily involved in the day to day operation of the business. She does not draw a salary and probably will not receive much in the way of CPP on retirement, but the business has contributed hundreds of thousands of dollars to other people's CPP as employer contributions that are a forced match. Where is the benefit for her? Small business owners are not the problem. The government should be making it easier to be in business and to do well in business, for the more businesses that flourish the better off we as a country are. There are some countries that have abolished corporate taxes and seen their economic prosperity blossom. Canada should look for the Canadian way to encourage companies to succeed not attempt micro manage small businesses.”

“My company has a turnover of ~ 12 million, we employ 17 people, fund a healthcare plan, fund staff education...we have high employee retention and maintain very high team morale. Income tax in Canada/Ontario is very onerous. The Issue: As a private business owner, I do not have any pension or long term benefits (health, etc.) that will extend into my retirement years. Our current economic environment is both unstable and uncertain on many levels. The profitability of my company can swing significantly from year to year. The ability to flow throw passive investment income to a private corporation is integral to my ability to save for retirement. The elimination of this program would be a serious disincentive for me to continue to take on all the risks of running my business. Small business owners are net contributors to the Canadian economy, and we should be allowed to save for our retirements in a fair and cost effective manner.”

“The tax increase would be a large hit to the funds we have available for our kids' education and for our retirement. My family makes sacrifices now (home as collateral; Dad working long hours; no medical benefits; no pension; no job security, severance entitlements, or employment insurance benefits) with the trade-off that hopefully in the future there will be additional funds available for education & retirement in the future. If the government wants to increase our taxes so we are taxed like our employees and no longer have the potential for these additional funds, what benefits will the government give small business owners in return? If the government believes taxing us like employees is fair, then surely it's only fair they provide us with the same benefits and protection that an employee would have. I'm not a fat cat 1 percenter - I am middle class likely making less than the average public servant. Their proposal doesn't just tax the rich.”

“These tax proposals have caused me and my partner to change our decision to incorporate our business later this year. We will be unable to leave the business to our children and it will be impossible to sell our business. We now have no retirement plan and will be unable to afford to retire.”

“Small business is challenged at every turn. There are many long days and years of 60- 70 hour weeks. We are constantly at risk of the unknown from employee issues, financial uncertainty, reinvesting in new technology to the burden heaped on us by constantly increasing bureaucratic paperwork. We risk everything we have worked for every day we are in business. The moneys that we set aside in our bank accounts that this government deems with this legislation as not necessary, ARE necessary for small business survival for those rainy days which can often stretch into months sometimes years. Small businesses employ millions of people collectively across Canada and making these tax changes will not only make it unrealistic to be in business because the risk reward ratio is too close, it also makes small business less likely to be salable when we go to retire. Since we do not have an indexed pension like all bureaucrats & government employees the sale of our business's plus the changes proposed by this government will make my retirement impossible.”

“Our ability to build a cushion for downturns and to finance additional capital expenditures with be severely restricted.”

“Recently proposed changes to the federal income tax legislation propose to hammer small business with tax changes that will hurt families and punish entrepreneurs. As you know, small business is the backbone of our community. If you’re looking for input on the proposed changes we are very much against them. No one likes people beating the system but the proposed changes are targeting legitimate small independently owned businesses.”

“In our specific case we move after corporate tax profits when we have them, and draw the amount down as our business ebbs and flows. If we are fortunate to be able to take some of the profits personally we pay the remaining tax up to the highest personal level. How is that any different than a regular working person who makes in excess of 6 figures? The money is in Canada in registered investment accounts. It is intended to help fund our retirement because the owner/operator nature of our business does not make the business that valuable for sale in the event of retirement. If small and medium size businesses are responsible for most if not all of Canada's economic growth, why would the government want to stop that train?”

“I am a small business owner and currently working on a plan to transition my business (corporation) to my daughter. In consultation with our accountants, we have been working vigilantly for much of the last year to accomplish this goal. The proposed changes to the tax laws would not only undermine all of our good work we have done but would seriously jeopardize the plan entirely. You would think that government would be working with families to assist with succession plans but on the contrary they throw up roadblocks to scuttle them. Please withdraw the proposed amendments and renew a proper consultation process.”

“These changes remove the vehicles that serve as a pension for business owners. Business owners and their families take on additional financial risk to operate their companies and employ others. To suggest that equivalent to employed Canadians does not make common sense.”

“My main concern - so called passive income. We have been allowed for over 40 years to use these funds to expand - hire new employees and make it through very difficult times. There have been periods where I would not have made it without these funds. Also it has been a way to prepare for retirement as I do not have the indexed and guaranteed pension benefits many including the civil service do - to me these pensions are an unfair advantage!! We have been allowed to save this way for years and now to come and tax our savings would be unfair and cruel treatment. I took me 40 years of struggle to save these funds for retirement - I would ask that the government not to steal my retirement funds just at the time I need them. I feel betrayed by my government and my Liberal Party.”

“We would not plan for the future and lay off employees the second we are not running at a high profit level to reduce the risk of liabilities in severance and notice periods rather than carry them through the tough times as we were able to in the past.”

“These tax proposals will deter individuals from taking the risk to start a small business.

Our small business employees 22 individuals who contribute to our community. We have worked very hard during the last 35 years to build a business that hopefully our children will continue to operate. If these changes take place, we will be faced with huge decisions. We would consider closing or not make any endeavours to expand. With all the regulations and costs to running a business, we are thinking that it is no longer taking the risk. Does the government realize that small business is the largest employer in this country? Everyone cannot work for the government.”

“Hurting small to Medium business is not the answer for a strong economy -- we have everything on the line and if we manage to have a few good years then compensation is required for our risks. Many small to medium owners will reinvest after tax dollars back into business as a share loan when things get tight -- that's what you taking away.”

“Retail is currently a very difficult profession in which to earn a living for myself and my family. The proposed changes will leave us struggling even more.”

“These Tax Proposals along with Electricity Costs, and Minimum wage changes in Ontario make it an absolute horrible place to do business. With the risks I took and continue to take to grow a business there is no support from the government they are driving me out of the province. I am planning on expanding in the next few years and I will most likely move out of Ontario or close if these tax measures are implemented.”

“We work hard at running a successful business, working long hours, sacrificing vacation time by managing from a distance, signed personal guarantees, taken second mortgage on personal property to secure business efforts. Almost everything we earn in the business is reinvested. Lack of reinvestment funds due to increased tax burden will hinder growth of business and stability. We employ 60 to 75 people and believe this provide value to the economy.”

“These proposed changes creates another dis- incentive to the risk- reward proposition for our professional practice and will make it even more difficult to attract the next generation of ownership. In our scale of practice there is little to no 'business value' that can be sold as part of a succession strategy. The greatest incentive for potential successors is that there are retirement savings mechanisms beyond the RRSP that make it worth considering the additional risk of ownership. We don't have the luxury of government pension plans, gold plated benefits, or stress leave. Why would I bother working 60 hours a week to grow and manage a business for success if I'm penalized again for doing so.”

“These proposals will have a devastating effect on middle class small business owners like myself. Not only will it hamper the ability to grow, but it calls into question the wisdom of staying in business - employing others and contributing to the community.”

“The term "family business" means just that. All members of my family make great sacrifices in time and energy to make our business successful. These are not always in a role that is covered by working hours. It has always been my position that as a small business owner myself and my family are always representing our business, whether we are volunteering in the community or simply out for dinner where we may be asked several business related questions. We own several funeral homes and people often ask their questions in settings outside the business. Our hours do not end at 5pm, we are awoken in the middle of the night and often have to change our family plans to deal with and help another family in difficulty. This is something that effects our entire family and is why I consider us all to be agents of our "family business", we are in business together as a family and all should be benefiting from the work we do and sacrifices we make.”

“I will look at layoffs and potentially less spending to upgrade my business or to expand my business. Also without benefits and a pension plan, as offered to larger private sector and public sector employees, these tax advantages help me invest in RRSP's as well as help pay for benefits that I pay out of my pocket that are not covered by the above employment scenarios. I am a small business not a large corporation, the money I save is continually put back into my business and business property, I can see that local spending will be hurt by these measures as business's spend less, which means lower employment, less taxes paid etc. Government mandate should be to create the atmosphere to help small business not put us out of business.”

“There are years were we have a hard time making ends meet. Then there will be a couple of years were we do well. If we cannot income split or invest some money for a better rate of return, then it just may not be worthwhile to absorb the years of struggle in between. We always set aside money for the years where income is low. We still have to upgrade machinery and computers. By cutting out the above items, the funds available in the marginal years will be reduced and we will not be able to sustain a reasonable growth or just a status quo. As a business owner, I do not just work 35- 44 hours

a week but put in at least 65- 75 hours per week. At one point, I will have to question as so many will, whether or not it feasible to have a small business. 2 1/2 months is not nearly enough time to evaluate the impact of these proposals on most small and medium businesses across Canada (employing over 10 million Canadians). There needs to be an extension and time for a proper evaluation.”

“These proposed tax changes will be a hardship on small businesses in Ontario. It will greatly impact my business, which is family owned. Small business is the cornerstone of the economy in Ontario, and these changes will negatively affect the growth of small business.”

“Our business is a small to medium sized third generation family business that will suffer under this proposed legislation. The government needs to realize that small business is the largest job creator in Canada, and that these tax changes will hurt small business and therefore job creation.”

“I have worked hard in my business for 12 years and just recently started the exercise of tax planning and we were going to setup a family trust. This is now on hold until we figure out what the government will do. Based on our assessments thus far this is a terrible and poorly researched tax grab that will have a huge effect thousands of small business owners to the point that many will start looking at alternatives. This is nothing more than the government trying to find revenues from small business and the wealthy to pay for all the programs it is implementing without having the funds. In the interim we are now exploring our options such as moving our company out of Canada to another part of the world that treats small businesses and business owners more fairly. If it proves substantially more tax efficient to move then our 30+ employees will need to be looking for new jobs.”

“The proposed changes are based on eliminating differences between salaried employees and individuals operating within their own Corporation. A salaried employee and an individual working within their own Corporation do not have the same capital investment, capital savings, as well as risks related to errors and omissions. The proposed tax changes do not recognize these differences. As an individual operating within a corporate structure, I do not have the same access to a pension plan, and the kinds of opportunities for investments available to others with defined- benefit retirement plans. Additionally, I do my own IT design and repair, bookkeeping, office supply purchasing, amongst many other tasks - all of which I choose to do because they cost money if they are done by others and I want to remain as a member of the middle class. The proposed legislation will not level the playing field, it will skew it to increase the disadvantages to small independent operators.”

“The small business owner has no guaranteed pension, no guaranteed vacation and no Employment Insurance protection. It seems to me that many small businesses that are providing many jobs are being portrayed as "rich scamming fat cats". These new tax proposals will make every small business owner's life more difficult, more complex and will remove incentives for future entrepreneurs.”

“I own a small printing company. New printing presses cost well over \$1,000,000 USD, so we save the money in the company. Borrowing this amount of money is almost suicidal for most small businesses. So the government is telling us not to bother investing in new equipment. This, of course, over time will lead to the company becoming less competitive or to the demise of the company.”

### *Quebec*

“We have been in business for over 28 years and are hoping to retire soon. We are trying to sell our business and these tax changes will be a disincentive for a potential buyer to buy my shares instead of the underlying assets. So we will not benefit from the Lifetime Small Business Capital Gains Exception and we will have much less in our hands for our retirement. These incentives are legal and have been used by small businesses for years and years. We have planned our savings for retirement based on these legal accounting methods. In the past we have left after tax income in the company because we

know that there are good years and bad years. The public needs to understand that this income has already paid small business corporate tax of 20% at the time of earnings, and if put into our personal hands, it would still incur personal taxes. We have been going through some bad years and have had to use the funds left in the corporation to pay operating expenses during our bad few years. If we would have had to have taken it out of the corporation, or if we will be taxed at both the corporate and personal rate at the time of earning, we would have given half of it to government because we would be put into the highest tax bracket. The business would have much less funds to use when we had a downturn in the business. The changes could make the difference between a small business hanging in there until a downturn ends or for it having to go bankrupt due to lack of funds during the downturn. As for sharing income, how will it be possible for a government worker to really assess how much work a spouse or a teenager does in a business? What a nightmare it will be if we have to justify the amount we pay to our family to help run the business. We live and breathe our business 24/7 7 days a week. There isn't a day that goes by that either myself or my husband don't discuss, toil, plan, organize or strategize for our business. How much is that worth?"

"I run a small business in Vaudreuil which, myself included, currently employs four people full-time, one part time, a management consultant and a part time book keeper. I draw a small salary as president of the company, in line with the salaries of my employees. My husband and adult daughter (who is at away at university most of the year) are also able to partake in any profits via dividend payments which we do from time to time. My two teenage sons do not. My husband is the sole director and participates in the business by providing IT support at no cost. Structuring company earnings in this way has allowed us to reduce our overall tax burden and such that our retained earnings are greater. The retained earnings are not parked in a tax free off shore jurisdiction like many multinational corporations do, but rather have been invested in capital acquisitions such as office renovations, new office furniture and computer equipment. It has also allowed us to hire our 4th employee, who is an immigrant from Mauritius. As small business owners we are not entitled to a pension, maternity leave or employment insurance, but rather must take steps to acquire sufficient assets in order to finance our retirements and prepare for those times when the business is not profitable. We are obliged by law to hold positions open for our full-time employees, if they are sick or have children and take parental leave. Neither do we receive large subsidies (Bombardier) nor do we have the option to move when tax-breaks are no longer available (Merck). The government, by intentionally and repeatedly branding small business owners and professionals who incorporate as "rich" and "wealthy" while regularly vilifying the rich and the wealthy for "not paying their fair share", has purposely and unfairly attempted to target public opinion against small business owners and other professionals. All Canadians have a lot to be thankful for, but the vast majority of small business owners and professionals are neither richer nor wealthier than anyone else."

"Small businesses like mine have a hard time getting access to reasonably priced loans from the bank. The "passive income" which remains in the corporation is used to finance asset purchases and expansion of the business. Taxing it at personal tax rates while the company is still operating reduces the amount of money available to expand or purchase equipment to increase efficiency and competitiveness. If there is money remaining in the corporation at retirement, current rules tax the money I take out of the corporation at personal tax rates so why nickel and dime us further?"

"Proposal 2 could have an ability of small active corporations to maintain reserves to deal with planned or unplanned business related expenditures or investments. It could discourage sound financial planning resulting in a less stable business environment. [...]"

"I'm constantly testing new ideas and launching new products outside of my business using the funds that are in my hold-co. I've also invested in several other funds that involved start-ups. If they tax those 'holdco' dollars at a higher rate, my motivation to invest in new business opportunities will drop significantly. Also, as a business owner, I work 75 hr weeks, have no pension and no guarantee of funds etc - I take risks to help grow my business, hire new staff and contribute to the economy. I should have a preferential tax situation, not be on par with 9-5 employees."

“Had it been known that these changes were going to be established, I would probably have taken another look at how my long term retirement plans would be put in place. I am a small business owner with no pension or access to unemployment income benefits etc... my ability to plan for my retirement is based on advice from tax planners. When the game changes it could have an impact on my future. Because my final tax liability is likely going to increase, this indirectly causes the overall corporate tax burden to increase. This makes me want to look towards friendlier tax jurisdictions to run my business.”

“Plugging tax loopholes is not a bad thing, but the government really doesn't understand how few tax planning options business owners actually have. We don't get EI, we don't get RRSPs, we don't get pensions, etc... how are we supposed to put money away for our retirements? It really makes business ownership an unattractive option for anyone thinking about starting one. [...]”

“We will probably have to increase our prices and/or consider reducing our operating expenses by cutting staff and services. As a small business owner there is only so much we can absorb and take before we say enough is enough. If we close down our business, then the government will get nothing in the future. Instead of encouraging small business owners to grow and offer them other solutions to reduce their tax burden, they just keep on hurting the hand that feeds them!”

“These tax proposals will ultimately change the foundation of our tax planning which will lead to dramatic changes to how we view the success of our business. Much anticipated wealth and savings will disappear and this will no doubt impact on how we will manage our business going forward. The desire to take risk will be greatly reduced and we will certainly need to revisit the ultimate profitability of our business and what actions need to be taken given this (downsizing, cost cutting, lower investments, etc. would all be on the table - of course the coming CPP increases and carbon taxes is already a major challenge let alone these new tax initiatives).”

“As business owners we have risked our personal capital to build create and run our business. Since we are taking these risks on an ongoing basis and since small businesses adds value to the economy with their purchases, tax payments, and sub- contracts and employees costs the government should not be attempting to strip away acquired rights and the ability to split income (sprinkling) and should leave business passive investments alone. I would estimate that any small business spends around 20% of income dealing with government reporting and corporate tax filing obligations. We are forever buried with these obligations which oftentimes detract from our ability to focus on growing our business. If we assume all these risks we should have the opportunity for great personal reward. The government cannot seriously expect to equate individual taxpayer situation with business situation unless it is prepared to offer the same safeguards that individuals receive in terms of social programs. An employee has protections that businesses do not receive. [...]”

“Small business is struggling to make ends meet right now and if there is any sort of profit, the owner should be allowed to be taxed at a lower rate as is mentioned in the passive income paragraph. For the government to be considering to tax small business owners at the same level as an employee, indicates how out of touch they are with small business. An employee and the government doesn't understand the investment that's required, the commitment that's required and the fact that qualified workers are almost impossible to find, and all those problems rest on the shoulders of the small business owners. So why would they consider this move. The employees and the owners are not at the same level, actually the employees are ahead.”

“It would lessen my ability to purchase or upgrade present equipment and therefore lessen productivity and possibly result in downsizing or losing present clientele.”

“We hold tax paid profits in an investment company so that it is always available to the company when needed. As a small company that has employed 50 people without layoffs for 35 years we do not have the ability to go to the Federal and Provincial governments and demand long term low

interest "loans" as public companies do. The Federal governments proposed legislation will effectively reduce the growth of that pool of funds by 33%. If true tax payer equality is desired by the Federal government will EI, CPP, and RAMQ employer contributions be eliminated for private Canadian corporations?"

"My business is also my retirement fund. A high risk one at that, since I do not have any protection from the government if anything goes wrong. The government is proposing to tax small businesses so they pay equal taxes as regular employees. Yet small business owners must work much longer hours than regular employees with little or no additional benefit, small business owners cannot collect employment insurance when times are tough, small business owners must collect taxes and deductions at their own costs and submit them to government agencies BEFORE they even collect from their clients (therefore fronting all the risk), small business owners also pay much higher property taxes, registration fees, accounting fees, and higher fees on pretty much every other product or service just because they are "businesses". The ability to get any sort of income "security" is essential to keep a business going."

"I have no pension, I reinvest very heavily in my business every year. We are a very capital intensive business. The only pension I will get is the sale of my business when i retire and it is sold. Taking away the capital gains exemption will severely affect my pension forcing me to work many additional years prior to retirement. In addition, it diminishes the value of my business overall and makes it harder to sell now. In terms of sprinkling, my wife is an integral part of the business although she only gets a small salary. She has shared the risk with me as we mortgaged our house to invest, twice in my career, she has shared our high risk investment."

"We are a small business with lots at risk in this difficult economy, high construction blockage, and our Montreal short summer season which are the only months the company can make some profits so balance the harder months. As business owners we do not even take a full salary, we pay our taxes at it should and work constantly hard at keeping the business standing and keeping employees with a job. These restrictions may apply to some business sectors with a certain revenue bracket for mid- to large companies. However small corporations do not have much means already, and this will hurt many small businesses who are already self- investing at a loss just to be able to get into the mid size business."

"The risk I took to support my small business in shareholder loans for operating capital, payroll, and personal guarantees I had to give to make my small business grow will make it difficult to repeat this in the future. The government must understand that we take tremendous risk when we start a small business including possibly losing our house and personal assets we have. If there is no significant reward for those that do survive, then very few will start a small business. I would not have done this, if the laws were changed."

"As a new small business owner, we took a risk and invested in the business. Now it will take longer for us to be able to get the investment back as a family. I am also worried that the "reasonableness test" would be arbitrarily used and cause problems in the future as it is not a black and white rule."

"These measures are detrimental to my company and limit job creation. The government seems to be looking at making a fortune on the backs of the middle class. I do not have a castle or private jet. On the contrary, I am also a part of the middle class, but I my only retirement funds are those I struggled to put aside throughout the years. [transl.]"

"This will have a major impact on me as I chose to transfer my business to my children instead of choosing the easy solution and selling directly to a third party in Canada. I am in the process of transferring my business and following these changes, my financial planning no longer makes sense. [transl.]"

“This will have the biggest impact on my company and my family. As an individual and as a company we are already paying very large amounts of taxes. With this reform, the large sums we would have invested will be directed towards the government and not towards the job creation. [transl.]”

### *New Brunswick*

“I'm hoping that the Liberal government will take a second look at these proposals. Having these measures put in place will harm small businesses.”

“1/I employ my 3 children in this business. These new rules could affect this situation. 2/ The use of extra money in the business, invested that is, is very important in order to keep stability in my business. It keeps the banks on my side when we have cash available to invest. 3/ the capital gains thing would reduce what I could take out of my business. This is a complicated scenario and it is not just easy math to say that it is totally tax free. In order to create the capital dividend account, you have to sell something to make a capital gain.....which we already pay tax on.”

“These changes remove incentives for people to own and run small businesses. Without these incentives, younger professionals will not bother to start new businesses or purchase business from their retiring bosses. This will make it difficult or impossible for some to retire without closing their businesses and laying off their employees.”

“We are in a very cyclical and weather dependent business therefore it is imperative that there are cash resources quickly available when required to ensure we can weather these rough times. Changes to passive income will affect our future ability to do this threatening our future success. There are significant personal risks and liabilities including payroll taxes, HST taxes, fuel taxes, severances, etc.. that we are ultimately responsible for. In addition to these additional liabilities that we are personally on the line for, we have no paid vacation, sick time, EI or pension plan. How is this being included in the overall "fairness" of tax comparison between employees and small business owners? Our spouses, whether working in the business or not, often share in this responsibility (i.e. using family home as collateral with the bank) and therefore they should be rewarded for this risk as well. In addition to how this will affect our business and our future success, I believe these tax proposals will kill the entrepreneur spirit in Canada and will have significant and lasting consequences for our economy. To put a 75 day cap to review any tax proposals of this magnitude is very irresponsible and reckless!”

“We feel it will affect us as business owners, who basically assume all the risk of running a successful business, and who should be, to a degree, rewarded for assuming that risk.”

“This proposal would obviously cause me to have to "tighten the purse strings" on my company to counter the impact on my household income and future retirement plans. The means to this likely being the cutting of expenses to compensate, including but not limited to spending less on innovation and staffing.”

“I am considering the next generation to take over our family farm. This new laws will greatly affect the direction we will take. I take dividends at the present time, it will cost me personally a lot more tax.”

“As a family- run business with 13 employees this will greatly impact our business, specifically for our succession plan. It may force us to accelerate our buy- out of shares to my father (previous owner) so that he will not be as negatively impacted by the proposed increased tax on capital gains dividends. Our company at this time does not have that amount of cash flow and cannot afford to pay it all out so quickly. It also reduces the desire for our children to join the business when they are older due to the increased "reasonableness" scrutiny and increased taxation. They would be better off as an employee somewhere else instead of being in the family business. The government has not taken into account the double or triple taxation that we, as small business owners, already have to deal with. We

will not be investing in any stocks, as a company, due to these proposed changes, therefore limiting our ability to grow. We do not have gold-plated pensions as the public sector employees do, so we need every chance we get to help secure some form of retirement funds. These proposed changes will greatly affect our retirement plan, which hinged to a large degree on the future sale of our shares. We spent a great deal of money with lawyers and accountants to properly set up the succession plan and a family trust, which is completely legal within the government's regulations. Now the proposed changes basically makes the family trust null and void. It was a complete waste of our hard-earned money. Now we have to spend more money consulting with our accountants to make changes to our retirement plans. As small business owners we do not have the time or extra money to do this. We feel the proposed changes are short sighted and poorly thought out. The point of view of the small business owner was not considered. We ask that you scrap the proposed changes all together and sit down with real business owners to find a better way to fix your budget."

"It will affect my retirement and the real possibility of shutting the business down rather than passing it on to the next generation. It must be remembered that a wise business person must put away money when possible to weather bad economic times to keep the business solvent during these times."

"I think that any tax changes to small and med sized businesses should be not done without consultation with business representatives in order to ensure that it does not hinder or discourage business owners to work as hard as they do to realize this tax advantage!"

"As a small business owner I am not eligible for any EI benefits, I have put all my personal assets on the line, taken all the risk, to help create my business. I have invested in my business and have not been able to invest in RRSP's or other pensions plans. I am 67 years old and will plan to sell my business over the next few years in order to retire. The proceeds from selling my business will be my retirement income. Taxing these proceeds as business income will reduce my retirement fund and depending on what rate the government taxes these proceeds on, I may not be able to retire as soon as planned. Small/medium business owners who have put everything on the line at one time, created jobs (14 in my case) should not have the rug pulled out from underneath them after tax planning for years under the old tax rules."

"The very few tax advantages for small business versus a salaried employee make it difficult for a small business owner to provide for their own retirement now and these changes are simply a tax grab from the government against small business owners who do not have a government or corporate pension plan nor the resources to fight CRA over taxes. These rules will make it extremely difficult for succession plans and retirement/buy-out of some of the partners."

"This will have a very negative impact in our business moving forward and growing. Without these incentives there is no point in taking the business risks to develop a small business. This will also make it much more difficult to find a purchaser for the company when it comes time to retire, (without any pension plan)."

"I am a veterinarian, working full time, mother of two, wife, and business owner. I still have significant student loans to pay off and since I have only owned the business for 4.5 yrs, I still have major loans with my bank. By small business employs 12 people ranging from veterinarians, kennel attendants, veterinary technicians, office manager and receptionists. They have families and pay taxes. My animal hospitals are very good, very consistent collectors of HST, which I pay to the government quarterly. I pay corporate and personal taxes. Because I am self-employed, I have been turned down for loans, because I am considered higher risk. I accept these challenges, because I hope at the end of the day, my business can generate enough money that I can retire at a reasonable age. I oppose these changes."

"I am a multi-unit restaurant owner that has to completely renovate his stores every 7 years if my business goes under I can't get EI there is no government help for my business I just went for a government guaranteed loan for my store relocations and I had to put my house and my other businesses as collateral which is crazy labor costs and taxes are already too high. I work on average 90 hours a week I should be able to keep some of my tax incentives. [...]"

"I do not agree that it is fair to change our tax system to treat an incorporated small business owner the same as an employee. A business owner risks personal capital to create jobs and grow the economy, with no guaranteed pension, vacation, sick time, employment insurance protection, no matched RRSP and in early and lean years no guaranteed salary. Often joint family assets are used as collateral for a business loan or subject to a personal guarantee, spouses quit a job to support the entrepreneur, and the family has to cut back when the business is not doing as well but still has to make payroll. An employee has none of these worries, and has multiple levels of government protection. Neither private corporation owners nor the CRA are equipped to determine the value of the many and varied inputs family members provide, which are integral to the success of most private companies. How can it be objectively determined if family contributions of physical labor are worth more than strategic input, assumption of risk, or administration and bookkeeping support? And over what period of time? Often these contributions are made over many years, with remuneration or sharing of profits deferred until the business is profitable enough to pay a dividend. Shareholders of private businesses that incorporate or hold shares through a trust for important, non-tax reasons, will be unfairly penalized under the proposed reforms. Creditor protection, the reduction of personal liability and the ability for future generations to become owners of the family business will be compromised. Other aspects of the proposals will encourage business owners to remove all excess funds from their small business corporation, rather than prudently investing to mitigate future business risks. Again, bona fide business purposes for leaving earnings in a company, including ensuring there is a safety net for economic fluctuations and unforeseen expenses, and supporting future growth and expansion, will be penalized."

"I find the proposed changes to be very concerning. As a small business owner, we are left fully to plan for our retirement. We do not have access to company or government pension plans to pave the way for our retirement. That responsibility rests solely on our shoulders. Small/Medium businesses are the cornerstone of our country's economic success. To propose tax changes that would significantly impact Small/Medium size businesses, seems completely unfair."

"My retirement strategy will be completely useless with these proposed changes. I resent the tone these discussions have taken. I am an honest tax payer and my businesses contribute significant dollars to all levels of government. These changes will further hamper small business' ability to compete with large corporations. The discussions about this are not taking into account that, while the corporation's assets can grow with low taxation, as soon as it is taken by the taxpayer, it is taxed again."

"Succession planning and retirement planning options will be limited. Passing the business on to a family member was a desire, now the tax implications will affect my options. Sharing income with family members; saving passive investment income in a corporation; and converting a corporation's income into capital gains were choices that would help plan for my eventual retirement and are proposed to be eliminated. With no pension plan my retirement may never happen!"

"Our company profits have been invested and used as "seed" money for the other companies we have started. We create employment for this province and country. I pay a payroll person 50k a year to be the government tax collector. We collect WCB, EI, CPP, Provincial taxes, and Federal taxes and garnish wages on their instructions to those who owe government taxes. I have become their glorified tax collector and for that privilege I have to pay someone 50k/year. Sadly, I find myself in a position that I am tired of having the burden of cash flow and risk. Mr. Morneau is being untruthful when comparing a salaried person who has the same income as I. I have no paid vacations, have to fund my own

medical expenses, and my own retirement. I have worked extensive hours, and my family and I have had the burden of risk. We have had many times where payroll was paid from our LOC and just dug harder, worked harder. Since I am losing the trust of my government, if these changes do come to fruition, I need to sell these companies before the capital gains tax is taken away as well. Sadly, it is my employees who have been loyal that will have the hardest impact. [...]"

"As an entrepreneur I have taken all the risks to start and grow my business. I have to be able to pay my employees and expenses and put some money away for my retirement and do not have a business or government matching my contributions. So please don't compare me to an employee to be taxed as such. Small business are the back bone of the economy and should be recognized for that. The government programs are a joke as I have never qualified for any of them. If we are taxed higher and the other changes are made, it is a very real possibility that jobs will be cut, the profit will be less which in turn means that less corporate taxes paid and less money circulating in the local economy."

"These changes will affect the cash-flow due to increases to our company, our personal lives and the lives of our employees. As business owners, we take a huge personal risk to develop business and opportunities for employees. In some senses, it can seem unfair, but from a risk standpoint, those who don't take the risk to make things better for others, their community & country, to create jobs, etc, shouldn't expect the benefits of taking that risk. I have next to no retirement funds because I invested in my business in hopes for some kind of payout at retirement. Making these changes could cause us to have to cut staff, be able to invest even less than we have been currently in retirement funds and give us a lesser payout when we sell out at retirement. These changes may be intended to attack the wealthy which I would agree probably take advantage of these benefits to the point of abuse, but in effort to stop them, the few, these changes will affect many. [...]"

#### *Nova Scotia*

"Our second generation family business of over 50 years has seen several family sacrifices to survive. I am now 49 and have been ingrained in the business since I was seven years old. I have seen myself and other family members sacrifice so much, working 50 to 70 hours a week. Many of these years at a loss and or negative wages. We are one of the low percentage of small business that has survived so far but I know our days are numbered. For the government to say we are at a tax advantage and maybe the small percentage of business that survive are. For the government to say or think this is a real kick in the teeth and an insult. Obviously these policy makers have no idea what it takes to be a small business owner and what we contribute to society and our community. We are slaves to our business. We need to do this efficiently and under tighter and tougher conditions. For every advantage we get from government there are 5 disadvantages."

"In 2015 my wife took a stroke, luckily she survived with minimal permanent damage. That being said, she can no longer work full time and make a meaningful financial contribution to the household finances. Being self-employed give me the option to increase my income by putting in extra effort. Having the ability to divert some income to my wife saves me a significant amount of tax. Without that tax savings I would be left with 2 choices: work 60- 70 hours a week permanently or cut back on staff. This would mean chopping good permanent full time positions (with benefits) and replacing them with part timers or more likely sub- contractors. It was my understanding the government wanted small business to be creating good full time well- paying jobs! Their ill- advised tax changes will effectively kill 2 (out of 14) of those positions. I would hate to think if every small business owner with staff had to do the same thing!"

"I have passive investments in a holding company. Over the past 30 years I have used the funds in this company to expand my business. Over this period of time I have increased the number of employees in my operating company from 45 to over 400."

"I am a second generation drugstore owner in a small town in NS. I feel I support the community as a small business owner. These tax changes are aimed at making small business less viable, less able to weather uncertainty, and less able to support the communities they service. I feel independent business is the lifeblood of many communities across this country, and the government is making it less likely entrepreneurs will be able to survive. Big corporations will swallow up the small independent stores and services will be lost, employment will be lost, communities will lose. If there are people taking advantage of the tax system, punish them. Do not punish all the hardworking small business owners who are supporting communities."

"When I purchased my company 14 years ago I put everything I owned on the line at the bank to secure financing. My vehicle, my home, my savings; everything was pledged to the bank against the loans. I slept with a deep unsettled feeling in my stomach for 10 years while I paid off the loans. It was a fantastic day when those loans were closed and my house was released as collateral. Over that ten years I managed to build up a small amount of retained earnings. This was mostly in the form of receivables owed to me by customers, but retained earnings none the less. When I purchase new equipment each year, I now use that retained earnings as my collateral. I finally do not have to put my house on the line every time I need a need truck for my company. Taxing those retained earnings will reduce my ability to obtain reasonably priced financing and force me to find alternate collateral on future purchases. This will greatly diminish my interest in strengthening my business or investing in the future as I plan to never put my home on the line and family at risk again to own a business and provide employment in rural Nova Scotia. Owners are different than employees and should maintain benefits associated with the risk taken to own and operate a business. Somewhere there has been a disconnect between government at all levels and the value of small business. This needs to be addressed."

"We've taken on risk that we calculated based on an expected return that the government is now deciding it wants to change. Our return is now going to drastically reduce while our risk factors will not change at all. In the long term, risk has to relate to return. Businesses will adjust their risk appetite to reflect their new return potential. While the government throws out money through avenues like ACOA (east), WD (west) to promote risk taking in the form of innovation, new business ventures, they are now looking to strip a lot of the benefits of innovating and trying new business ventures. In Eastern Canada, we've been much slower than the rest of Canada and the world to innovate and develop new technologies. These new tax rules will further hurt our advancement nationally and globally. Stay at home moms and dads will not be able to benefit from their partners being away for work, striving to succeed, or if they do, they will pay the maximum marginal tax rate, putting a further burden on the success of the small business. Fairness should be rewarding individuals for their risks. Forcing reduced reward for risks taken will definitely impair growth and future risk taking."

"I have worked 60+ hours a week at my business for 30 years. We employ up to 10 people. We collect and remit the government's taxes, as well as, employee deductions. Our business pays out thousands of dollars a year in E.I. and C.P.P. remittances. Yet, when my wife became pregnant we were not allowed maternity leave. My wife worked up to the day she gave birth and had to return to work almost immediately. We, as small business owners, take all the risks with very little benefits. The income splitting and capital gains exemption are retirement benefits that make it worthwhile. If these incentives are removed many small businesses will never be started, along with the jobs and tax revenues they would have created. [...]"

"I am presently in a position to consider selling my business after years of hard work building it. This kind of tax change will make a significant devaluation of my small business since these tax advantages are considered to be part of the risk taking nature of entrepreneurship. [...]"

"My Business pays tax on the income it generates. I have no pension plan so I invest any excess funds if any in a holdco, this is my pension. When I tax those funds out in retirement I will pay tax on them."

I don't see why this is an issue. Public sector workers have pensions, my business cannot afford them. As for income splitting, I work 60 hours a week. I could not do this if my spouse was not at home looking after our children. If this was so be changed, I would have to work less and she would have to work more. The only change is that my business would suffer as we can't afford another salary to replace me. I expect my companies revenues would fall."

"We a business people take lot of risk with not a payoff all the time. I think I will certainly think twice when it comes time to reinvest in my or another business. With fewer rewards in new business on the tax side why bother."

"As a long term small business owner with no pension plan, the passive investments we have been able to accumulate will be our pension plan. The business risks over the years mean that some years are gains and some are losses. I am 67 years old and when I stop working my income ceases except what can be drawn over time from so called passive investments. A change to the current regulations at this late stage of my career will be very negative."

"As a small business owner I have no pension and annual RRSP contributions have not always been an option as I often have to put more of my own money into my business to maintain cash flow. This change in tax law significantly affects my exit strategy which was structured around the tax laws in place now."

"Small business is the heart and soul of this country and its becoming harder to compete as the larger corporations are getting more aggressive for growth they are taking away the market for small businesses. if that's not bad enough we are working more and more hours for less and less and most of us are fearful there will be nothing left to retire with after working 3 times the national average. If the small business tax rate is increased and the capital gains done away with there would be very few reasons to work for yourself. Large corporations have all kinds of loopholes and the guys in charge are making huge income plus bonuses even if the companies loose money. Small business operators have no such lifestyle or income so they can place large amounts of money away they have to keep re-investing with an uncertainty about the future. There no gold watch or huge pension or golden parachute along with the pressure of keeping other Canadians working who depend on us to keep them working. So these kinds of measures are what a socialist government would impose not a free market government. There has to be an investment by the government as well to keep these small businesses going as they produce the most jobs and pay the most taxes. Why would anyone work 80 plus hours 6 or 7 days a week and place everything they own as collateral to run a small business and then pay high taxes with pension for 40 years or more and have no shelter at all to make it an even playing field. These changes will cost this country more than any new tax revenues as it will force layoffs and stymie and growth."

"1. Federal proposals represent significant tax reform for family business in Canada. The Minister describes the proposals as closing "tax loopholes" for the rich - this is clearly misleading. The federal proposals released by the Department of Finance on July 18 will fundamentally change the way private business is taxed in our country. Review and reform of our tax system may very well be appropriate; however, it should be conducted in a more thorough manner with appropriate study and consultation. Significantly reforming the tax rules for private business with a 75 day consultation period is just not appropriate. 2. Family business owners are the middle class. The approach and language in the new tax proposals is blatantly encouraging class distinction in Canada. They describe business families as the rich who use corporations as "tax loopholes", and suggest that the middle class are victims of all of this. This is unfair and totally false, as a majority of small and medium sized business owners are middle class Canadians - they are hardworking individuals who also employ many other people in the middle class in just about every community across Canada. The federal tax proposals directly target and significantly impact family business owners and by extension their employees and is therefore a negative for our middle class. 3. Small and medium sized businesses are the backbone of our economy and responsible for the majority of job creation in Canada. This sector

collectively is the largest employer in the country and a major contributor to our growth. There are literally hundreds of thousands of small and medium sized businesses in Canada. In addition to the employment they create, these business families are very philanthropic, contributing in a significant way to the communities from coast to coast where they work and live. The government's tax proposals send a very negative message to current and future business owners about the nature and importance of their role in our economy."

"Owning a small requires a lot of work and dedication as well a large amount of risk taking that others who are employees of companies are not exposed to. Small business owners must have the incentive to take the risks or it won't be worth the risk. We fund our own pensions through our business, don't take away our ability to do so."

"When I started my physiotherapy business, I put my house, savings and family's future on the line. I thought the risk would be worth it and that if I worked hard I would be able to make more money than I did when I was a salaried employee. That I could provide a good standard of living for my family and make enough money to educate my kids. I hoped that if I grew the business that I might be able to pay myself and my family back for all their sacrifices. I employ 11 people and pay them a fair wage. After 10 years in business I look back and see that I may have been better off continuing to work as an employee. The time it takes to run a business: treat patients, do marketing, do advertising and deal with HR issues etc, leaves little time for recreation or family time. When I see these changes (brought on some time in the summer when I really wasn't paying attention), I wonder why bother with all the stress...why not close the business and go try to find a job with a reasonable salary? That would put 11 people out of work...it seems the harder you work, the less benefits are available to you. These changes are unfair and unreasonable. It will amount to huge tax hikes to my family. My business isn't a tax shelter...it's my family's living!"

"The tax proposals as presented by finance Canada do not consider the negative impact on small business owners and the survival of the foundation of the small businesses that drive the Canadian economy."

"As an entrepreneur I take on a lot of risk to employ people, pay taxes and save for retirement. The proposed changes free like a slap in the face to small business owners who make up an important part of the fabric of Canada. If the government wants small business to thrive there needs to be an incentive. Otherwise why take on risk. These changes will seriously affect the future of Canadian small business."

"Small business is the backbone of the Canadian economy. In my opinion, there is no better return generated for the overall economy than the return small business owners create with their reinvestment of after-tax income. Increasing their tax burden will be to the detriment of the economy as a whole. Small business owners and incorporated professionals take significant risk in building and operating their businesses, create their own pensions, pay for their own benefits and save for their own maternity/paternity leave. How is it "reasonable" to say that a spouse who gives up his or her career to stay home and raise their children is not contributing equally to the family business? Does that individual not share the burden of risk and stress as the business grows, are they not putting themselves on the line financially throughout the course of their spouse's career?"

"I believe there should be a tax advantage to being an entrepreneur - we take risk, we create jobs - having a corporate tax rate that is lower than a personal tax rate for an average employee is the incentive for taking those risks and working 24-7 as an owner. As a small business owner in Nova Scotia, I have created 22 full time jobs. I would like to see my contribution to the economy rewarded, not discouraged. I would like to see our government close actual tax "loopholes" that allow the wealthiest of Canadians / large corporations to escape paying tax... but these changes are not loopholes, they are structures that small business owners and working professionals use to manage their income."

*Prince Edward Island*

"The inability to hold extra income in my business, will hurt my ability to grow my business. The risk in family business is held by all family members, therefore the reward should also be shared. Taking this away is a major disincentive to starting or operating a small business."

"I am 76 and looking at selling this business which we have built over the past 30 years. Depending on how the Capital Gains is handled these proposed tax changes could have a significant impact on my bottom line. One thing for sure is I will sell the business before July 18."

"This tax plan is ill- conceived, off- base and only targets hard working small business owners who are the backbone of small town Canada."

"I am very concerned that these proposed tax changes will have a terrible impact on my small business. It's hard enough to run a business now ... the proposed tax changes could shut the door on us."

"Our business is a partnership and we would like to plan to the future for our kids to take over or be part of it. We see this could be a big mistake unless there is more involvement from business in the consultation process."

"I feel the proposed tax changes are completely unfair and will jeopardize existing small businesses from expanding and growing the Canadian economy. Why would individual people want to start a business in a climate that penalizes success and call those same businesses as using loopholes to avoid taxes? We paid accountants and lawyers to set up holding companies according to the current laws, completely above board. It is small business that create jobs, hence reducing the strain on the welfare and social assistance programs for the Federal Gov't.[...] Most business people use their business as a retirement plan, to sell and receive money, at a low tax rate to look after themselves in their older age. The capital gains exemption is the current facility to make this happen after many years of hard work. The proposed changes by the federal gov't speaks of treating employers similar to employees. Granted all small business need good employees, but they are not taking any risk long term. They perform their job and get compensated accordingly. The business doesn't necessarily have to make money for them to get their pay every week. [...]"

"As a small business our biggest financial burden is our taxes adding more to this is unreasonable."

"I wonder if any of the individuals proposing these tax changes have ever run a business and realize the time/money/energy and commitment it takes to ensure the businesses success. My husband and I have operated our small business for over 20 years- - have missed many personal/family affairs when employees weren't available because of their own personal events/illness etc., as well as those who "didn't show up". For the past few years we have not taken a salary and worked the business to save on business costs/wages etc. Have any of the individuals conducting these "consultations" had to deal with theft by employees/clients or even security guards (we have had to install cameras in our business to monitor this problem). I believe any tax breaks/incentives that government can provide for small business owners might help compensate in a small way the extra responsibilities/challenges we face that "employees" don't. When an employee completes their day's work their responsibility to the business is left behind; our responsibility to our business/family and employees is 24/7. If we don't do everything we can to see that our business thrives it affects our employees, our family and ourselves. Any investment into our business whether personal or financial is our total responsibility; this is not the case for "employees" working for a business or "working" for governments. At the end of the day when government employees leave their workplace they don't have to worry that possibly next week/month or year that their place of employment might have to close because their "employer" couldn't meet his/her business responsibilities. I believe that "consultations" between government and business representatives could possibly provide more acceptable solutions for both sides (hopefully)."

“All small business owners will suffer if these proposed changes are implemented - any small business owner seeking sound tax advice over the past he past decade would have been advised to make use of each of the aforementioned strategies where possible. Suddenly, the government is choosing to label common tax planning strategies as "loopholes" and casting aspersions on small business owners through the implication they are somehow cheating the system and not paying their fair share of taxes. All in the name of fairness for the so called "middle class", a term which the government has not, to my knowledge defined. The majority of small business owners most likely consider themselves members of this so- called middle class...and by using the language it has chosen to use, the government is pitting one segment of society against others. Small business owners are the backbone of the Canadian economy -- they are the ones that administer HST and payroll taxes on the government's behalf...quite frankly these proposed changes are an insult to each and every small business owner from coast to coast.”

“It is challenging enough to be a small business owner and worry day to day about having to close the doors because of the high taxes that I pay. Any other burden may be too hard to handle.”

“I am concerned how it affects my children who work in our business but one of them currently does not take a salary so it appears we will not have the option of paying her dividends because we have not compensated her with salary first. The same applies to both my husband and I. We have opted to not take a salary as we start out but we both work in the business. I'm worried about the proposals and how they will affect us when we pass this business into our children. We would not have been able to finance this current business if we had not been able to use money from our passive investments in a related company. We rebuilt a motel providing jobs in a rural community and have received community appreciation for the investment we have made. I also think that these proposals discriminate against women who stay at home and raise their children while the husbands run their small business. The women who do that are still contributing to the business even though they are not working in the business. They are providing their husband with a stable home base and offering advice on various business matters and attending business functions with their spouse when appropriate. This is the case for stay home dads too but it is more likely to be a woman staying home to provide that stability. I think the consultation period is not long enough to provide appropriate feedback and the timing of the discussion is really bad for a lot of the people who will be affected by this. Farmers in the summer for example. I really don't appreciate the wording being used by the government to present these proposals. There are no loopholes. There is tax law and it is being used by entrepreneurs because they do not have defined benefit pension plans like salaried employees.”

#### *Newfoundland and Labrador*

“Estate planning will have to be revamped at a cost to my business. It is hard enough now to make a profit due to the uncertainty and economic conditions. These so called tax loop holes were some of the few incentives that gives business owner the energy to keep investing the time and energy to continue operating small business. For me this is the most important piece of legislation that I have seen in my 35 years of business. We pay taxes bi- weekly on payroll and monthly on HST why hasn't the federal government approached small business for input. I predict that these proposed changed will have a detrimental long lasting effect on our economic and the federal tax grab will discourage young people from taking the risk of starting their business. I had hoped to pass the business onto my children but if this passes I will sell out to a foreign corporation and good luck collecting taxes from them.”

“Small business is the economy backbone of Canada. Doing these changes will will destroy the entrepreneurial spirit of small business. Thereby eroding growth and our competitiveness in the global market. They are proceeding without consultation to those affected and without researching the impact. Totally unacceptable.”

"I bought my business last year and already have to use personal loans to pay the seller, I have to use income from my business to help pay back the loan which is already being taxed and not considered a business expense because it's a "personal loan". With the new proposed tax structure a huge portion of my income will be taken and I may not be able to pay back my loan as I had planned. These changes will hurt my family as we all rely on the income from my business. It will also hinder any growth and ability to invest as my loan gets paid off. I may be forced to lay off some of my staff in order to make ends meet. This could be a huge strain on a lot of average income earners and is in no way "targeting wealthy business owners". We are already robbed by the government in NL with the highest taxes/fees/levies in Canada and now this? Why bother trying to own a business? It is hard work and we deserve to get SOME "breaks"."

"My family owns a business that employs about 30 people. We carry the burden of making payroll and managing through good times and bad. I don't have access to a federal government pension with on-going health benefits after I retire, for example. So, I resent the government's narrative that paints small business owners like me as the so-called "wealthy" who are getting off without paying their fair share of taxes, that we are somehow taking advantage of Canada's economic system. No matter how they try to qualify it - that is the narrative, somehow, my business is hurting the so-called middle class. It doesn't sound like sunny ways to me. Very, very disappointed."

"I've been in business for 43 years and have permanently employed anywhere from 7 to 15 persons. I have mortgaged my house several times and it is still being used as collateral. I've taken many risks that could have wiped me out. Being a small, small business, I have never made a big salary, but the current tax structure have made it possible to stay in business. In future, if the new tax structure as proposed is passed, thousands of business, similar to ours, will not be able to survive, or will not be interested in staying, or even starting a business. The few so-called "perks" we get, is what makes it encouraging to stay in business, even with all the day to day pressure and headaches."

"I am a small business and I am already taxed to the max with CPP, EI, workers compensation and now tax on insurance, my business cannot handle any more taxes, I will have to really look at downsizing."

"As a small business we are already have significant tax burden at all three levels of government, adding to this burden will make one reconsider the stress associated with operating and running a small business. I currently have 12 employees and significant over head in a small physiotherapy clinic, adding more tax dollars to the mix will significantly change the operating capital of my company. This will no doubt require reducing staff or increasing fees to compensate. Also being a health professional I spent the first 13 years of my career trying to pay back nearly \$100,000 in student loans, this significantly limited my ability at that time to establish RRSP's etc. for retirement. Changing the capital gains perspectives will have a major impact on what I will be able to have for retirement. I don't have a cushy pension plan that I only had to work 4-6 years to get. I have no option to draw unemployment when times are tough but yet we have to assume all the risks. I wonder if it is really worth it, maybe I will give it up and go to work for the public system draw a pension, take day after day of sick leave and further increase the burden on the tax dollar. [...]"

"This set of tax proposals will have the potential to significantly harm my ability to run my pharmacy and front store and turn the profit that I should. Running a business is not easy and after purchasing this business 11 months ago I feel that I can only make a success if these changes are not implemented. Should they be implemented it will not be to anyone's advantage to own and operate a small business as the amount of sweat, tears, labour and stress are only worth it if you can make it worthwhile financially. These measures will HURT small businesses!"

"These new rules will eliminate the ability to create new employment as well as increase the salaries of those individuals currently working for the company. This will likely cause increases in prices to offset the tax that the business has to pay. These tax rules makes the additional work and stress of owning your own business simply not worth the extra efforts. Business people put in the additional

work to reap some rewards. If there's nothing extra to gain there's no point in doing the extra work. This will reduce the new business start-ups, business expansions and inevitably less jobs in our marketplace which will in turn only add to our recession.”

“Government has no understanding of small business owners like myself who strive to provide employment to people in my area and do not know the struggles that come with trying to keep your head above water and stay afloat. We pay enough in taxes now as it is and I believe they should start cutting within their own government walls and leave us small business people alone as with the rising costs of everything there is only so far we can go before we have to take drastic measures to protect our business like cutting jobs and employee hours.”

“My wife and I have (had) significant expansion plans set for the next three years. We are now reconsidering and pulling back based on the proposed changes.”

“The new tax proposals are very discouraging to a new business owner (less than 4 years) that have put all my life savings, including mortgaging my house (which I owned fully) to finance our new business. We have 20 employees (full and part time) in a family run fast food restaurant and the proposed changes are making me question my decision to risk everything I owned. I have no safety net provided by any level of government if my business fails but there is a significant amount of taxes generated to each level of government by our new business. I am sure that the direction this federal government is moving will discourage people like myself from starting a small business in the future. I am now asking myself if I should continue operating a business as the effort and risk involved are now over taking the benefits.”

“We do not have pensions to fall back on when we retire. The profit we pay corporate tax on and hold in our business is taxed as income when we extract at a later date. It is also used as leverage/security for debt required to expand our business.”