

CLICK HERE TO PASTE COMPANY LOGO (OR PRINT ON LETTERHEAD)

DATE

Name

MPP for INSERT RIDING

Address

Address

Address

Re: Impact of Tax Planning Using Private Corporations on Small and Family-owned Construction Businesses

As a small business owner in your riding, I am writing to you to express my significant concern with the proposed changes to the federal corporate tax rules, outlined in *Tax Planning Using Private Corporations*. **INSERT COMPANY NAME** has been a privately-owned business since **YEAR**. **Include 2-3 sentences on your company, what work it performs, and how many people it employs (this is particularly important).**

The proposed changes are going to have a substantial impact on future profitability of **INSERT COMPANY NAME**. We ask that you not move forward with these changes, as they will have a disproportionately negative impact on those operating privately-owned businesses in the construction sector. Instead we ask that you meet with members of the construction sector so that we can offer input for how to close any presumed loopholes in the corporate tax structure.

Why these changes are problematic for Small Construction Businesses?

For decades, both the Liberal and Conservative Parties have built tax planning tools into the existing corporate tax structure to support independent business growth. These tools were meant to reflect the disproportionate burden that small businesses face in complying with regulations, accessing financing, and taking on personal financial risk to operate. These rules have long-assisted home-grown companies to succeed in an increasingly global marketplace for construction services.

The removal of several of these tax planning tools will put small, local companies at risk given that the proposed changes are coming at a time when the local construction market is very rapidly opening to greater international competition [Chapter 19, Annex 19-6 of the Comprehensive Economic Trade Agreement (CETA) and potentially through the renegotiation of the North American Free Trade Agreement (NAFTA)]. In support of local small businesses in the construction sector, the removal of these tax planning tools needs to be reconsidered.

Specific Areas of Concern

There are three primary areas in the proposal that will negatively impact the long-term competitiveness of **INSERT COMPANY NAME**:

1. The removal of Income Sprinkling tools is very problematic. The families of small business owners are irrevocably linked to the business. Personal collateral (i.e. family home, finances, etc.) is required to launch and sustain a business. Additionally, small-business ownership typically means that job security, benefits, pension, etc., are not available. The risk of small business ownership, therefore, is borne by the entire family of the owner(s) and is something that should be recognized and recompensed, rather than removed.
2. Eliminating Passive Income planning tools impacts the financial flexibility of construction business owners. As with most small business, borrowing money is a very difficult prospect,

CLICK HERE TO PASTE COMPANY LOGO (OR PRINT ON LETTERHEAD)

so construction companies often maintain passive income in business accounts to save for major reinvestments or to act as insurance against emergencies or unforeseen costs. As noted above, there are significant peaks and valleys in the amount of available work in the infrastructure construction industry, which is at the mercy of government investment and private land development. Passive income tools provide construction business owners with a resiliency fund to be strategic with their reinvestments and “weather-the-storm” of any low-points in available workload.

3. The proposal to modify rules around Capital Gains will also have an unnecessary impact on privately-owned construction businesses. The proposal has the potential to effectively double tax a small business during an ownership transfer. In recent years, we have seen dozens of inter-generational business transfers in the construction sector in Ontario. Identifying a process that allows for the smooth transition in these cases is critical before this process moves forward.

Construction, particularly those operating in the infrastructure sector, is a cash intensive industry. It involves periodic and often unpredictable expenditures, which are simply part of the cost and risk of doing business in the construction industry. It is also the reason why the current small business tax structure is so important for small, privately-owned business in our sector. Major changes, such as those being proposed, will have potentially catastrophic impacts on how these businesses are able to successfully operate.

We are prepared to work with the government to find meaningful solutions to the problems that have been identified with the corporate tax system. But the recommendations proposed in this paper are not an appropriate way forward.

We are looking for your support to help make our voice heard on Parliament Hill. We remain committed to working with you and the government.

We appreciate your consideration.

Sincerely,

NAME
POSITION/TITLE