



Relief for Small Business Owners

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Christmas comes early. Following the 75-day consultation period, during which the Government received backlash from accountants, lawyers and small business owners across the country, we heard some good news.

On October 16, the Department of Finance announced its commitment to lower

the small business tax rate to 10% effective January 1, 2018, and to 9% effective January 1, 2019. For Ontario small businesses, this would equate to a combined federal and provincial rate of 14% and 13%, respectively (compared to the current 15% tax rate).

Following up on the July 18, 2017 proposals announced

As part of the October 16 announcement, Prime Minister Justin Trudeau and Finance Minister Bill Morneau reiterated the Government's intent to ensure that Canadian Controlled Private Corporations (CCPC) are used to support legitimate small businesses, rather than reduce the tax bill for high-income earners. The Government plans to outline a new approach to targeting the small number of high-income earners who have historically benefited from the small business rate, such as medical and other professionals in the form of professional corporations.

Two of the proposed tax measures will proceed, with some revisions.

1) The income sprinkling proposals. The Government intends to issue revised legislation, which should simplify and reduce the compliance burden for businesses. Family members who legitimately contribute to the family business should not be affected. These proposals will be effective January 1, 2018, so something to consider for 2017 dividends to family members not active in the business.

2) Passive income deferral. Passive income taxation will continue as proposed and will be taxed at the higher rates; however, it has been determined that \$50,000 of passive income is an acceptable threshold, or exemption if you will. Investments previously made (including the future income earned from those investments) will be protected. In addition, companies will be able to save for planned expenditures for expansion, hiring and capital.

The Government has further announced that it will abandon certain tax measures previously proposed including: restricting the conversion of income into capital gains as well as restricting access to the Lifetime Capital Gains Exemption. No surprise there.

To discuss your options, or if you would like to receive a quarterly tax newsletter, please contact Ivana Karac at 519-746-7220 or Ivana.Karac@flkcpa.com.



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