



2017 FEDERAL ANNOUNCEMENT CHANGES TO SMALL BUSINESS TAXATION

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For the second time this week, Finance Minister Bill Morneau has today, on October 18, 2017, announced further changes to the taxation of small businesses in Canada. Rather than release these changes all at once, there seems to be a concerted effort to break it up into smaller announcements. As with Monday's announcement, today's announcement again softens proposals relating to the Government's proposed changes to the taxation of private corporations, as released by consultation paper on July 18, 2017 (the "Consultation Paper").

Today, the Government has committed to the following:

1. Allowing up to \$50,000 per year in passive investment income to be received by a private corporation without being subjected to the new rules regarding the holding of passive investments in a private corporation as discussed in the Consultation Paper.
2. Releasing draft legislation regarding the holding of passive investments in a private corporation as part of the 2018 Federal Budget.
3. Consulting with venture capital and angel investors in order to determine how best to ensure that they can continue to invest under the new rules.

As with Monday's announcement, there is a significant lack of detail in today's announcement. We will continue to monitor the situation as it develops and will keep you apprised of any significant developments as they arise.

There are still many valid concerns with the proposals contained in the Consultation Paper that have yet to be resolved. We hope that the Government will listen to the feedback and make further significant changes to the proposals in order to deal with those concerns. In the meantime, we encourage you to discuss your situation with your Johnsen Archer advisor in order to understand how these changes impact you and your business.

Thank you for your business!