

With Tax Changes, Finance Minister Discredits Honest Canadians To Fund Spending Habits

Last month, the federal Finance department announced a proposed plan to change Canada's Tax Act with the goal of punishing "greedy Canadians" who don't pay their fair share of taxes.

Finance minister Bill Morneau's narrative to support changing the taxation of Canadian Controlled Private Corporation (CCPC) attempts to mislead the public: that the proposed changes are to protect the middle class who do pay their fair share of taxes.

Small business owners ARE the middle class in Canada and thousands of them will be financially knee-capped by the Minister's proposed policy if it's implemented. Honest Canadians' retirements – farmers, florists, painters, welders –will evaporate because they legitimately planned their taxation according to rules which have been in place for more than 40 years.

There are no "loopholes" being closed by the proposal. If there were, Minister Morneau would be the first of sixteen Finance ministers to have this light-bulb discovery since the Carter Commission in the mid 1960's. So, is this about tax avoidance? No. Its a Finance minister responsible for crafting the largest deficit in national history trying to plug a gaping revenue hole in the federal budget.

Small business owners don't avoid making honest and fair contributions because they pay taxes differently than an employee would. Different mechanisms are available to entrepreneurs because they aren't eligible for EI benefits, paid maternity leaves, or guaranteed vacations. Or, for that matter, a guaranteed wage.

Nobody is going to pay for their pension.

Small business owners need to keep the lights on and retain employees when the economy takes a downturn (read "crash" if you are in Alberta). They invest in innovation and projects that don't begin to generate any returns for years, sometimes decades.

Delayed income is the norm many entrepreneurs must grapple with, like one who shared their personal story with us about giving up a government job and pension to develop technology. In their words, the plan put forward by the Finance department is grossly unfair because:

"The premise upon which it has been prepared is entirely disingenuous. It categorizes owners of CCPC's as a single class of tax shirkers for public consumption in the hopes of creating an environment where an unfair burden can be imposed on a certain class of business people in Canada.

While claiming that the new tax provisions are intended to be fair to the middle class by demonizing and gut-punching the upper class, in fact there is a large number of CCPC's owned by middle-class Canadians who will be critically damaged in the process.

It is extremely disruptive. I knew going into my own business that I was facing an increased level of risk. I never imagined that the Government of Canada would be the biggest risk to my ongoing business success.

There is no recognition that small Canadian corporations in certain business sectors invest heavily in innovation that benefits the Canadian economy, and that imposing a heavier tax burden will reduce the capacity of small Canadian businesses to continue such investments.

The Finance department's worked-up fictional scenarios of Jonah (page 13), Andrea (page 14), Morgan and Jesse (page 26) do not even begin to approach my real-life situation. I am sure there are many hundreds of thousands of other Canadians whose situations are not captured by those scenarios who will end up being treated unfairly if the proposed changes come into force."

Small business owners are angry, and fearful.

We all should be alarmed. A recent HuffPost article called the policy proposal "terrifying". Why? Because every Canadian deserves to be treated equally. Minister Morneau's proposal inherently places a value-judgement on the honesty of Canadians who acted according to the law.

What's fair about that?

We don't tolerate discrimination on the basis of heritage or gender, and we shouldn't tolerate it on this issue either. The Minister and his representative colleagues have forgotten they were elected to public service as legislators, not jurors.

Ken Kobly

President & CEO

Alberta Chambers of Commerce