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Excerpt from Achen Henderson LLP's Blog showing one (of many) example(s) how middle-class families will be hurt by the 2017 proposed tax changes.

'Fairness' and the 'middle-class'

There are many far-reaching implications to the proposed changes which are highlighted in the several incredible articles I've linked below. I wanted to provide one *very simple* example of the effects of these changes that everyone, no matter what their walk of life or occupation, can appreciate. The Liberals are asking your middle-class grocer, plumber, electrician, daycare, restaurateur... to pay more tax, even when they may already be paying more tax than their 'employed' equivalents.

Bob and Tina are married and own an Alberta based family company: B&T Plumbing Inc. Bob runs the business. Tina is a stay at home mother. After expenses, the company's net income is distributed (evenly) to Bob and Tina, the 50/50 owners of B&T Plumbing Inc.

Tina has contributed to the family business by risking everything she owns; she and Bob have taken out a second mortgage to finance the family business. Alberta's matrimonial property act recognizes Tina's contributions to the family business and would ensure that she receives 50% of the company if the couple ever divorced.

The Liberals' proposed tax policy insists that Tina's contributions to the family business are fictional and so allocating income to her is a 'tax loophole'; a sham which Bob and Tina (a decidedly middle-class family) have perpetrated against other middle-class families. Here's the Liberals' solution to closing this loophole:

EXAMPLE 1: \$68,570 in corporate net income/\$60k dividend to Bob and Tina:

	Current	Proposed	
Corporate income	68,570	68,570	
Corporate tax	8,570	8,570	
Family income	60,000	60,000	
Personal tax (50/50 dividend)	1,716		13,830
Personal tax (100% Bob Dividend)	-	2,705	
Total tax in a family small business	10,286	11,275	22,400
Extra tax under new proposals		\$989 - \$12,114	
Tax on \$68,570 of employment income	10,188	10,188	10,188
Family Small Business tax 'advantage'	(98)	(1,087)	(12,212)

EXAMPLE 2: \$102,850 in corporate net income/\$90k dividend to Bob and Tina:

	Current	Proposed	
Corporate income	102,850	102,850	
Corporate tax	12,850	12,850	
Family income	90,000	90,000	
Personal tax (50/50 dividend)	6,408		21,784
Personal tax (100% Bob Dividend)	-	9,675	
Total tax in a family small business	19,258	22,525	34,634
Extra tax under new proposals		\$3,267 - \$15,376	
Tax on \$102,850 of employment income	21,194	21,194	21,194
Family Small Business tax 'advantage'	1,936	(1,331)	(13,440)

EXAMPLE 3: \$137,000 in corporate net income/\$120k dividend to Bob and Tina:

	Current	Proposed	
Corporate income	137,000	137,000	
Corporate tax	17,000	17,000	
Family income	120,000	120,000	
Personal tax (50/50 dividend)	12,638		31,093
Personal tax (100% Bob Dividend)	-	18,111	
Total tax in a family small business	29,638	35,111	48,093
Extra tax under new proposals		\$5,473 - \$18,455	
Tax on \$137,000 of employment income	33,696	33,696	33,696
Family Small Business tax 'advantage'	4,058	(1,415)	(14,397)

Although 'middle-class' is not defined in any of our laws, I'm sure we can all agree that Bob and Tina are not 'wealthy' and do not have spare cash to donate to the government. This example clearly shows that Bob and Tina will pay more tax under the Liberals' proposed tax plan than they are currently paying, even at \$60k/year in household income. It is obvious that the Liberals have Bob and Tina (and all risk-taking entrepreneurs who are moderately profitable) confused with Wealthy Canadians, and therefore the Liberals will need to raise their taxes.

The Oxford English dictionary defines 'fairness' as "Impartial and just treatment or behavior without favoritism or discrimination". The above noted example shows that the middleclass incorporated entrepreneur actually pays more tax at \$68k of family income than an employee with the same income levels under our current system. At higher income levels, there is some moderate tax savings by an incorporated entrepreneur splitting income with their spouse, however the proposed plan would see them paying higher taxes than their employed counterparts in most cases - hardly 'fair' by any definition. Also, this analysis is purely tax related; a 'fair' analysis would consider the risks that Bob and Tina have taken to start and grow

a business, as well as the fact that if Bob were an employee his family would likely have access to company paid health and dental, and he would likely have access to paid sick days, and a company funded retirement plan.

Furthermore, amidst the Liberal government's commitment to promote gender equality, these policies seem to devalue the role of the stay-at-home contributor to a family business. The proposals insinuate that the stay-at-home half of an entrepreneurial couple is not as important, and so shouldn't receive the same benefits, as the 'working' half.