



February 28, 2024

Mr. Peter Fonseca, M.P.
Chair, Standing Committee on Finance (FINA)
House of Commons
Ottawa, Ontario
K1A 0A6
Via email: FINA@parl.gc.ca

Dear Mr. Fonseca:

Bill C-59: Provisions on Intergenerational Business Transfers

We are writing to the FINA to provide recommendations on the issue of intergenerational business transfers in the context of your study of the subject matter of Bill C-59, *An Act to implement certain provisions of the fall economic statement tabled in Parliament on November 21, 2023 and certain provisions of the budget tabled in Parliament on March 28, 2023*.

The Conference for Advanced Life Underwriting (CALU) is Canada's national association for leaders in the life insurance and financial advisory industry. Along with our partner organization, Advocis, we speak for more than 7,500 insurance and financial advisors in every part of Canada to grow and preserve the financial well-being of Canadians and family businesses.

CALU believes in supporting small business owners planning for their retirement and looking 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 corporation to a family member rather than to an arm's-length buyer. Small businesses across many industries, farms and fishing corporations were particularly affected by these rules.

Following the enactment of Bill C-208 in 2021 and subsequent consultations in which CALU actively participated, the federal government proposed a new framework for intergenerational business transfers in Budget 2023. Final legislation on the issue was tabled in November 2023 (Bill C-59) and is intended to apply to share transfers taking place after 2023. **CALU is generally pleased with this legislation and believes its passage should be prioritized to provide small business owners with certainty in planning for their business succession in 2024.**

However, we are concerned about certain measures in Bill C-59 (included in Part 1, Subsection 17(2)) that are substantially different from those initially proposed in Budget 2023. The problematic provisions first appeared in August 2023 draft legislation supported with explanatory notes stating they are intended:

“to ensure that a business is effectively transferred only once from a taxpayer to their child pursuant to the exception in paragraph 84.1(2)(e). This condition precludes a taxpayer from undertaking successive transfers of shares of a subject corporation that derive their value from the same active business that was relevant to the determination of whether a prior disposition of subject shares satisfied paragraph 84.1(2)(e).”



We believe this new restriction (provided in subparagraphs 84.1(2.31)(a) and (2.32)(a) of *the Income Tax Act*) on which stakeholder input has been limited **will greatly diminish the flexibility that appeared to be provided to business owners in structuring their succession plans when the new rules were first announced in Budget 2023.**

CALU recommendations:

- **Prioritize the passage of Bill C-59 to provide small business owners with certainty in planning for their business succession in 2024.**
- **Remove subparagraphs 84.1(2.31)(a) and (2.32)(a) of the *Income Tax Act* from Part 1, Subsection 17(2) of Bill C-59.**

We appreciate this opportunity to provide input on the proposed changes to section 84.1 of the *Income Tax Act* contained in Bill C-59 and hope this input is helpful to your deliberations. We would be pleased to engage in further dialogue on this issue.

Yours truly,

Robert McCullagh

Robert McCullagh
Chair of the Board of Directors

Guy Legault

Guy Legault
President & CEO

cc.

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