

## News Release

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### Time running out as tax changes loom

Federal government's new passive investment rules threaten to penalize small business

**Ottawa, May 28, 2018** – As the Budget Implementation Act makes its way through the House of Commons, the Coalition for Small Business Tax Fairness urges Finance Minister Bill Morneau and the Department of Finance to act decisively and amend the new rules related to passive investment income announced in federal budget 2018.

The government previously promised that passive investments currently held by small businesses would be grandfathered under the new rules. However, this will effectively no longer be the case as past passive investments will be used to shut out some small businesses from accessing the small business tax rate going forward. The Coalition is concerned that these small businesses will be taxed like big business, significantly increasing their tax bills in 2019.

“The proposed rules penalize businesses that have been compliant with the law and acted prudently in the face of economic uncertainty and risk by creating a capital reserve through passive investments,” said Dan Kelly, president of the Canadian Federation of Independent Business (CFIB). “We’re asking the government to keep the promise they made to the small business community and protect firms with previous passive investments from the new rules before the budget is signed into law.”

To this end, the Coalition’s recommendation to the government is:

- **Do not proceed with the proposed changes to the passive investment rules.**

If the government is determined to proceed, then they are urged to work with the Coalition and tax professionals to ensure that existing passive investments are not included in the formula in determining eligibility for the small business deduction going forward. The Coalition further recommends:

- Implementing a more gradual “grind” in eliminating the benefit of the small business tax rate.
- Raising the threshold where passive investment income begins to affect a firm's access to the small business rate from \$50,000 to \$100,000 to exempt more small firms.
- Indexing the \$50,000 and \$150,000 exemption limits to inflation to prevent small businesses from being subject to bracket creep on the taxation of their passive investment income.

Read the Coalition’s [letter](#) to Minister Morneau for more information.

The Coalition for Small Business Tax Fairness is the voice of more than 70 organizations representing hundreds of thousands of business owners, professionals and taxpayers across the country. It was created last summer to fight the federal government’s proposed tax changes, which were announced in July and have been through several rounds of amendments since.

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