



Sent by Mail and Email

October 2, 2017

Hon. Bill Morneau
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Dear Minister Morneau:

On behalf of the retail and distributor members of the Canadian Convenience Stores Association (CCSA), I write to respond to Finance Canada's (FC) consultation on *Tax Planning Using Private Corporations*.

Canada's Convenience Retail Channel

By way of background, there are over 27,000 convenience stores throughout Canada, which collectively employ over 234,000 people and serve over 10 million customers daily. While each of these stores are *small businesses*, collectively they pack a big economic punch, contributing more than \$56 billion per year to the Canadian economy. Our retail channel has been a staple of our local communities for decades. It provides employment and store ownership opportunities to new immigrants. Collects over \$22 billion in taxes to support vital public services. And, ensures that essential consumer products are readily available in rural, urban and remote regions of the country.

This past August, the CCSA hosted the first, national *Convenience Store Day* in Canada. An annual event, started in Atlantic Canada, celebrated the contributions that convenience store retailers make in the communities they serve. It was wonderful to see elected officials at all levels of government rolling up their sleeves to support our retailers and to help raise money for charity, including a visit by Prime Minister Trudeau to a convenience store in New Brunswick. This year, we are proud to team-up with Children's Wish Foundation to help raise money for a very special little girl, who has courageously battled cancer. While convenience store retailers serve millions of customers a day, it's their role as community leaders, which makes C-stores the heart of our neighbourhoods!

Consultation on Tax Planning Using Private Corporations

As a member of the *Small Business Matters Coalition*, we support an open and fair tax system, which encourages and celebrates the immense contributions of job creating small businesses. As proponents

.../2



of a similar approach in the credit-card payments sphere, we remain committed to working with you and your government to target on-going relief measures to support neighbourhood convenience retailers, who remain one of the most heavily regulated businesses in Canada.

As the largest retail channel of age-tested consumer products, our Association remains committed to ensuring that elected officials are aware of the unintended consequences that even well-intended public policies can have on our communities and members, while pushing for measures that we believe align with your government's priorities to grow safe and healthy communities. We plan to release updated tax and regulatory impact studies on our channel in the coming months, which we will ensure that you and officials receive.

While we agree in principle with your government's goal of promoting tax fairness, we continue to receive questions from our members about the potential impact that the proposed changes to tax planning strategies for private corporations will have on their business. Many of these independent retailers are family-run establishments, which has prompted concern over the impact that these changes will have on their ability to support their families and plan for their retirement.

Below are some of the themes that have emerged from our outreach to members, which we hope to see addressed as part of the results of the consultation:

- The proposed changes to the taxation of 'capital gains' will impact the ability of store owners to transfer their business to their children upon retirement;
- Adding a 'reasonableness test' to determine if paid family members are contributing to the business will cost store owners both time and money; and
- The proposed changes to 'passive income' will impact the ability of store owners to save for downturns or future growth in the business.

Moreover, I would say that some of the feedback that we have received also points to conflicting and in some cases misinformation that businesses have received on the proposed changes, including the actual effective date of the proposed changes (i.e. retroactive?). I should add that we appreciate the ongoing outreach by your Office and the Office of the Minister of Small Business and Tourism to help our Association to keep our members informed about the proposed changes. We support your goal of ensuring that tax measures benefit only those for who they are intended and we thank you for your commitment to listen and to address our members concerns.

Recommendations

We hope the results of this consultation period will allow you and your officials to alleviate the ongoing concerns listed in this letter and/or make the appropriate changes to ensure that the changes to the tax treatment of private corporations do not have unintended consequences for small businesses – i.e. adding red tape to running a business.

Apart from clarifying and alleviating concerns noted above, we believe your government has an opportunity to package any final changes with specific measures to boost confidence among convenience retailers and distributors:

- **Reduce the small business tax rate.** This was a campaign commitment in the 2015 federal election that would send the right signals to the business community;
- **Reduce credit card swipe fees.** These fees remain amongst the highest in the world, creating challenges for small businesses. Swipe fees charged to retailers range from 1.5% to 4%. We hope your review of the credit card payments system (which we support) will yield positive results for our members in the very near future; and
- **Reduce the red-tape burden on businesses.** Unnecessary and costly regulations continue to challenge our industry, which include other measures presently under consideration within the federal government. We remain optimistic that ongoing discussions with the Minister of Small Business and Tourism and the President of the Treasury Board will yield positive measures to stem the growth and cost of regulations.

Thank you for the opportunity to respond to the consultation on *Tax Planning Using Private Corporations* and we look forward to hearing the results of this consultation.

Sincerely,

Original Copy Signed

Satinder Chera
President

cc: Hon. Bardish Chagger, Minister of Small Business and Tourism