

September 28, 2017

Hon. William Morneau, P.C., M.P.
Minister of Finance
90 Elgin Street
Ottawa, ON K1A 0G5

Dear Minister:

On behalf of the Canadian Chamber's Board of Directors and the more than 300 delegates who were in Fredericton, thank you for coming to our Annual General Meeting to outline the changes you propose making to privately incorporated businesses. While we remain deeply concerned about how the proposed changes would affect small businesses and family farms in Canada, we truly appreciate your taking time from an extremely busy schedule to speak to us and to take questions from delegates.

As you will recall, there were many questions that you did not have time to answer. During your remarks, you kindly offered to provide written answers if we forwarded the remaining questions to you. Please find a list of the unanswered questions enclosed with this note. We will be pleased to post your replies to the questions online so delegates and others who will be interested will have the information.

Thank you again for your time and for the effort you made to meet with us on an issue of such importance to our membership. I continue to feel strongly that it is possible to build a tax system that is both simpler and more fair, and we would be pleased to work with the government in organizing a transparent and open process to receive the input of Canadian businesses.

Sincerely,



Perrin Beatty

Attachment

Question	User Name
Every accounting firm in the country has said that there will be significant impact for small businesses. And yet Finance officials maintain that businesses will not be affected, just high income earners. Why do you think there is such a huge gap? Is it that accountants don't understand the tax changes the government is proposing?	Canadian Chamber
What is the risk premium your prepared to let people earn on their life long investment and risk in business creation?	Anonymous
Would this tax change make Canada the first G7/G20 country to tax passive investments within corporations?	Suzanne Andrews
Why is there such a rush to make these extensive, complex changes to rules that have been in place for over 40 years?	Anonymous
Are you genuinely open to intelligent improvements in the proposed changes we can provide to you?	Anonymous
Small business owners generally invest their life savings in the business, so they don't have a separate retirement account. If the government hits investment income with a 60%-73% tax, business owners won't have any incentive to keep surplus assets in the business. Most will be better off taking money out of the business (perhaps via a higher salary with RRSPs). Are you concerned that businesses will have less money for investment and to make it through a downturn?	Canadian Chamber
If the concern is the current system and claimed disproportionate advantages for some, why did the government not do a system-wide tax reform commission?	Anonymous
Last tax reform took from 1962 - 1972. What's your hurry?	Anonymous
Are you including all "rich" Canadians equally in your proposals?	Duncan MacDonald CPA
Many local chambers across Atlantic Canada have not yet been able to meet with their MPs. Will you extend the consultation process to allow for proper input?	Andy Lodge
The current review process is wrong. Will you please drop the damaging current proposals and begin a full review of the entire Tax Act like a Royal Commission?	Steve McLellan, Saskatchewan Chamber
What is your definition of risk versus return? Can you define in detail reasonableness?	Anonymous
Will you consider a full scale review of the tax code by way of a Royal Commission, with the goal of simplifying and modernizing the system for the benefit all?	Robin Bobocel
Why would passing a business or farm to the next generation either during their life or after be subject to far higher tax than someone than to a third party?	John Hopkins
What measures will be taken to recognize regional challenges where elevated costs of living create artificially elevated incomes?	Anonymous
Why not have a far more robust consultation?	John Hopkins
Why are small businesses being vilified as tax cheats and not paying their fair share?	Anonymous
The last major tax reform passed in 1972 after 6 years of consultation, will you consider extending the consultation period to address the many concerns raised?	John Hopkins
Why is your government attacking "rich doctors"?	Lisa Kowalchuk
The proposed changes are the most significant in years with a consultation period of only 75 days over the summer; is the government willing to extend?	John Hopkins
Will the government do a study on the socio-economic impact of the proposed tax changes before implementing them?	Anonymous
Why are hardworking business owners who rely on the existing rules for retirement and "rainy day" saving now being described as taking an unfair advantage?	Whitecourt & District Chamber of Commerce
Does the Minister understand the unintended consequences of this on the likely loss of physicians & reduced working hours by physicians on health care?	Anonymous
Take the example of a venture capitalist who specializes in green technologies. She holds a portfolio of equity stakes in start up companies that are trying to commercialize environmental tech. But those investments are passive income according to the definition. So she could be hit with a 60% or 70% tax on those investments. Is the tech industry right to worry that the tax could hurt Canadian start-ups?	Canadian Chamber
Will this government slow down this process and engage in a fair process to re-write the tax code in a fashion that is fair for all?	Anonymous
Given the magnitude of the changes and the impact to all professionals, how does the government plan to keep doctors in Canada?	Anonymous
Your assertion that small business owners making less than \$200k won't be impacted has been resoundingly refuted by accountants, fin. planners, et al. Are they wrong?	Anonymous
Does the Minister understand that small business owners invest in our economy and with reduced income they will curb spending and sponsorships?	Iain Black
Using current income splitting to fund university education through income splitting, how does one go back in time to capture RESP advantages?	Anonymous
Define "reasonable"	Anonymous
Why do you insist on using the word loophole for provisions that have been in the act for 40 years? Inflammatory language serves no purpose except to divide.	Anonymous
The spouse in a family business often does a variety of tasks – meeting with customers, book-keeping, marketing, answering the phones, helping to write reports, giving advice. What is the "reasonable" amount of salary and dividends that such a person should be paid? In practical terms, how should CRA evaluate that person's contribution?	Canadian Chamber
These changes will obviously remove the reward of taking business risk in Canada. How with the government reward business for taking risk?	Anonymous
Business owners will have less disposable income to spend at local restaurants, retail, salons etc. How do you see this affecting communities in the future?	Anonymous
Pause and please consult with the business to understand the impacts. Why isn't that possible?	Cara Hazelton
Was any consideration given to how CCPCs will be placed at a distinct disadvantage to foreign competitors trying to compete in our own domestic marketplace?	Natalie Prychitko, Whitby
If retired public servants can split pension income with their spouses, why can't private corporation owners split dividends taken post retirement?	@invoice911
Small biz explains negative policy impact-slow hiring & growth, retirement & maternity savings, etc. What have you learned? What 'tweaks' are being considered?	Shannon Moore Ajax Pickering
Are you concerned that these proposed changes will discourage individuals from becoming entrepreneurs and discourage innovation and growth?	Iain Black
Why have you chosen to make ad hoc changes to one part of Canada's tax system rather than establish a comprehensive review of Canada's taxation system?	Anonymous
Will this government slow down this process and commence a fair process to re-write the tax code in a fashion that is fair for all?	Anonymous
Will an economic analysis be done to understand the economic impact of these proposed changes before implementation? If so, will that analysis be made public?	Chris Neal, CPA, CA
These changes increase tax burden while the U.S. is expected to decrease business tax. Aren't you worried businesses will move south?	Sandra Dueck, Peterborough Chamber of Commerce
Why has there been no quantitative evidence to support the public comments made by the Prime Minister and yourself? Only comments suggest "everybody knows this?"	Anonymous

Passive income funds innovation across our country. Is the government looking to take over this role?	Anonymous
If increasing taxes (such as carbon tax) is meant to reduce usage, how will increasing taxes on CCPC's not?	Darla Lindbjerg
If this is about fairness, why are tax advantages for government pension plans and family trusts exempt from you review?	Reg Warkentin, Red Deer & District Chamber
Has an economic impact study been conducted on the proposed changes?	Anonymous
No detailed economic impact study has been released by your department. Given the potential consequences, will you release such an analysis before any change?	Becky Davison
Your language on positioning these tax reforms has been deliberate & calculated. Why has your party chosen to vilify those who use CCPCs?	Pierre-Yves Boivin, FCCQ
Example: a couple has owned a bakery for 30 years and they pay themselves each \$50K per year in dividends. One of the spouses reduces her work hours because of illness or aging. Suddenly, she could be hit with a much higher Tax on Split Income (TOSI) that would apply because her labour contribution had decreased. Is that fair? It wouldn't happen if they had invested in a RRIF.	Canadian Chamber
How do you define "fair" taxation? Is it "equal" dollar for dollar or "equitable" that accounts for the inherent differences between employers and employees?	Anonymous
Today's retirement savings could be tomorrow's payroll if business needs it. Is stopping this modest tax advantage worth risking business not having dollars if needed?	Anonymous
Does the Government not understand the competitive disadvantage Canada will be put in because of these tax measures?	Anonymous
Can the Minister describe the reasonable consultation and data utilized in evaluating the impact of these changes on legitimate employers before legislative launch?	Brian Bachynski, St. Albert CofC
Chambers across Canada are willing to host roundtables with average SME owners. Are you willing to actually consult face to face with people affected by changes?	Huzaifa Saeed - Hamilton Chamber of Commerce
How will you protect SMB owners and family businesses from detrimental capital gains taxes? Specifically, where SMB owners have no pension.	Anonymous
No detailed economic impact study has been released by your department. Given the potential consequences, will you release such an analysis before any change ?	SMB owner. Co-Invested with spouse. No Pension.
Family business transition planning is major GDP & productivity issue in our communities. Has the government considered impact of Capital Gains proposals on it?	Gena Déziel FCCQ
How does Ottawa plan to support and encourage risk-taking from entrepreneurs?	Huzaifa Saeed - Hamilton Chamber of Commerce
Why is the Government calling this a consultation when both you and the Prime Minister have indicated that you will not be changing your position?	Mario Thériault
You're proud of your government's investment in Canadians. Why are you discouraging small businesses owner from investing in themselves and their business?	David Sawatzky
It appears that this is a direct effort to slow down the economy. Higher taxes mean lower expenditures that build the economy. Is that the prime direction?	Anonymous
Please explain the new reasonableness test for dividends where "An amount would not be considered reasonable if it exceeds what would be paid by arm's length party for similar capital and risk." (Pg 25 of consultation doc) If I invest in a bakery in Nova Scotia, should we look at the average ROI of Nova Scotian bakeries, or SMEs in Atlantic Canada, or the risk of a first-time business owner (30% close within 3 years). What is a "reasonable" dividend payment from a small business?	Canadian Chamber
	Anonymous
When will the government learn to run the country like a business rather than trying to find ways to stop business from growing?	Anonymous
Saint John has the highest child poverty rate in Canada. How will your tax changes help small businesses grow to help this community?	Anonymous
Can explain how the federal government separates small corporations from the middle class?	Anonymous
Will changing tax laws to begin taxing passive income hurt small business investment in those companies and on creating new jobs?	Anonymous
Have you investigated why we have had a 300% increase in incorporations? Have you considered the reasons that are not tax related?	Matthew Clark - Iqaluit Chamber of Commerce
Business owners have more red tape now - a program that supports them must be easily accessible - this was called incorporation.	Anonymous
With respect Minister, our members disagree re: investment. Passive investments are pooled for strategic planned upgrades, it's a depreciation cycle not annual.	Anonymous
There are small business owners taking a very limited salary due to the uncertainty of what lays ahead. Why catch them up in this net?	Huzaifa Saeed - Hamilton Chamber of Commerce
International immigration attraction is crucial for NB and Atlantic success. Tax changes will make us less competitive. Population growth and economic development is dependant on immigrant investmen.t	Anonymous
Why is it necessary to prevent CCPC savings to expand economy when by your own statement economy is expanding now under the current legal CCPC planning?	Anonymous
What evidence do you have to prove any of these measures will improve the economy?	Anonymous
Why is a professional services firm employing 30 people not considered a business?	David Wojcik (Mississauga)
Why was such divisive language (e.g., cheats) used within the paper?	Anonymous
Middle class business owners across country are calling for an extension in the consultation. Isn't it getting it done right more important than just getting it done?	Anonymous
Has the government considered the impact of the capital gains and passive investment on small farmers? The new generation is already less interested in taking over.	Anonymous
Are these "rule changes" or loopholes?	Anonymous
Investments are often the pension funds for business owners. It looks like the government wants to collect tax dollars now rather than when funds are actually withdrawn.	Anonymous
If you are only looking at going forward, why is one piece of legislation proposed retroactive to July 18, 2017 ? Why not provide a longer timeframe to adjust?	Anonymous
How is this fair when small business owners don't get paid vacations, EI, etc.,but have risks others don't?	Lisa Kowalchuk
Are you concerned that young professionals will leave Canada, e.g., doctors?	Anonymous
Prior to increase taxes on SMEs please explain why you own corporations through an Alberta holding company? We should know before paying out "fair share".	Anonymous
If the government is concerned with exceptional cases of the wealthy, why not target the exceptions instead of punishing - and vilifying - all business owners?	John Hopkins
Good you are listening. Are you open to changes?	Anonymous
What will you introduce to allow professionals and small business to save if you disallow corporations?	Anonymous
Why do you consider that professionals who invest significant capital in their businesses are not running a legitimate business?	Anonymous
What problem are you trying to fix?	Anonymous

How much authority would be given to the auditors across Canada to roll out these proposed tax changes and how would this be monitored or standardized?	Anonymous
Do you understand that small business in Canada employs 48% of our workforce and that millions will be left unemployed as many businesses will cease operations?	Darla Lindbjerg
How will the Minister prevent unintended consequences that could impact Canada's health care system - including the recruitment and retention of doctors?	Anonymous
You want more "active investment" separating business revenue from owner's income, but the policy only addresses income and does not incentivize active investment. Explain please.	Anthony Knight
Experts who modelled the proposed legislation talk about tax rates as high as 300%. How will you deal with that?	Adam Peabody
Our tax system is already overwhelmingly complex and subjective, and these changes will make it more so. Why not make things simpler and more objective?	Anonymous
You said there may be unintended consequences of this and you want to listen and possibly make changes. How will you do that with a Jan. 1 implementation date?	Anonymous
When will you stop using the word loophole for provisions of the act that have legally been in place for decades?	Jill Green
The Minister is saying he wants to listen. The Prime Minister says he's not backing down. How is that consultation? Isn't 75 days too short a timeframe?	Anonymous
Are you concerned that the CRA costs associated with enforcing these changes may outweigh the benefits received?	Anonymous
Why don't you separate "professionals" (which seem to be the area of concern), from small business?	Anonymous
You've said "300% of professionals incorporating" twice today - was this proposal aimed at professionals? Are you using a bazooka when a 20/20 rifle would work?	Anonymous
Has the current government given up on the concept of tax integration with the current changes to taxation on passive income in a company?	Anonymous
People are taxed personally when they withdraw funds from holding companies. How will this work with the new changes?	Anonymous
The last major tax changes that came through in the early 70's after almost 9 years of consultation. Why is this consultation so short in comparison?	Anonymous
There is a disincentive for family business succession planning - encouraging business instead to sell to third parties. Will the government address this issue?	Darla Lindbjerg
Is it 'reasonable' that our PM and his family have tax-payer funded nannies? Our spouses (partners) do more than sit at a desk and make significant contribution.	Anonymous
Considering your concerns about unfair tax advantages for passive income, are you looking at similar tax advantages experienced by government pension funds?	Lisa Kowalchuk
If a working spouse financially supports a family, while her spouse starts a business, shouldn't that support be treated as a capital investment like any other?	Anonymous
Listening is one thing. Action is another. Will you change any part of your proposal to respond to businesses' concerns?	Anonymous
There are rules in place now that prevent people from incorporating for tax benefit. Why add more complexity to the system?	Anonymous
Listening to individual points of view is different than hearing them. Are you hearing the opposing points of view? Will they have an impact on the changes?	Anonymous
If spousal contribution is a factor, will they include the risk a spouse assumes - their house, their assets, their future?	Anonymous
Will you even be able to implement these new policies in your final two years in office?	Anonymous
Isn't all or most passive income invested anyways in the Canadian economy?	Anonymous
Businesses are already leaving. Does this not concern you?	Anonymous
What will the impact on the economy be?	Anonymous
If you want to encourage investment why not reduce the regulatory burden rather than trying to use the tax system to create equality of outcomes?	John Hopkins
What, if any, differential impact will there be across industries and regions?	Anonymous
Based on what you're hearing across the country is it likely that you'll revisit some of these issues that are troubling for many SMEs?	Anonymous
Families invest in the business in intangible (not labour or capital) ways. Shouldn't they be compensated for missed vacations, limited cash flow, etc.?	RTL
The changes would make it 3x more costly to sell a family farm to an adult child than to a neighbour. How is that fair?	Anonymous
Why would we want to have the highest tax rate in G7 countries if you support growth? Wouldn't it make more sense to decrease business taxes to grow employment?	Jonathan Seib - Alberta Chambers
If an SME incorporated to benefit from corporate tax rules that are now changing, can they now unincorporate to return to small business tax rates?	Anonymous
If our tax system is so competitive why is it so hard to attract foreign investment?	Anonymous
The USA only started lowering their corporate tax rate after 2009. This corresponds to USA productivity overtaking Canada's. How does this support your theory?	C Robinson Thunder Bay
Please address how this tax legislation will impact Morneau Shepell and the perceived conflict of interest you have as a shareholder with 2.2 million shares.	Darla Lindbjerg
Just wondering how the Liberal government plans to stop businesses from using offshore accounts to avoid taxes?	Loralee Burton
Les fermiers semblent penser que ces changements signifient la fin de la ferme "familiale"? Que pensez vous?	Lisa Kowalchuk
If I invest \$25k in my neighbour's corporation I can walk away and get ROI. If your changes pass, if I invest in family corporation and get ROI is the presumption that it will be "sprinkling" fair?	Shirley de Silva
How do these changes fit a larger strategy of encouraging active business growth in Canada? Are more changes planned?	Anonymous
How will passive investment rules effect small business owners using those funds to invest in an active new business, i.e., not their own?	Anonymous
How will you identify an active business from an inactive one?	Anonymous
Will you commit today to lowering the small business rate to 9%?	Amit Virmani, Naveco Power (Local Partner)
A venture capitalist in clean-tech has a stake in several companies commercializing new products. Is this passive income that will be hit with up to a 70% tax?	Jill@bellevillchamber.ca
Executives that are spouses and both operate/hold business investments; how will you protect each as legitimate business owners?	Anonymous
Do you have plans to change pensions for civil servants, in line with the changes you are proposing to small business retirement savings?	SMB owner. Co-Invested with spouse. No Pension.
How do these policy changes incent business owners to be innovative and productive?	Anonymous
Please define specifically who in government's opinion qualifies as "wealthy".	Anonymous
Comment allez-vous assurer que les entreprises ne soient pas traitées comme des professionnels, sans incertitude et fardeau supplémentaire?	Pierre-Yves Boivin, FCCQ
Comment expliquer la complexité de ces mesures aux investisseurs étrangers? Craignez-vous que les investisseurs soient plus séduits par le marché américain?	Pierre-Yves Boivin, FCCQ
What is the status of the gender impact study that the July 18 report said would be done on the impact of these proposals?	Anonymous
Why does the Minister have a trust in Alberta?	Anonymous
Is there anything you can say today that will confirm that the federal government is listening to small business?	Anonymous

Will all investors have to demonstrate their contribution (capital or labour) going forward? Just to be fair?	Anonymous
Your say that family farm sales to family for cash will not be taxed differently than a outside party. Tax experts are saying this isn't accurate. Who is correct?	Anonymous
You just described economic growth rates. Why do you plan to increase tax on the SMEs that created that growth, so they can no longer continue to afford to invest?	Anonymous
Does fairness include employees taking on the equivalent risk as an entrepreneur.	Anonymous
Can you share with us all the considerations you used to determine that your proposals are fair to all taxpayers?	Anonymous
Vous êtes fermes quand vous dites que votre réforme n'affecte pas l'impôt des entreprises. Pourquoi autant de spécialistes disent le contraire?	Anonymous
Avez-vous étudié les impacts potentiels de cette réforme sur l'érosion de talent et l'apport réel sur les revenus de l'état?	Pierre-Yves Boivin, FCCQ
We have already seen doctors leave Canada and reports of wealthy moving billions out of Canada. How is this good for economy and how does it help middle class?	Anonymous
On what basis have you determined that the virtues of the current system, supporting entrepreneurs, are no longer desirable?	Anonymous
Shouldn't we be focused on creating/developing more prosperous taxpayers to share the tax load rather than taxing the current top 1% even heavier?	Anonymous
If the economy is doing so well, why does the government need new and more onerous taxes?	Anonymous
Claims of, or adjustments to, the small business tax rate are irrelevant. The damage being done is to family income as it withdrawn from the business/farm.	Anonymous
How can the complexity of these measures be explained to foreign investors? Are you concerned that investors might be more attracted to the US market?	Anonymous
As a middle-class, small business owner nearing retirement, how am I to adjust my business to the tax changes in time? Does the government expect me to work into my 70s?	Iain Black
How will this reform create jobs, put into the market high risk capital for scaling up ventures?	Anonymous
How are female professionals funding maternity leave benefits within their companies to cover overhead costs and replacement income costs in your scenario?	Anonymous
When a spouse who has been drawing a salary from a business for decades gets sick, is fair that he/she should no longer be able to have that income?	Anonymous
Please define clearly who is a middle class Canadian, specifically what income, lifestyle and values?	Loren Remillard - Winnipeg Chamber of Commerce
Why don't you prosecute "cheaters" instead of punishing everyone who plays by the rules and pay their taxes?	Anonymous
How will the CRA tell between family members that are actually working in the company from those that are "funneling" income?	Anonymous
In pursuit of fairness, why doesn't the federal government first address the discrepancy between private sector vs federal employee wages, pension and benefits?	Anonymous
Aucune étude d'impact économique n'a été déposée. Compte tenu des conséquences possibles, allez-vous en publier une avant tout changement?	Pierre-Yves Boivin, FCCQ
You say the capital gains exemption is important, however business owners can't use this when selling to family vs sale to third party. Why the contradiction?	Anonymous
Do you plan on tracking the loss of income tax from professionals leaving the country once these reforms are in place?	Anonymous
Please address how this tax legislation will impact Morneau Shepell and the perceived conflict of interest you have as a shareholder with 2.2 million shares.	Anonymous
People invest in corporations every day and take no active role in that company. They do not have to defend their contribution. Why will spouses have to defend them?	Anonymous
Beyond the math, these changes meaningfully alter the mechanics and sacrosanct relationship between government and small business. Was that the intent?	Anonymous
You were asked why you broke your promise on taxation of stock options for the super-rich. You said it wasn't dropped, just that you weren't actively pursuing it. Why?	Anonymous
Your media stance re a farm sale to family will not be taxed differently than to a 3rd party. Tax experts say disagree. Why are they are wrong and you right?	Iain Black
If we're only dealing with some bad actors, why not apply the CRA General Anti-Avoidance Rule?	Anonymous
Are you able to explain how you will separate the legitimate businesses you don't intend to punish from those companies accused of taking advantage?	Anonymous
The "loopholes" proposed to be closed are seen as incentives for entrepreneurs to start a business, is there a plan to incentivize in other ways?	Amit Virmani, Naveco Power (Local Partner)
With respect to investments held in a corporation, how will you distinguish between emergency cash held for the business versus passive investments?	Anonymous
If income splitting is a problem, why is it still be allowed for pensions? How is that not a loophole if business owners splitting income is a loophole?	Mark MacKenzie
It is unclear that Canada's income tax system has remained competitive. Why not focus on a broader review of the system, rather than the changes proposed?	Shannon Moore Ajax Pickering
Under the new rules, keeping a family business in the family will be a tax liability. Have you done the independent economic impact analysis of this?	Anonymous
Why would your government open a consultation period and then say openly that you are not interested in making changes?	Glenn Feltham
How does the Minister propose business owners plan for retirement and business cycles without the respective tax planning measures?	Anonymous
Because this affects businesses in such a big way, what was the reasoning for not consulting with the Canadian Chamber of Commerce prior to your announcement?	Colleen Clark - Greater Langley Chamber of Commerce
Why are we becoming the only G7 to tax passive income?	Jonathan Seib - Alberta Chambers
The Government of Canada has identified tax fairness as a critical issue. Will you support tax fairness through an independent royal commission?	Deb McClelland, Kamloops
The spouse in a family business often performs many tasks. How can "reasonable" compensation be defined?	Anonymous
Many SMEs invest everything in their businesses, not RRSPs. A 73% tax on surplus assets deters investment, leaving nothing for a downturn. Are you concerned?	Jonathan Seib - Alberta Chambers
These tax changes seem rushed. Would the Minister consider extending the consultation period and implementation period to help small business prepare?	Anonymous
Why was an announcement of this magnitude released during summer vacation time and why such a short consultation period?	Anonymous
Accounting firms think these changes are significant. Finance officials don't. Why the gap? Do you think accountants don't understand the changes?	Anonymous
How will the Minister ensure these tax changes do not hurt the hundreds of thousands of middle class, small business owners?	Deb McClelland, Kamloops