

Summer 2024

## Supporting small business owners

### Issue 1: Small business tax reform

- Federal small business taxation rules are becoming increasingly complex.
- They are also difficult for many to understand, result in increased compliance costs and create a disincentive to establishing and growing small businesses in Canada.

#### Recommendation:

- Commission an expert panel to review the tax rules governing small businesses.

### Issue 2: Self-employed individuals

- Statistics Canada data shows that the number of self-employed Canadians has declined about 6.3 per cent between September 2019 and June 2024. The self-employed now account for the smallest share of all workers in more than 40 years.
- Various factors may explain this trend – yet no definitive cause has been determined.
- While there has been some very recent growth in self-employment, the overall trend remains concerning as the number of self-employed is an indicator of the growth of new businesses in Canada.

#### Recommendation:

- Study the decline in self-employment since 2019 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 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.
- 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 health care system

- The federal government should help individuals who need, but cannot afford, dental care or prescription medications.
- Most Canadians already have access to both services through workplace insurance plans and are very well served by them.
- The new federal Canadian Dental Care Plan (CDCP) is already available to some Canadians and will expand to the general population in 2025, while legislation on pharmacare is currently before Parliament.
- We are concerned that the CDCP may incentivize businesses – in particular small businesses – to abandon their existing plans in favour of the federal plan, while pharmacare could directly reduce or eliminate the workplace insurance coverage that most Canadians currently enjoy.
- Without mitigating actions, the CDCP and pharmacare will likely result in costs shifting from workplace benefits plans to the public purse and decreased dental and health coverage for Canadians.

### Recommendations:

- Provide a 35 percent refundable tax credit in respect of the cost of dental care programs for employees of small businesses.
- Develop pharmacare using the same general approach as the CDCP – supporting those without prescription drug coverage while leaving workplace benefit plans intact.