



Taxation

Election 2019

Our Ask: Increase the capital asset limits for the Small Business Deduction and tie them to inflation going forward.

BACKGROUND

- Small businesses are the life blood of the Canadian economy, however, no significant changes to the Small Business Deduction (SBD) have been made since 2009.
- In fact, the current capital asset limits to qualify for the SBD were established in 1994 and have not changed for the past 15 years.
- As it stands, small businesses are eligible for the SBD provided their capital assets are below \$15 million with a straight-line deduction beginning at \$10 million.
- Since 2009, the SBD is applicable on the first \$500,000 of active business income, up from the \$400,000 prior to the 2009 change.
- The SBD has not kept pace with Canadian small businesses, many of which require intense capital in order to be competitive and successful.

ACTION REQUIRED

- It is our recommendation that both the federal business limit of \$500,000 and the capital assets limit be increased and subsequently tied to inflation in order to reflect modern operating costs and business operations.
- In 2018 numbers, the federal business limit would be increased to \$581,000 and the capital asset limits increased to \$15.7 million with a straight-line reduction up until, and eliminated at, \$23.5 million.
- We believe that this would be a marked improvement on how the SBD currently operates and will ensure that our small businesses remain competitive.