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What has transpired with the proposed tax legislative changes?

With the October 3, 2017 deadline for submission of comments regarding the proposed legislative tax changes targeting small business changes, released July 18, 2017, passing, the response to the government was considerable. Over 21,000 responses were received. The following details the three major announcements issued by Federal Finance Bill Morneau over the past week:

- **income splitting/sprinkling rules to be clarified** – the intention is to simplify the proposals to provide greater certainty for family members who contribute (in the past or present) to a family business. The government intends to issue simplified rules later this fall that will address the income splitting situation that will be effective January 31, 2018. More will be coming in this respect.
- **lifetime capital gains exemption (LCGE) preserved** – proposals that limit the ability to multiply the LCGE **will not proceed**. This is positive news for small business owners and beneficiaries of trusts.
- **small business income tax rate reduced** – will drop from 10.5% to 9% over two years, starting January 1, 2018. This is a small concession as it will result in a maximum annual savings of \$7,500 only.
- **\$50,000 of passive income will be exempt annually in SBC's**. The Government will continue to move forward to limit tax deferral opportunities related to passive investments; with an annual exemption of \$50,000. I will provide further comments once the draft legislation in this area is unveiled, suggesting the commentary will occur as part of the 2018 Federal Budget.
- **the targeting of 'surplus stripping' will not proceed**. The Government will not proceed with restrictive measures to limit the converting of a private corporation's income (i.e. salary or dividends) into corporate capital gains which are taxed at lower rates.

These changes have still created uncertainty and challenges to the year end tax strategies. While the Government has conceded on some points there is still more discussion and clarification required. I will keep you apprised as more information becomes available.