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To Our Valued Clients

Re: Tax Planning Using Private Corporations

As you will have no doubt heard or read in the news media, the Federal Department of Finance has released their discussion paper on the use of private corporations for tax planning.

The Department is inviting public comments until October 2 with a planned implementation of any tax changes in early 2018.

The proposed measures would mean significant changes to four areas:

1. Splitting income with family members.
2. Limiting multiplication of claims of the lifetime capital gains exemption.
3. Converting a private corporation's regular income into capital gains.
4. Holding passive investments inside a private corporation.

We are aware that many of our clients would be impacted by these changes. Although it is early in the process, we want to assure you that we are actively engaging with DFK Canada, our nationwide affiliate of member accounting firms, in developing a response to The Department, aimed at protecting our small business clients from the potentially damaging implications of the proposals as they are now written.

This is the first of what will be several messages to you on this topic. We will keep you informed as our response to the Department of Finance develops and we will be working hard to ensure that both the Minister and his staff clearly understand the financial complexities of operating a successful small business and the benefits of keeping this vital component of our economy financially viable and vibrant.

KRP and DFK staff members are currently studying the proposals, which you can find: <http://www.fin.gc.ca/activity/consult/tppc-pfsp-eng.pdf>. More commentary is available from Moodys Gartner Tax Law <http://moodysgartner.com/more-proposed-reforms-to-small-business-taxation-announced/> and from Video Tax News featuring KRP's Tax Director, Hugh Neilson, <https://www.videotax.com/web-tips-articles/watch-video-tax-news-video-commentary-on-the-proposed-changes-to-private-corporate-tax-planning> .

We are here to discuss directly any concerns you might have.

Sincerely,

KINGSTON ROSS PASNAK LLP

An independent member firm of 