Dear members,

Following the announcement of proposed changes to tax provisions affecting Canadian Controlled Private Corporations (CCPCs) by Minister Morneau on July 18, the CMA has been working tirelessly to engage with government to ensure these changes did not have an adverse impact on physicians and ultimately patient care in Canada. The CMA has worked diligently to counter the narrative that the use of these tax provisions in any way makes the user a tax cheat, reminding the government of the legitimacy of these tax planning measures and how these have formed part of provincial fee negotiations.

It was physicians who first raised the potential disproportional adverse impacts these changes would have on women, raising this issue directly with the federal minister of finance and again with the Liberal Caucus in Kelowna, requesting that these changes not proceed without a gender based analysis. By the end of the summer, more than 10,000 physicians had contacted their Members of Parliament to share their concern and opposition to the proposed tax reform. Recognizing the need for broader and coordinated opposition, the CMA joined over 70 like-minded organizations representing small businesses of all kinds in opposition to the proposed changes under the banner “Coalition for Small Business Tax Fairness”.

The CMA also engaged with government through formal channels, with CMA President Dr. Marcoux raising our concerns to the House of Commons’ Standing Committee on Finance as part of their pre-budget consultations as well as appearing as part of their study on the reform proposals. The CMA also drafted and submitted a formal submission as part of the consultation period that ran through October 2. More recently, Dr. Marcoux once again shared the CMA’s concerns on behalf of physicians in front of the Senate Standing Committee on National Finances, which is also studying the proposals.

As a result of all this formal and informal engagement, the Government of Canada used Small Business Week (October 15-21) to announce a series of changes to the proposals. With regard to the income sprinkling proposal, the government withdrew the limitation on the use of the Lifetime Capital Gains Exemption by family shareholders. They also abandoned the proposal related to the conversion of income to capital gains, ensuring that intergenerational transfers would not be affected. Furthermore, the government committed to improving the process around intergenerational transfers moving forward. Notably, the government amended the passive investment proposal to allow for a $50,000 passive investment income threshold. Government recognized that passive investment income could be used for a variety of purposes, including maternity leave and pensions, both of which the CMA had asked for. Finally, the government indicated that these changes would not be subject to the amended tax rate and reconfirmed its pledge to grandfathering existing holdings.

Despite these improvements, outstanding issues remain and the CMA, together with the Coalition for Small Business Tax Fairness, will be:

- advocating for a spousal exemption to the proposed changes to the reasonableness test for income sprinkling;
- ensuring that the administrative burden of managing segregated accounts for grandfathered and new earnings is minimized;
working with government to ensure that the details related to the implementation of the passive investment changes reflect the cyclical nature of these types of investments and meet the needs of the various life events these funds would be required for.

As we have been over the last few months, we will continue to keep you informed through regular communications, including our weekly tax alerts. Should you have any questions or concerns please do not hesitate to reach out to us at yourvoice@cma.ca.

NEW LETTER TO SEND TO GOVERNMENT
As we continue to influence government and push for change, we've introduced a new letter in our letter-writing tool. Please send this new letter to your MP and to Minister Morneau to share your concerns with the proposal.

You can also participate in the effort by:

- giving your MP’s office a call to share your views — find their contact info;
- getting up to speed by reading our latest key messages, frequently asked questions and speaking points.

MD WEBINAR: UPDATE ON THE PROPOSED CHANGES
On Nov. 14, the CMA and MD Financial Management are holding a webinar about the federal government’s proposed tax changes, including a discussion of Minister Morneau’s announcements the week of Oct. 16, and the implications of these for financial planning. Register here.

NEWS STORIES OF THE WEEK
Please share these stories with your colleagues on your social media channels or by email to help spread the message further:

- Calgary business owner tells travelling senate committee to rethink tax changes, Global News, November 7
- Réforme fiscale de Morneau: stratégie ou improvisation?, Huffington Post, November 5

PROPOSED TWEETS FOR THE WEEK
Send a new letter to your local MP on how the proposed tax reform — even with tweaks — can affect you:
http://ow.ly/K9Fc30gooso #TaxFairness

ADDITIONAL RESOURCES
- Visit the taxation page on cma.ca for more information and resources.