Date

Dear Member of Parliament,

I am writing to you regarding the Department of Finance proposed tax rules that were released on July 18, 2017. This letter is not meant to be a technical discussion, rather to convey my concerns regarding the long-term impacts of the proposed legislation.

1. The communication related to the proposals refers to “tax loopholes of the rich”. This is blatantly false and misleading. The group most directly impacted by the proposals are small business owners, Canadian entrepreneurs.
2. The rules are exceedingly complex, difficult to understand and impossible to enforce. The labyrinth of rules and complexities within the legislation place an undue burden and unfair costs on small business owners to both understand and work within.
3. It is misleading to compare a small business owner and an employee.
   1. An employee is paid a market wage to work for an employer and enjoys the benefit of strict labour laws, employment insurance, paid vacation and other employment benefits with none of the financial or personal risk taken on by a business owner.
   2. A small business owner started their business with no guarantee of success.
   3. Many small business owners earn no personal income for many years during their start up phase and owners and their families sacrifice both time and money for the business to be successful.
   4. A small business owner should have tax planning vehicles available to them to acknowledge the sacrifice and risk of business ownership in Canada, it is a key incentive to a small business owner to get started and stay in business in Canada.
4. Small businesses are the engine that drives the economy and the country. Why would any enterprising individual starting a new business want to be based in Canada? The personal tax rates are excessively high and now, all tax planning opportunities have been removed. These rules will push entrepreneurs and small business owners to base themselves outside of Canada.
5. Some of the rules that are effective July 18, 2017 relate to transactions that occurred before the effective date. The transactions undertaken to realize gains and/or income to take advantage of better tax rates on gains vs dividends were undertaken following the rules at that time. To then say that the tax free capital dividends created by these transactions cannot be taken out tax free are punitive and unfair. Any capital dividend created before the announcement date should be accessible as a tax-free capital dividend (as the rules were).
6. There are a set of rules proposing to punish corporations for taking surplus funds and investing them in passive investments. This makes no sense. By a corporation having funds available to invest, there are more funds in the system. There is more activity in stocks, bonds or real estate. It is not about ensuring that a small business owner has as much to invest as an employee. That would seem backwards. We should be focusing on both of them having as much as possible, not as little as possible. If surplus funds cannot be kept in a corporate structure, why incorporate? Furthermore, it may take several years before the company could afford to reinvest in a major asset. These new rules will place undue tax burdens on small businesses that wish to reinvest in the future.
7. These rules do not allow for true succession planning. Any transfer between generations puts a tax burden on the second generation.

Overall, the rules are a punishment to small business owners and an expropriation of the earnings of their savings. Small business owners generate jobs and wealth, without their entrepreneurial spirit and willingness to risk, the economy would be stagnant. Entrepreneurs will have little incentive to open a business in Canada or will not stay in Canada and in the end the consequences will impact us all.

**The proposed rules are not closing loopholes - they fundamentally change the taxation of corporations.**

We would respectfully request that you tell the Minister of Finance that these proposed rules are unfocused, do not address specific concerns and will have negative and far reaching implications to Canadians and our economy.

Respectfully