

## 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 was concerned that introducing Bill C-208 changes to section 84.1 could result in certain tax avoidance transactions and indicated it would introduce alternative legislative changes.
- Following consultations with CALU and other stakeholders in 2022, Budget 2023 proposes legislative amendments to section 84.1 to ensure that exceptions only apply where a genuine intergenerational business transfer (GIBT) takes place, effective for qualifying share transfers taking place after 2023.
- CALU is generally pleased with the measured approach that the federal government has taken in the proposed legislative measures as well as providing clarification to the existing legislation.

### CALU recommends that the federal government:

- Swiftly pass the legislation to facilitate intergenerational business transfer to provide certainty and a sufficient planning horizon to the affected small businesses, including whether they should contemplate the immediate or gradual business transfer options provided.



## 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.



Spring 2023

## 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.

