



2017 Draft Legislation

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As you are likely aware, on July 18th, 2017, the government announced draft legislation to amend the *Income Tax Act* with an aim to significantly change tax planning strategies for Canadian controlled private corporations and their shareholders due to what the Liberal government perceives as unfair tax benefits. This includes limiting the ability to income split, drastically restricting access to the capital gains exemption and increasing the taxation on passive investment income earned through a corporation.

The magnitude of these changes is significant and will likely impact how shareholders are remunerated, how after tax corporate earnings are reinvested and require changes to succession and estate planning strategies. Furthermore, the scope of the proposed anti-avoidance rules has brought about considerable uncertainty as to what planning is and will be available as the legislation goes through the consultation process. With the exception of anti-avoidance rules which are intended to be in effect as of July 18th, 2017, the proposed changes are not expected to come into effect until January 1st, 2018.

We are currently reviewing the draft legislation and working with other tax and legal professionals to evaluate the impact this has on our clients. If you have any questions or concerns in the meantime regarding the proposed changes and how they might impact you and your small business corporation, please contact our offices at 705-675-2200 or fcr@fcrca.com.

The Department of Finance publication "*Next Steps in Improving Fairness in the Tax System by Closing Loopholes and Addressing Tax Planning Strategies*" which includes the draft legislation and explanatory notes that can be found at <http://www.fin.gc.ca/n17/17-066-eng.asp>