

A **HIGHER LEVEL** of  
management consulting



Un **NIVEAU SUPÉRIEUR**  
de conseil en management

Monday, October 2, 2017

The Honourable Bill Morneau  
Minister of Finance  
Finance Canada  
90 Elgin Ottawa, Ontario  
K1A 0G5

### **Re: Tax Planning Using Private Corporations**

Dear Minister Morneau:

The Canadian Association of Management Consultants (CMC-Canada) is formally responding on behalf of our membership as part of the consultation period to the proposed federal tax changes announced on July 18, 2017.

CMC-Canada fosters excellence and integrity in the management consulting profession as a whole. Our 2,600+-member base makes a significant economic and social contribution to Canada. CMC-Canada is the national voice for the Canadian consulting community. Ninety-five per cent of our members are independent sole practitioner consultants and owners of small- and medium-sized Canadian businesses across the country.

The Government has consistently said in public statements that these proposals will not impact business owners with incomes under \$150,000.

Independent and evidence-based analyses conducted by authoritative and reputable tax, economic, and other experts clearly show that business owners at all levels of income, including the majority of our members who earn well below \$150,000 annually, will be adversely affected by at least one of the three measures in this package of changes.

These proposed tax changes are in addition to the (negative) compound effect other changes have had on our members and their small businesses at the provincial level in

**Canadian Association of Management Consultants | Association canadienne des conseillers en management**

701 – 372 Bay Street, Toronto, ON M5H 2W9 Canada

cmc-canada.ca | 416-860-1515

Ontario with pension changes and increase in minimum wage, as well as minimum wage increases proposed in Alberta and British Columbia.

Forty-eight per cent of our members operate in Ontario, sixteen per cent in Alberta and fifteen per cent in British Columbia. In total seventy-nine per cent of members will be impacted by the ‘stacking’ of measures should the Governments proceed as communicated. Additionally, twenty-seven per cent of our members are women and three per cent are ‘young’ professionals – and the numbers in this segment continue to rapidly rise.

The links below are just a sample of the evidence brought forward to the Government for consideration during the consultation period that has caused our membership understandable concern and a waning confidence of the integrity and the effectiveness of the changes proposed:

[\*\*Moodys Gartner Tax Law - Proposed Tax Changes: What Do They Mean To You?\*\*](#)

[\*\*Deloitte - Tax Alert - Capital gains implications\*\*](#)

[\*\*Yale & Partners submission to Finance Canada\*\*](#)

[\*\*Goldberg, Killoran and Goodis – Is a 93% tax rate fair to Canadian small business owners?\*\*](#)

[\*\*The Liberals came up with a solution. Now they are desperate to find a problem for it\*\*](#)

[\*\*Minister Morneau, Your Analysis is Incomplete\*\*](#)

CMC-Canada’s members are fully supportive of the Government’s pledge to advance evidence-based policy-making. Our members are deeply concerned that the Government’s proposed changes to small business taxes are not sufficiently informed by the level of research, analysis, and consultation required to ensure a full appreciation of the impacts this will have on Canadians – not just entrepreneurs and small business

owners, but also on the overall health of the Canadian economy and competitiveness in the short and long term.

The Government's tax change proposals and discourse during the consultation period has not encouraged confidence among our membership that the proposals are indeed informed by the level of understanding and evidence required to design and implement effective tax policy measures that are clearly implementable and are **fair for all Canadians** – the goal the Government has clearly stated is the rationale for the proposed changes.

In addition to the above concerns, our members specifically request more detailed information and evidence with respect to:

- The results of modeling of the economic, social and gender-based impact this will have on female entrepreneurs (in the consulting and other industries);
- The results of modeling the impact of removal of contributions small businesses make back into the community in the form of procurement of professional services (accounting, legal, office services, etc.) to operate as well as the charitable contributions they make (e.g. sponsorship of local junior sports teams) – the net impact if businesses closed and these contributions ceased to exist;
- How the proposed changes simplify, modernize and increase transparency of the complex tax system for small business owners and entrepreneurs and specific details of how the tax changes would be implemented; what specifically will be done to ensure that businesses are clearly informed and guided in this process and how revenue collection and taxation professionals at the Canada Revenue Agency will be trained and prepared to work during the period of transition and operationalization in a steady state with the business community;
- The estimated costs to businesses to comply with the new tax changes as well as the cost to the Canadian taxpayers for the Government (Canada Revenue Agency) to implement changes effectively, efficiently and with confidence in light

of recent and on-going challenges the Government has experienced with large scale changes to administration as evidenced with the implementation of the Phoenix Pay System; and

- Full disclosure of the full set of other options (not the proposed changes outlined) that were considered in the analysis and process; how the range of options were identified and assessed, against what set of criteria; the rationale for the disregard and elimination of the non-selected options, and the preference for the selection proposal along with the benefits of each for Canadians.

CMC-Canada appreciates the opportunity to participate in the consultation process with respect to the proposed tax changes and the value the Government places on productive and transparent consultation to inform policy making. Our members await with great anticipation the Government's detailed response to their concerns, and those identified by small- and medium-sized businesses individually and through their professional associations, regarding impact on all Canadians, businesses, their clients, and the Canadian economy.

We respectfully request that the current proposals be halted until such time as valid concerns expressed can be addressed and shared, and a comprehensive review of the Canadian tax system is successfully undertaken, with a view toward fairness and simplification for all taxpayers.

Sincerely,



Mary Blair,  
Managing Director  
mblair@cmc-canada.ca