

'It's going to be devastating:' small biz worries about tax future

MIKE LANDRY Telegraph-Journal

September 2, 2017

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Donna Mazzerole outside her west Saint John office.

Photo: Mike Landry/Telegraph-Journal

SAINT JOHN • The Saint John Region Chamber of Commerce has added its opposition to proposed federal changes to the taxation of private corporations.

Chamber CEO David Duplisea said on Thursday that he's been fielding concerns from members and non-members from the local business community since Finance Minister Bill Morneau announced public consultation in July. He's met with MPs Wayne Long and Katherine Ludwig about the issue, he said, and the chamber has launched a letter-writing campaign to connect business owners with the MPs.

The online letter form from the Chamber's website calls the proposed changes a "tax grab on small business."

"Nobody is surprised that there's tax evasion and loopholes, but we thought this is punish[ing a] lot of legitimate [smalls and medium-sized] businesses," said Duplisea. "These are the backbone of our economy.

"It's penalizing the risk takers, when it's just meant to get a few bad apples."

Morneau's contentious solution to tax loopholes involves:

- Restricting income sprinkling, the act of lowering a tax rate by allocating income to someone else, like a family member, in a lower tax bracket.
- Limiting "passive investments" in a private corporation. Since corporations are taxed less than personal income, government says the corporation are being used as "a personal savings vehicle for the purpose of gaining a tax advantage."
- Limiting the ability to convert corporate income into capital gains for a lower tax rate.

"This isn't about a business not paying its share; it's about people using a corporate structure to shield their income and gain a tax advantage," Morneau was quoted by The Canadian Press.

Duplisea says Chamber members are worried about their retirement savings and succession planning. For him, it's a legitimate worry.

"It's going to be devastating," said Duplisea.

Public consultation is open until Oct. 2. Duplisea said the chamber will be campaigning aggressively, as the region, he said, will be hard hit if the suggestions go forward.

Saint John city councillor Gerry Lowe said any impact to small and medium businesses would hurt not only the local economy but community at large. They are the active community members, he said. He pointed to the recent uptown Moonlight Bazaar as one example of the energy small and medium businesses can literally bring to the streets

"That's what it is, the little guy who wants to do something big. It's always been that way," said Lowe. "It's them who help, right, by coming up with new ideas and idea to do different things that bigger business don't think of."

The Canadian Press reported Thursday that Morneau hosted an hour-long conference call with Liberal MPs who were being overrun by complaints. It also reported that Morneau and his staff have also been having one-on-one calls with caucus members.

But for Donna Mazzerole, an accountant who runs Donna Mazzerole and Associates in west Saint John, Morneau will have to assuage more than just his fellow politicians. She says the number of Canadians employed by small businesses is "staggering."

Mazzerole set out on her own 13 years ago, she said, after working almost two decades as a chief financial officer for a large multinational. She would have had to have moved to a larger city, she said, if she didn't set out on her own.

"This was home. And I either had to leave or make something for myself. Which is what I did," said Mazzerole. "I love this place. I want to make it a better place and I want for my kids to be able to stay here, but we need to have opportunities for them to do that."

Owning a small business, she said, isn't for the faint of heart. That's why the majority of the workforce are employees, not employers, she said. Operating her business has come with many pitfalls, she said.

"I have had times where I have not been paid, a significant amount of time, and you're hearing words like loopholes and tax avoidance – it's very insulting. It's very insulting to people who try very hard to grow and continue to have their opportunities."

As an accountant working with small business, she said she knows their tax and economic situation. They need to build up nest eggs for downturns, she said, and to save for expansion. They also need to be able to transfer the business easily when it comes time to retire, otherwise they'll have to sell to the highest bidder, which she worries would be large, out-of-province companies. This would erode the community, she said.

"My colleagues, everyone, was just like wow," said Mazzerole. "It's been a very hectic summer."

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