

Supporting small business owners



Background:

- Many small business owners who are planning for their retirement would like to pass on their business to their children.
- For many years, rules in the Income Tax Act (section 84.1) created tax penalties for business owners wishing to sell their business to a family member rather than to an arm's-length buyer.

Perspectives:

- CALU was pleased that Bill C-208, which became law in 2021, now facilitates intergenerational business transfers by providing tax relief to families wishing to transfer shares in a small business to a child or grandchild.
- The Department of Finance remains concerned that changes introduced by Bill C-208 could result in certain tax avoidance transactions. It therefore consulted with stakeholders in 2022 to seek views on how existing rules could be strengthened to protect the integrity of the tax system while continuing to facilitate genuine intergenerational business transfers. CALU participated in the process and is awaiting potential measures from the federal government.

CALU recommends that the federal government:

- Support the successful transition of small businesses to family members by ensuring that any changes to section 84.1 of the Income Tax Act continue to facilitate genuine intergenerational transfers of shares while preventing tax avoidance that undermines the equity of Canada's tax system.



Enhancing Canada's retirement system

Background:

- Demographic, economic and employment trends are challenging key aspects of Canada's retirement income system including the Registered Retirement Savings Plan (RRSP) and the Registered Retirement Income Fund (RRIF).

Perspectives:

- CALU believes Canadians should have sufficient retirement income throughout their expected lifetimes.
- We are concerned that many Canadians are experiencing difficulties saving sufficient funds in their RRSP due to competing financial demands early in their working lives.
- Equally, some seniors risk outliving their savings because tax rules force them to take money out of their RRIF by age 71 even if they don't have a financial need to do so.

CALU recommends that the federal government:

- Change RRSP rules to allow indexing of unused contribution room and permit contributions past age 71 in combination with changes to RRIF rules.
- Change RRIF rules by increasing the conversion age to 75; improving the transparency of the factors determining the minimum payout formula; reducing the formula to allow more tax sheltering of funds; and allowing RRIF holders to exclude up to \$160,000 (indexed) from the application of the minimum payment formula until the individual reaches age 85.

Strengthening Canada's healthcare system

Background:

- In 2022, the federal government committed to developing and implementing a new national dental care program for low-income Canadians by 2025. The first phase of this initiative for children under 12 who do not have access to dental insurance, has already been implemented.
- Most Canadians already have access to dental care through workplace plans and are very well served by them with coverage that generally exceeds provincial/territorial plans.



Perspectives:

- CALU believes the federal government should help those in need, notably those who do not have any dental coverage, whether from a private plan or provincial/territorial plan.
- The prospect of federally-funded plans may incentivize some employers – in particular small businesses who are more challenged to provide flexible and competitive group benefits than larger ones – to abandon their existing plans in favour of public ones.



CALU recommends that the federal government:

- Provide dental care plans only to Canadians who currently do not have any coverage (i.e., gap filling approach).
- In designing those plans leave workplace plans intact and not incentivize employers to drop their existing coverages in favour of federal plans.
- Provide a 35 percent refundable tax credit in respect of the cost of dental care programs for employees of qualifying small businesses.