

Aug 31-17

Good Morning To All

On July 18-17 the federal Finance department released a paper referencing the “unfair tax advantages” that owners of small private corporations have over non-incorporated individuals.

This has the “potential” to be a BIG deal for all my clients with corporations!!

None of this is approved or passed just yet so the balls are still in the air but here are the areas they are looking at:

#1 Income splitting/sprinkling –in the future family members may have to prove their worth to the Inc. if they are too avail of this taxation strategy...almost all of us use this now re spouse and adult kids fyi

#2 Taxation of PASSIVE Income in the Inc. may rise---so we all get the initial break on our “active” income from our practices BUT then we also get the benefit of tax deferral and favorable taxation on the final distribution of this accumulated “passive” investment-income out of the Inc. (and into our personal-family member hands). This is being reviewed by the Tax department as they say we get an unfair advantage here re tax deferral and final distribution of these dollars from the Inc. e.g. as dividends to family members etc. This is the biggest threat to our Inc. setups so this needs to be followed carefully. If there is less or even no tax benefit to leaving \$ in the Inc. then maybe going forward we take more of these \$ out and place in other tax favorable vehicle’s e.g. TFSA etc.???

#3 Lifetime Capital gains Exemption could be modified-reduced for family member sharing—this could be a big one for the dentist trying to sell shares in their practices!

Please have a look at the three enclosed reviews

I will send out more as this topic evolves

The BOTTOM line is nothing is for sure just yet AND I am just a minor educator here—your accountant will be the final judge and decision maker here re how this influences your Inc. etc. BUT they are **still in the dark** as this is just evolving so do not expect any clarity from them just yet!!

Terry