



The Fight Over Proposed Tax Changes for Private Corporation Continues to Heat Up

On July 18, the Department of Finance released a consultation paper outlining measures intended to eliminate various tax planning strategies currently available to owners of private corporations in Canada, stating that these amounted to "unfair advantages."

CHBA has concluded that the proposed tax changes will have significant negative impacts on Association members who operate private corporations, many of which are family-owned. These impacts will include:

- Additional restrictions on distributing earnings to family members, either as salary or dividends.
- Much higher taxation of capital retained and passively invested within a private corporation.
- A number of tax barriers that will make business ownership succession within a family more difficult and expensive, and complicate retirement funding for current owners.

In its ongoing efforts to oppose the government's proposed tax changes for private corporations, CHBA has banded together with other business and industry associations to form the Coalition for Small Business Tax Fairness (<http://smallbiztaxfairness.ca>). Here are some of the actions that have taken place as a result of CHBA and the Coalition's ongoing work:

- On August 31, CHBA was one of 35 signatories to a [public letter calling on the government to drop federal tax changes for small business](#) based on both the unfairness of these proposals and the risks they pose to Canada's economy.
- On September 20, CHBA CEO Kevin Lee testified at the House of Commons Finance Committee, expressing CHBA's concern over the proposed tax changes in his opening comments ([see video: chba.ca/tax-planning](#)) and garnering extensive discussion through the question period that followed ([see video/tax-planning](#))
- On September 27, CHBA was one of 71 signatories to a [public letter refuting a number of assertion made by the Minister and the Prime Minister regarding the scope and impact](#) of the government's proposed tax changes.
- CHBA and the Coalition have also spoken before the Finance Committee and with numerous MPs and government officials on this issue, and [sponsored ads](#) in *The Hill Times*.
- Due to the efforts of CHBA, its members and like-minded organizations, the Prime Minister, the Finance Minister, and Liberal MPs have acknowledged the pressure they've received on these



CHBA CEO Kevin Lee addresses the House of Commons Finance Committee on September 20, 2017. The recording of CHBA's Opening remarks can be watched at chba.ca/tax-planning



Question period at the Committee was largely focused on the concerns of CHBA. An edited version of CHBA's extensive participation can be found at chba.ca/tax-planning

proposed tax changes. It's a hot and contentious topic within the government caucus, as many MPs are hearing from concerned constituents.

- The Minister of Finance added a "National Listening Tour" with business owners in order to beef up the consultation process.
- The government and its MPs have stepped back from their initial rhetoric and are saying that the government is still very much in a consultation phase with the proposals, and nothing is set in stone.

For full details on CHBA actions to oppose the tax changes and information on how the proposals will affect your business and tax planning, visit CHBA's webpage on [Tax Planning for Private Corporations](#) (found in the Housing in Canada section, within Industry Issues). (**Note:** you must be signed in to view member-only content. If you don't have an account, email us at communications@chba.ca. You should only need to sign in the first time you visit our site.)

#CdnBuilt for Generations - CHBA Members Giving Back to the Community

In honour of Canada's 150th birthday in 2017 and CHBA's 75th anniversary in 2018, we're celebrating the contributions that CHBA home builder, developer and renovator members make within their communities every day. Recent stories include CHBA Past President and BILD member Bob Finnigan's involvement in the Mikey Network, which educates Canadians about heart healthy lifestyles and distributes defibrillators to public spaces and to children at risk of sudden cardiac arrest.

For this one and other stories, visit blog.chba.ca/giving-back.



National Awards for Housing Excellence – Now's your Chance!

Canada's premier awards for new homes, renovations, community development, and marketing efforts is now accepting submissions. Changes to the CHBA National Awards for Housing Excellence for 2018 include:

- Three new categories: Outdoor Living Renovation, Basement Renovation, and Marketing – Digital Media campaign.
- Architects, Designers, and other CHBA Member industry professionals can now be formally recognized for their contributions.
- Marketing companies can now be recognized as partners with the builder/developer/renovator in Marketing categories.



If you're a member of a CHBA local association, you can submit projects into the CHBA National Awards for Housing Excellence! Our online submission process makes it easy to enter. For more information about categories and requirements, and to view our in-depth FAQ section, head to www.chba.ca/housingawards. **Deadline November 10th.**



GDP Forecasts

The Organization for Economic Co-operation and Development revised its quarterly estimate for Canada's economic growth up to 3.2% for 2017, beating the U.S. forecast of 2.1% and topping the G7 this year.

OECD's outlook for global economic growth was 3.5% for this year and up slightly at 3.7% for 2018. The Conference Board of Canada meanwhile expects Canada's GDP to grow 3.1% in 2017, but expressed concern that growth will slow in late 2017 and into 2018. The Board forecasts 2.0% in 2018 due to slower consumer spending and a decline in residential investment.



Interest Rate at 1%

The Bank of Canada raised its key interest rate for the second time in less than two months to 1%. Recent economic data have been stronger than expected, supporting the Bank's view that growth in Canada is becoming more broadly-based and self-sustaining. The Bank continues to expect a moderation in the pace of economic growth in the second half of 2017.

The move was a slight surprise in its timing (most expected this increase in October). While recent economic results for 2017 Q2 were very positive, there is concern that the second half of the year could see a significant decline in economic growth. More time is needed to see if broad-based economic growth is real.

Housing Activity

CMHC reported that the trend in housing starts was 219,447 units in August 2017, compared to 217,339 units in July 2017. This trend measure is a six-month moving average of the monthly seasonally adjusted annual rates of housing starts.

Residential investment in Canada totalled \$33.2 billion in the second quarter, up 7.7% from the same quarter in 2016, according to Statistics Canada. Investment in renovations totalled \$15 billion (up 6.6%) and accounted for almost 40% of the year-over-year change at the national level.

However forecasts for future activity are not inspiring.

CREA projects resales in British Columbia and Ontario to fall by about 10% in 2017, compared to record highs set in 2016.

This coincided with Statistics Canada's report that \$5.0 billion worth of residential permits were issued in July, down 2.2% from June and the first decline since April 2017. The residential sector was down in six provinces in July, with Ontario posting the largest drop.

Finally, this month Moodys called for several years of "retrenchment" and slow price gains amid tighter housing rules and rising interest rates. However, the moderation won't be even across the country.