
INSURANCE BROKERS ASSOCIATION OF CANADA
ASSOCIATION DES COURTIERS D'ASSURANCES DU CANADA

Pre-Budget Submission to the House of Commons

Standing Committee on Finance

August 2018

Recommendation:

- 1. A federal budget that will support Canadian small business owners wishing to transfer their business to a family member. This may include measures such as allowing business owners to gift businesses to their family members with no capital gains taxes levied; allowing owners to sell the business to their family members without paying taxes on the dividends; or other measures to ease currently onerous transition rules when transferring within a family.**

Background

The Insurance Brokers Association of Canada (IBAC) is a federation of 11 provincial and regional associations representing over 38,000 property and casualty insurance brokers in Canada. Our members operate small and medium sized enterprises (SMEs) that create employment and support their local economy. They are community builders who make a difference in virtually every community across the country. Our brokers have a long history of providing customer service and independent financial advice on insurance matters, while consistently demonstrating their strong commitment to consumer protection.

IBAC welcomes the opportunity to share our priority for the 2019 Federal Budget aimed at supporting insurance brokers and Canadian consumers, while enhancing productivity and competitiveness in the national economy.

Recommendations:

1. Canadian small business owners work tirelessly day in and day out to build up an economic foundation for their families. Many small business owners hope to, one day, pass on their businesses to their children, grandchildren or siblings, but the tax burden on business succession makes it a costly endeavour that may deter family members from taking on the family business.

Small business owners should not be punished for wanting to ensure that the next generation benefits from their hard work. Canada's small and medium-sized businesses employ 90 per cent of Canada's private sector workers. They are vital contributors to the economy, and the government should ensure that small businesses and those who run them are able to successfully innovate, grow and compete. That includes enabling the next generation of Canadians to continue the work of their parents as small business owners, employers and economic drivers of their communities.

The current options for family wishing to succeed in a small business are punitive – either through capital gains tax measures on dispositions and estate taxes, or through the regulatory-burdensome processes of freezing estates or passing your business into a trust. The current options also diminish the capacity of the small business owners to secure their retirement plans if they opt to freeze their estates to reduce the taxation burden for their children or other family in the future.

IBAC believes that the federal government should modernize small business succession rules to remove these punitive policies and instead incentivize the next generation to continue in the family business.

IBAC makes the following recommendation:

- 1. A federal budget that will support Canadian small business owners wishing to transfer their business to a family member. This can include measures such as allowing business owners to gift businesses to their family members with no capital gains taxes levied, allowing owners to sell the business to their family members without paying taxes on the dividends, or other measures to ease currently onerous transition rules when transferring within a family.**