

October 16, 2024

*Sent via email*

The Honourable Chrystia Freeland, P.C., M.P.  
Deputy Prime Minister and Minister of Finance  
Department of Finance  
90 Elgin Street  
Ottawa, Ontario K1A 0G5

**Subject: Canada's middle class and aspiring middle class business owners also hit by Budget 2024's Capital Gains changes**

Dear Minister Freeland:

Industry and business associations across Canada are writing to you today to share our views and recommendation on your recent changes to capital gains tax. Overall, while Budget 2024 included some positive measures that have the potential to benefit many business owners when they sell the shares of their business, such as an increase in the Lifetime Capital Gains Exemption (LCGE) to \$1.25 million and the new Canadian Entrepreneurs' Incentive (CEI), many business owners will be negatively impacted by the increase in the inclusion rate.

### *Lifetime Capital Gains Exemption*

**The increase in the LCGE and its indexation into the future are welcomed announcements and should be retained and protected.**

### *Canadian Entrepreneurs' Incentive*

For the CEI to encourage and support investment and entrepreneurship across the Canadian economy, it should not exclude any sectors. There is no public policy rationale to exclude a restaurant, hotel owner, a physician's office, or accounting practice from a beneficial tax policy available to a retailer or construction company. Entrepreneurship, investment, and growth in these sectors should not be disadvantaged or discouraged. **We urge the government to simplify the CEI and broaden its eligibility to all sectors to support equity, simplicity, and transparency.**

### *Inclusion rate*

For its part, the increase in the inclusion rate will have significant negative consequences for Canadian SMEs owners holding investments within their corporations to re-invest in the future (e.g., support the purchase of new machinery, business expansion), as a cushion for economic disruptions and downturns, and eventually retirement. These changes will make it harder for many businesses to access financing to enhance productivity or grow, or to even withstand challenging times. **We urge you to scrap the increase**

**in the inclusion rate to 66.7%, which will affect many business owners who are part of Canada's middle or aspiring middle class.**

Over half (55%) of small business owners believe the increased inclusion rate will affect the eventual sale of their business, while almost half say it will affect the investments they hold privately (45%), and 41% say it will affect the investments held in their incorporated businesses.<sup>1</sup> Again, the assertion that the increase of the inclusion rate to 66.7% will only affect a small percentage of the wealthiest Canadians is misleading; many business owners, those they employ, and those they serve will also be affected.

To truly support Canada's middle class and aspiring middle class, from plumbers to physician, from dentists to chocolatiers, from veterinary examiners to farmers, we call on government to consider the above recommendations.

Sincerely,

Association of Tax and Accounting Professionals  
 Canadian Chamber of Commerce  
 Canadian Council of Independent Laboratories  
 Canadian Craft Distillers Alliance  
 Canadian Federation of Agriculture  
 Canadian Federation of Independent Business  
 Canadian Manufacturers & Exporters  
 Canadian Medical Association  
 Canadian Rental Association  
 Council of Financial Services Professionals  
 Farm Fresh Ontario  
 Fenestration Canada  
 Grain Growers of Canada  
 Manitoba Pork Council  
 Nature & Outdoor Tourism Ontario  
 Ontario Dental Association  
 Pets Canada  
 PBA Society of Canada  
 Restaurants Canada  
 Society of Professional Accountants of Canada  
 Wood Manufacturing Cluster of Ontario

CC: Members of FINA (Standing Committee on Finance)

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<sup>1</sup>CFIB, *Special Capital Gains Survey*, May 2024. n= 2,335