



Canadian Tax Alert

Deloitte's submission to the Department of Finance on "Tax Planning Using Private Corporations"

October 3, 2017

On July 18, 2017, the Department of Finance issued a consultation paper containing broad sweeping proposals impacting private corporations and their owners. The consultation period closed on October 2, 2017.

We have shared detailed information about these proposals and our insights as to how they might apply to various taxpayers in a series of [Canadian Tax Alerts and videos](#). We have also written a submission to the Department of Finance, relaying our views and concerns with the proposals as presented.

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This Canadian Tax Alert provides an overview of our submission, highlighting key elements brought to the attention of the Department of Finance.

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Our concerns with the proposals are reflected in four broad recommendations:

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- As the proposals amount to tax reform in the area of private company taxation, the government should enter into a more comprehensive consultation with Canadians, including the establishment of an advisory panel to fully evaluate the implications of alternative courses of action.
- The application of the proposals should be narrowed to reduce the unfairness and undue complexity created by the proposals for private businesses in Canada.
- The retrospective nature of the provisions should be removed.
- A full assessment of the impact of the proposals on Canada's competitiveness in a global market for capital, both human and financial, should be undertaken.

Our specific recommendations

In view of these four themes outlined in our submission, we concluded on a number of specific recommendations that we believe would better serve Canadians. The most important and urgent of those recommendations can be summarized as follows:

- The government should abandon the passive income proposals, as similar proposals were thoroughly contemplated but abandoned during the 1972 tax reform.
- Spouses should be excluded from the income sprinkling provisions, thereby mitigating a large portion of the inequity and complexity associated with these provisions.
- An intergenerational or other family business transfer should be subject to the same tax treatment as the sale of shares to an unrelated party.
- Retrospective aspects of the proposed legislation, particularly as they relate to capital gains, should be removed.
- The punitive double tax aspects of the proposals as they relate to the death of a taxpayer who owns Canadian-controlled private corporation shares should be eliminated.

If you would like to read our full submission to the Department of Finance, please contact your Deloitte advisor.

Next steps

With the close of the consultation period, the next step will be a government review of the many submissions from stakeholders. Canadian private companies and their owners must wait for the outcome of this review to learn the extent to which the various recommendations will influence the development of final legislation.

In the interim, certain strategies may be prudent to consider before the end of the calendar year, particularly in light of the fact that some provisions are proposed to take effect on January 1, 2018. Contact your Deloitte advisor if you would like to discuss the impact of these potential changes on your business, and how you can prepare.

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