

## Supporting small business owners

### Issue 1: Intergenerational business transfers

- Many small business owners 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.
- Following various legislative proposals and consultations, final legislation on the issue of intergenerational business transfers was tabled in November 2023 (Bill C-59) and intended to apply to share transfers taking place after 2023.
- CALU is generally pleased with the measured approach proposed in the legislation and believes the passage of Bill C-59 should be prioritized to provide small business owners with certainty in planning for their business succession in 2024.

#### Recommendation:

- Support the successful transition of small businesses to family members by ensuring the final legislation amending section 84.1 of the Income Tax Act (Bill C-59) is expeditiously enacted in early 2024.

### Issue 2: Self-employed individuals

- Statistics Canada data shows that the number of self-employed Canadians has declined about 7 percent between May 2018 and December 2023. The self-employed now account for the smallest share of all workers in more than 40 years.
- The cause of this decline is not clear but we see it as an unwelcome development as the number of self-employed is an indicator of the growth of new businesses in Canada.

#### Recommendation:

- Closely monitor the recent reduction in the number of self-employed in Canada and take any necessary action to ensure the prosperity of this important economic pillar.

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## Enhancing Canada's retirement system

- Canada's affordability challenge is impacting the ability of younger people to save for their retirement and the ability of seniors to ensure the longevity of their savings.
- Many Canadians are experiencing difficulties saving sufficient funds in their Registered Retirement Savings Plans (RRSPs) 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 Registered Retirement Income Fund (RRIF) by age 71 even if they don't have a financial need to do so.
- CALU believes Canadians should have sufficient retirement income throughout their expected lifetimes.

### Recommendations:

- 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; reducing the formula to allow more tax sheltering of funds; and allowing RRIF holders to exclude up to \$170,000 (indexed) from the application of the minimum payment formula until the individual reaches age 85. Also improve the transparency of the factors determining the minimum payment formula and establish a regular review process to ensure it continues to meet the needs of older retirees.

## Strengthening Canada's dental care system

- The federal government should help uninsured individuals who need, but cannot afford, dental care.
- The federal government's new dental program, the Canadian Dental Care Plan (CDCP), is currently accepting applications from seniors whose access to services will begin in May 2024 while most adults 18-65 will be eligible to apply in 2025.
- Most Canadians already have access to dental care through workplace plans and are very well served by them.
- We are concerned that, without proper design, the CDCP may incentivize businesses – in particular small businesses – to abandon their existing plans in favour of the federal plan.
- The offloading of private dental coverage to the CDCP will also inevitably increase costs to the federal purse.
- The CDCP should be designed to avoid these unintended consequences by including measures to ensure small businesses dental plans are maintained and potentially enhanced, and looking to save program costs.

### Recommendation:

- Provide a 35 percent refundable tax credit in respect of the cost of dental care programs for employees of qualifying small businesses. The credit should be designed to support small businesses with employees earning less than the income coverage limits under the CDCP, among other eligibility criteria.