



Summary of Government Tax Announcements for the Week of October 16 - 20, 2017

October 16, 2017

Prime Minister Justin Trudeau and Minister of Finance Bill Morneau announced today that the corporate income tax rate on income eligible for the Small Business Deduction for Federal Income Tax purposes will be reduced in stages as follows:

Year	Rate
2017	10.5%
2018	10%
2019	9%

The Small Business Deduction is available on the first \$500,000 of active business income earned by a corporation.

By default, there is a corresponding increase each year to the personal tax rate on dividends received from the company by individual shareholders.

This announcement has no impact on the changes proposed on July 18, 2017.

Also stated was that the government will not move forward with measures to restrict access to the Lifetime Capital Gains Exemption and that the original proposals related to Income Sprinkling will be “simplified”.

October 18, 2017

Minister of Finance Bill Morneau announced today that there will be a threshold of \$50,000 of passive investment income annually that will not be taxed further inside the company. The Minister indicated that this equates to approximately \$1,000,000 in passive investments held in a company.

Further information suggests that the new measures will be included in the 2018 federal budget and draft legislation will be available at that time.



October 19, 2017

Today, Minister of Finance Bill Morneau announced that the government will not be moving forward with proposed legislation released and effective July 18, 2017 that was designed to target the conversion of income, particularly dividends, into capital gains.

Without providing details, the Minister also stated that in the coming year the government will continue to engage business owners including those in the agricultural industry to develop proposals to better accommodate intergeneration transfers of family businesses while also making the tax system fair.

This is good news in that particularly proposed section 246.1 would have converted a tax-free capital dividend into a taxable dividend and hence created a poor tax result in very broad circumstances basically where the government felt that the conversion was appropriate. The concern expressed by our tax professionals is that the government could propose new legislation in the coming months or with the 2018 budget that could be retroactive to July 18, 2017 on this matter.

Progress of Legislation

The only indication so far is that revised draft legislation related to the tax on split income (income sprinkling) and the capital gains exemption will become available sometime later in the fall. There has been no date indicated.

Please check back to this document for further updates over the next few days.