



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

43rd PARLIAMENT, 2nd SESSION

---

# Standing Committee on Finance

EVIDENCE

**NUMBER 023**

Tuesday, March 2, 2021

---

Chair: The Honourable Wayne Easter





## Standing Committee on Finance

Tuesday, March 2, 2021

• (1435)

[*English*]

**The Chair (Hon. Wayne Easter (Malpeque, Lib.)):** I call the meeting officially to order.

Welcome to meeting number 23 of the House of Commons Standing Committee on Finance. Pursuant to the order of reference of January 27, 2021, the committee is meeting to study Bill C-224, an act to amend an act to authorize the making of certain fiscal payments to provinces, and to authorize the entry into tax collection agreements with provinces. We will be meeting on Bill C-208 in this committee meeting as well. Larry Maguire will present his bill.

Today's meeting is taking place in a hybrid format, which we've all become used to, pursuant to the House order of January 25, 2021. Therefore, members are attending in person in the room and remotely using the Zoom application. The proceedings will be made available via the House of Commons website.

We will not go through the rest of the formalities.

We will start with Mr. Gabriel Ste-Marie's bill, Bill C-224. We will go through clause-by-clause consideration. I hope people have the bill before them. It's not like we're in Parliament, where we can hand around fairly short bills.

Pursuant to Standing Order 75(1), consideration of the preamble will be postponed.

(On clause 1)

**The Chair:** I will call for the vote on clause 1, which has four proposed subsections.

I expect you want a recorded division on this, Mr. Ste-Marie.

[*Translation*]

**Mr. Gabriel Ste-Marie (Joliette, BQ):** Unless carried on division, yes, I will call for recorded divisions.

[*English*]

**The Chair:** Shall clause 1 carry?

(Clause 1 negated; nays 5; yeas 2)

(On clause 2)

**The Chair:** Shall clause 2 carry? It's one clause relating to the Government of Quebec.

(Clause 2 negated; nays 5; yeas 2)

(On the preamble)

**The Chair:** Shall the preamble carry?

(Preamble negated; nays 5; yeas 2)

(On the title)

**The Chair:** I have to ask you at some point, Mr. Clerk, because I've never had a bill defeated at committee and I'm not certain what we report to the House, but I think we still ought to go through the title.

Shall the title carry?

• (1440)

[*Translation*]

**Mr. Gabriel Ste-Marie:** Mr. Chair, to my knowledge, the title cannot be changed in committee. That is all that is being reported to the House at this time, given the constructive work of the Liberal and Conservative parties.

[*English*]

**The Chair:** Thanks for that advice, Gabriel. That's wise advice.

**Mr. Jacques Maziade (Legislative Clerk):** Mr. Chair, the committee can vote on the title.

**The Chair:** Okay. Regardless of whether the title carries or not, how do we handle reporting to the House if it's defeated? Does the chair just report to the House that the bill has been defeated? I've never gone through this process before. Imagine that.

**Mr. Jacques Maziade:** Yes, there will be a report handed to you, and you will table the report saying that all the clauses were defeated.

**The Chair:** You are saying that we can vote on the title, against or for, contrary to what Mr. Ste-Marie says?

**Mr. Jacques Maziade:** Yes, you can vote on the title.

**Ms. Julie Dzerowicz (Davenport, Lib.):** Can I ask for a point of information?

**The Chair:** You can.

**Ms. Julie Dzerowicz:** Can you vote in favour of a title if the whole bill is defeated? This might be for the clerk.

**Mr. Jacques Maziade:** Yes, you can.

**The Chair:** Shall the title carry?

**Mr. Peter Julian (New Westminster—Burnaby, NDP):** Mr. Chair, on a point of order, I may disagree with how the voting is going, but I think if the Liberals and Conservatives have decided that this bill will not go forward, it would be bizarre to have a truncated portion of the bill go forward. The report will have to go to the House and there will be a debate on the report from this committee, but it seems to me that having a chunk of a bill that has just been gutted go forward doesn't make a lot of sense.

**The Chair:** Okay. Thank you for that, Peter.

(Title negated: nays 5; yeas 3)

**The Chair:** Shall the bill carry? We do have to vote on it in total.

• (1445)

**Mr. Jacques Mazide:** As amended, Mr. Chair.

**The Chair:** Shall the bill, as amended, carry?

(Bill C-224 as amended negated: nays 5; yeas 3)

**The Chair:** Shall the chair report the bill, as amended, to the House?

On division?

**Some hon. members:** On division.

**The Chair:** Shall the chair report the bill, as amended, to the House?

**Mr. Peter Julian:** Mr. Chair, on a point of order, I don't believe the bill has been amended. The bill has been killed—

**Ms. Julie Dzerowicz:** You're right.

**Mr. Peter Julian:** —but you are reporting the committee's decision to the House, and there will be a debate on that decision.

**Mr. Pat Kelly (Calgary Rocky Ridge, CPC):** I think that can go on division, that he report it to the House. I don't need a recorded vote on that.

**The Chair:** We're okay on division?

**Some hon. members:** On division.

**The Chair:** We don't need to order a reprint of the bill, so—

**Mr. Jacques Mazide:** Yes, you do need a reprint, Mr. Chair.

**The Chair:** Okay. It's a good job you're here. I'm learning some lessons today.

Shall the committee order a reprint of the bill as amended for the use of the House at report stage?

**Some hon. members:** On division.

**The Chair:** Okay, we'll order a reprint.

That will end the discussion on clause-by-clause on Bill C-224.

Thank you for your efforts, Mr. Ste-Marie. You wanted to make a point.

Thank you, Mr. Legislative Clerk, as well.

Go ahead, Gabriel.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

First of all, I'm sorry I misled you a few moments ago regarding the vote on the title.

If we have time before we consider Mr. Maguire's bill, we could look at the three motions related to committee business that I introduced on February 24.

I see that Mr. Maguire has arrived; we can also do this at another time. I'll leave the decision to you, Mr. Chair.

[*English*]

**The Chair:** I believe Mr. Maguire is here, and we probably should have a subcommittee meeting as soon as possible to try to sort out where we go. We have quite a few motions, and then Peter issued another one. It doesn't have the 48-hour notice but I think people have a copy of it. He must have watched *W5* or *The Fifth Estate* this week.

Pursuant to the order of reference of Wednesday, February 3, 2021, the committee will now start its study on Bill C-208, an act to amend the Income Tax Act, transfer of small business or family farm or fishing corporation. We welcome as a witness here the sponsor of the bill, Larry Maguire, MP for Brandon-Souris.

Welcome, Mr. Maguire. We'll go to you first, and then we'll go to a round of questions.

Larry, the floor is yours. Welcome.

• (1450)

**Mr. Larry Maguire (Brandon—Souris, CPC):** Thank you very much. It's a pleasure to be here today to appear before the committee on Bill C-208.

This is a bill to help small businesses, but before I get into that, I just want to thank you as the chair and the committee for meeting today during a constituency week and for allowing us to bring this important bill forward, which many in several industries are supporting across the country. All parties, from what I understand, support this as well. The opposition and some of the members of the governing party voted for this at second reading. I'm very pleased to be able to present it today. I have some others to thank later on as well.

To start off today, this bill gives us an opportunity to work together to champion the causes of those whose time has come, I guess you could say. I want to thank as well Mr. Guy Caron from the NDP. He was formerly the interim leader of the NDP, and this was his bill when it was presented to the House previously. I was able to pick it up because of the draw that comes out of parliamentary procedure, and to bring it forward word for word, basically, to make sure there is support to help small businesses, farming businesses and the fishing industry with qualifying shares. I want to thank Mr. Caron particularly in regard to this.

The essence of the bill is pretty straightforward. Bill C-208 will allow small businesses, farm families and fishing corporations to have the same tax rate when selling their operation to a family member as they would have when selling to a third party. Currently, when a person sells their small business to a family member, the difference between the sale price and the original price is considered a dividend. If it is sold to a non-family member, that is considered a capital gain. That's a pretty straightforward fact. That capital gain is taxed at a lower rate and allows the seller to use the lifetime capital gains exemption. Therefore, it's completely unacceptable that it's more financially advantageous for a parent to sell their farm or small business to an absolute stranger than it is to sell it to their own family, to their own children, son, daughter or grandchildren.

I want to give two specific examples of how this legislation will help families transfer their operations when they decide to make that transition.

I can imagine a bakery that a couple has operated for 30 years. They're now ready to retire, and another company has reached out to indicate that it would like to purchase it from them. However, their daughter has indicated that she wants to take over the family business. In many cases, family members have worked in these businesses and helped them survive and flourish and continue as family businesses.

As is the case for a lot of small business owners and farmers, they couldn't afford to put large sums of money into their RRSPs or savings vehicles as any extra money was reinvested back into the business. This couple, then, will rely on the sale of the bakery to fund their retirement. They call up their accountant to start the conversation about different planning scenarios. The accountant tells them that if they sold their bakery to the other company rather than to their daughter, they would have an effective tax rate of 10%, using their lifetime capital gains exemption. However, the accountant also tells them that if they sold the bakery to their daughter, they would be obliged to repay their loan with personally taxed dollars.

This represents a significant penalty compared to what they would pay if they sold their bakery to the other company, as the effective tax rate would be quite a bit higher, significantly higher. With this information in hand, they have a family huddle and discuss the options. The couple is now seriously considering selling the business outside of the family as they do not want to burden their daughter with a tax obligation that will inhibit her ability to make a living and grow the business successfully as they've done over the years they have run it.

With regard to the shares of the sale of the bakery, in a perfect world this couple should be indifferent to whether they are sold to their daughter or to the other company. Their daughter would not be penalized for purchasing shares from her parents and should be able to fund the purchase with corporate funds as she would if she were to purchase the business from an unrelated party.

If this change were made, it would allow the next generation to become business owners and to keep the ownership of the business local or in the family.

• (1455)

With Bill C-208, we can fix this injustice once and for all. Right now, many of our entrepreneurs are struggling, particularly in this pandemic. It has been one of the most disruptive forces in our lifetimes. Across the country, no community is immune from its impact.

Those entrepreneurs who are listening from where they are run their own businesses. They understand the massive responsibility and stress that come from being the risk-takers, but the legislation we have before us today sends the message to those family-run businesses out there that no longer will it be more financially advantageous to transfer your business or your farm to a stranger rather than to your own child because of tax purposes.

The other example I want to give is that of a farmer who is set to retire in the next couple of years and is reviewing various succession options. The farmer wants his son to take over; however, he wants fair market value for his farm in order to fund his retirement. If a third party were to ask the farmer to purchase the shares of his farming company, the purchaser would have the ability to purchase the shares through the corporation.

Selling the farm to this third party would allow the farmer to use his farm capital gain exemption of \$1 million on the sale, resulting in a 13.39% effective tax rate, but if a farmer sold his farm to his son, the sale would be recorded as a dividend, rather than a capital gain, on which the farmer would pay 47.4% in tax. That's 34% more tax, Mr. Chair. I think we can all agree that it is completely unfair for the tax rate to be significantly higher when the farmer sells his operation to his son rather than a third party—in many cases, a complete stranger, as I pointed out before.

Bill C-208 sends a message of hope to young farmers out there who want to carry on what their parents started. There's something special about being connected to the land and to reap what you sow, as there is any small business an attachment, not just in farming and fishing, Mr. Chair.

In Manitoba and other provinces, there are century farms, which celebrate farm families who maintain continuous production for over 100 years, with many of them now over 125 years old. I've attended many of those century farm celebrations, as I'm sure many of my rural colleagues have who are on the committee and in Parliament. You can tell in the faces of the family members how important that milestone is to them.

Farm families face unique pressures in succeeding their operations, including the increasing cost of land, the average age of farm operators and the capital requirements for those entering the industry. The passage of this bill will eliminate the unfair tax rates that make it difficult to keep the farm under family ownership.

Mr. Chair, in closing, I want to also say that I am asking the members of the committee today to consider the importance of making sure that we are able to help small businesses across the country, all those who have eligible shares, and to make sure that they can transfer these operations into the next family. It's not every business that will choose to do that, but it is quite a significant opportunity for families to invest in their own futures and to make sure, with pride, that their families can continue to build on what they have put so much of their heart and soul into over their lifetimes.

In closing, I want to say as well that I thank Mr. Caron and you for allowing this to go forward today, and also Mr. Waugh, from Saskatoon—Grasswood, who allowed me to do my second hour on second reading in early February so that we could get to this point with this bill in today's committee meeting. With that, I would urge my colleagues on the committee to look at allowing this bill to move forward and back into the House for third reading.

Thank you, Mr. Chair.

• (1500)

**The Chair:** Thank you, Mr. Maguire.

I might say that Larry and I actually go back probably about 35 years in the farm movement. I would also say that Guy Caron, for those who don't know, was a member of the finance committee for a number of years.

I had and still have the farm and I managed to get a century farm and a quarter, so I know all about that.

We'll start the rounds of questioning.

We will start with Mr. Kelly for six minutes, and then go on to Mr. Fragiskatos.

**Mr. Pat Kelly:** Thank you, Mr. Chair.

Thank you, Mr. Maguire. It's delightful to have you here as a witness.

Could you comment on the urgency of this bill, the timeliness of it and the imperative to get it brought into law?

**Mr. Larry Maguire:** We have 1.1 million small businesses in Canada, and they employ about eight million or nine million people. I think this is a tremendously important opportunity for us as parliamentarians to show support for those small businesses in this country. There's a plethora of organizations that support the bill, and I could get into that later. Having this brought forward would not represent a great burden on the taxation system of the government, as far as the revenue goes, but would be an extremely large help to those industries and businesses out there that are family-owned to be able to compete with and stay on the same level as any other business that would purchase the parents' business, if I could put it that way.

That's a very important reason to move this forward, because those dollars do stay in those local economies.

**Mr. Pat Kelly:** You mentioned that Guy Caron had essentially the same bill in the last Parliament, so this is not a new idea. This has been around for many past parliaments. Could you comment on

just the sheer volume of past study and conversation that have led us to this moment?

**Mr. Larry Maguire:** It's important. Mr. Caron did bring this bill forward subsequent to the tax changes that came up in 2017 from the government, and it was very well documented at that time. He had done a lot of research on this. We went back to the Parliamentary Budget Officer as well as the Library of Parliament, and they both indicated that there was no need to really change the bill at all from its previous format. That was the advice we received when we researched this. We have even spoken to Mr. Caron a number of times through my office, to find out if there was anything else that he thought we should put into this, and there wasn't. He was very pleased that we were bringing it forward to the House again, because unfortunately he wasn't able to do it given that he didn't return to Parliament and also because of the draw. I mentioned that earlier. There's a significant order in which these things come forward, and I was fortunate enough to be in the first tranche of those chosen to put forward a private member's bill and to be able to do it at this time.

**Mr. Pat Kelly:** That's great. You mentioned that a number of stakeholder-type organizations, as we'll call them, support your bill. Could you name a few of them and talk about the testimony they have already given at committee on the subject of this bill?

• (1505)

**Mr. Larry Maguire:** There are a whole host, as I said, of people who are backing this bill. Many are from farm organizations. In Montreal, for example, there is the Board of Trade of Metropolitan Montreal, the Fédération des chambres de commerce du Québec, the Producteurs du lait de Québec—the milk producers of Quebec—as well as the Union des producteurs agricoles in Quebec. The Chicken Farmers of Canada, Grain Growers of Canada, Canadian Taxpayers Federation, Canadian Federation of Independent Business and the Chamber of Commerce have spoken to me, as have the Canadian Federation of Agriculture, the Ontario Federation of Agriculture, the Agricultural Alliance of New Brunswick and the Agricultural Producers Association of Saskatchewan.

The list goes on to include the Keystone Agricultural Producers of Manitoba and the Conference for Advanced Life Underwriting as well as the Insurance Brokers Association of Canada. There are others, Mr. Kelly, but I think you get the message that there are a great many people supporting this who have put forward a lot of work themselves. Many of them have made pre-budget consultation recommendations to the government, those like the Life Underwriters Association, and that is pretty important, I think, because that information is in the government's hands now and has been for three or four years.

**Mr. Pat Kelly:** Right. So in other words, this committee has actually heard this recommendation before from public stakeholders and has incorporated and, in fact, recommended to Parliament that it adopt a bill that will do these things. I think it's important to note that we have heard all of this—and I'll give you another minute to finish this, Mr. Maguire—and maybe I'd just make a note to the chair that if nothing serious arises from questions today we might proceed to clause-by-clause today.

We've heard the testimony from the expert witnesses already, and I'd really like to see this go forward.

We have about half a minute left, Mr. Maguire, so if you have anything else you want to add, just about the support that this bill clearly has from the various organizations, please do so.

**Mr. Larry Maguire:** Thank you.

I've just read off the names of a huge number of organizations across the country that are in support of this right now, from one coast to the other.

The chair mentioned that our association as farm leaders goes back 30 or 35 years. I know how important he would feel this is in his own operations, in dairy, potatoes and those sorts of things that are important to P.E.I. I have no problem going to clause-by-clause today, if that's the case. I think it's a bill that is deserving of attention across the country.

We've heard from many witnesses. Many briefs have been sent in from these organizations before, which would be on record. I would leave it at that for now.

I would be quite prepared to do that today.

**The Chair:** Just to mention some of the witnesses you've outlined, Mr. Maguire, we do have a meeting scheduled for March 9—hopefully, a three-hour meeting—at which we will have the Life Underwriters, the CFA and quite a number of other witnesses. We will hear directly from them, which I think is appropriate before we get to clause-by-clause.

Mr. Fragiskatos.

**Mr. Peter Fragiskatos (London North Centre, Lib.):** Thank you very much, Chair.

Thank you, Mr. Maguire.

I will say right at the beginning, Mr. Chair, that I quite like Mr. Kelly. I enjoy working with him as a colleague, but I think he's in a bit of a hurry. I for one want to understand the bill more, and I have some questions that stand out. If there are indeed issues of unfairness facing small businesses and family farms in particular—fishers as well—certainly I want to know more about them, specifically on this issue of intergenerational transfer.

Mr. Maguire, again, thank you for your work on this. It's not an easy thing to put forward a private member's bill. It sounds like—although you have been inspired, if I can put it that way, by Mr. Caron—you've done your work in this regard. I don't discount that.

I do have some questions. First of all, on the estimated forgone tax revenue if Bill C-208 passes, do you have that figure?

• (1510)

**Mr. Larry Maguire:** Yes. The recommendations of the Parliamentary Budget Officer were from \$179 million to \$300 million. It depends on the number of cases that are businesses that are transferred in any given year, Peter, as well. Those are the numbers.

I know that there were numbers projected by the government in the past which were 10 times that, but they're certainly not relevant

to any of the groups that are making presentations here or to the Parliamentary Budget Officer as well.

Those are the numbers they came up with. Certainly, those have been backed up by many of the organizations.

**Mr. Peter Fragiskatos:** Which figure do you think is more dependable in terms of the number of transfers that would take place in a year? It's quite a range that's suggested.

**Mr. Larry Maguire:** Well, in regard to the scope of \$2.2 billion that was talked about once, it's a fraction of that. It's 10%, as I've just finished mentioning. It's been estimated at about a third. Not even every farm, fishers' organization or small business with qualifying shares would be sold in this manner. Many of them are sold at arm's length to third parties, but there is a fraction. In the agriculture industry, it's probably a little higher. They're talking about a third that would probably be sold in that area. Those are some of the estimates that would come forward.

The dollar values depend, as I said, on how few or how many there would be in that particular year. Maybe because of COVID there might be extra numbers being sold at a time like this, or in better times many of them would want to sell to their families as well. That is a range. It's fairly narrow in the budget of the federal government.

**Mr. Peter Fragiskatos:** Thank you, Mr. Maguire.

I think the intent, the spirit, behind the bill is a good one. That's why I'm genuinely interested in learning more about consequences, but unintended consequences are something that I worry about here too.

In your view, does Bill C-208 perhaps open the door to tax avoidance practices? I'm thinking, for example, of it allowing an individual to avoid tax on the sale of shares to a sibling by selling those shares through a holding corporation. That's just one example that perhaps stands out here as a consequence if the bill went ahead.

**Mr. Larry Maguire:** We've looked at direct sales between family members, and most of those—there has to actually be a transaction. It's not a situation of the older generation being able to afford to fund it for their children; there has to be a transaction that takes place. There are safeguards built into this bill that would allow for those transactions to be not just deemed transactions but actual transactions, in which dollars would have to flow from one generation to the other.

As I said in my presentation, most of the families involved in these operations have built them up with their own blood, sweat and tears, I guess you could say, into successful businesses and are quite proud to be able to put them into the hands of their children through a financial transaction that will allow the parents, the older generation, to fund their retirement. As I said, they can fund their home, move homes or get into whatever they want to do in their retirement. Then it's a transition that both sides of the family are proud of.

**Mr. Peter Fragiskatos:** I certainly recognize, Mr. Maguire, as I know you do and I think all members of this committee do, the hard work that a family-owned business involves. It's not an easy thing. I come from a family that was able to put food on the table only because of our work in running a small business, in my case a restaurant. Whether it's a farm or a restaurant, it's a real thing.

The final question is this. With respect to the private member's bill that's been put forward, one might say it provides relief only for transfers from one corporation to another, multi-tier corporate structures, for example. Perhaps this won't directly assist with transfers from parents to their kids. Are you mindful of that? Do you have a view on that?

• (1515)

**Mr. Larry Maguire:** Yes. I have spoken to people who have dealt extensively in farm and intergenerational transfers. They believe this tax burden placed on the next generation, as opposed to what it would be if a business was sold to a complete stranger, is just unacceptable. With your small business background that you just mentioned, I think you can see that if it were 2% or 3% it might be negotiable, but paying 34% or more on the dividend is quite different from being able to utilize the capital gains exemption.

**The Chair:** Thank you both.

I will turn now to Mr. Ste-Marie.

Gabriel.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

Good afternoon, Mr. Maguire.

First of all, I want to say that I am deeply pleased that you have brought your bill before the House, that it passed second reading and is now before the committee. It is a bill that is very close to my heart, as it is for my colleagues in the Bloc Québécois.

I'm going to ask you a few questions in order to highlight the concrete purpose of your bill, but before, I'll make a few remarks.

First, a majority of committee members agree with your bill as it seeks to accomplish what was requested in the pre-budget consultation report. In recommendation 116, we asked the government to put this in place. So the committee is overwhelmingly in favour of your bill, and that's very good.

This is also a good case in point because, a few years ago, Quebec introduced a means to encourage the transfer of businesses or farms to the family. It's already in place. As for all the questions that one can legitimately ask, such as the one raised by

Mr. Fragiskatos, one realizes that certain measures are easy to put in place to pay less tax. It works well and that is very important.

I remember Mr. Caron introducing the bill and I take my hat off to him. Also, my colleague Xavier Barsalou-Duval had tabled it. If you remember correctly, a few years ago, it was a Liberal MP for whom I have the greatest respect, Mr. Emmanuel Dubourg, who proposed a bill similar to yours. So it's a bill that has support from all sides.

I'd like you to tell me what your bill actually changes for someone who has a farm and wants to sell it to their children.

[*English*]

**Mr. Larry Maguire:** Thank you.

I want to thank the member from Joliette for his presentation in the House at second reading when we did this and for his support for the bill.

It demonstrably changes the opportunity for the next generation to be able to continue in the same business as their parents, one that for 99% of the time the younger generation has probably worked in themselves as they grew up, and for less than minimum wage. They became trained in the business by doing that, and they take pride in being able to continue with something that their parents have put their blood, sweat and tears into, as I said earlier.

This bill definitely changes the playing field to make it completely level to be able to sell to your own family, as opposed to a complete stranger, by allowing the family to use the capital gains exemption as opposed to a dividend on those shares.

[*Translation*]

**Mr. Gabriel Ste-Marie:** That's right.

This is especially important for agricultural enterprises because we know that the capitalization needed for farms is very high, so it takes a lot of money to make even one dollar of profit.

This is also the case for SMEs in general, as I said in the speech you referred to. Nearby, at the end of the street, there is a company called Québec Son Énergie, a sound company that is having a lot of problems because all shows were cancelled during the pandemic. It's a nice family business. Currently, the father is wondering whether it would be better to sell his business to a stranger and ensure a comfortable retirement, or sell it to his son so that what he has built stays in the family; but in doing so he would be giving up what would have been a comfortable retirement.

Can you comment on this?



• (1520)

[English]

**Mr. Larry Maguire:** Yes. As I say, on the pride that I spoke of earlier, it doesn't matter whether it's a farm, a fishing operation or the business down the street that you're talking about, I think the parents have put a lot of energy into it and a lot back into their communities. I think that's something we have to take into consideration here as well.

Those small businesses always contribute to their communities, wherever they can. To be able to continue with that, to have that continuity, whether it's in a large city or a small community, is very important. In regard to the scale, they contribute to volunteerism and with their own finances to support other events in those communities as well.

Whether it's in the arts, sporting events or through their churches and other areas as well, there's a great deal of pride taken in those businesses, and in their retirement, the parents want to be able to continue to contribute. They may even have more time to do it, but they still need to have the resources to do it. Throughout their lifetimes, they've probably tied up their resources in the business, whereas in perhaps other circumstances those dollars would have gone into RRSPs or other saving venues.

I think it's very important.

**The Chair:** We will have to move on.

We'll come back for two and a half minutes a little later, Gabriel.

Mr. Julian is next.

**Mr. Peter Julian:** Thanks very much, Mr. Chair.

Thanks, Mr. Maguire, for being here at the finance committee today, and thank you for presenting the bill that Guy Caron worked on so assiduously. I'm sure Mr. Caron is listening in. He continues to be very interested in parliamentary work, and I'm sure he would be very proud of your presentation on behalf of the bill today.

Of course, we supported it to get to committee. This is an important discussion that needs to be held. I think you've put forward very eloquently the fact that it's a penalty right now—a huge penalty—for intergenerational transfers, whether we're talking about small business or farms. It doesn't make sense. It's not logical.

Are you aware of any other country on earth that penalizes a small business transfer within the same family and penalizes the transfer of farms within the same family? My experience with public policy is that virtually every country I'm familiar with actually tries to provide incentives to ensure that they can be transferred, and that family farms can be maintained and family community businesses can be maintained.

**Mr. Larry Maguire:** To answer your question, Peter, no, I don't know of any other country that does this. I'm not a tax expert in those areas, but through my farm leadership, as I pointed out with the chair of your committee earlier—I'm sure he had this experience as well—from the mid-1980s on, we've been able to deal with some of our counterparts across the line to the south. If you want to talk about the penalties that families would face in this versus the incentives you spoke of with regard to the U.S. Farm Bill from

1986, which came in just when I happened to be in Kansas, there is no comparison.

I want to put on the record as well that, as you have pointed out, we need to bring justice back to these small businesses that do provide so much employment across this country. You know, 80% of our small businesses create something like nine million people working for them in this country. It's a huge undertaking at times. There have been other stressful times throughout our history, but these COVID times have really put an extra stress on those businesses. The timing for bringing this in and having it enacted now would be a big benefit to family businesses across this whole country. As I said, there are 1.1 million small businesses in the country. They're not all family-run, but a great many of them are.

• (1525)

**Mr. Peter Julian:** Thank you for that.

Do you have any estimates on what the percentage could be if we eliminated the penalties and basically put it on a level playing field? I know you've spoken about the estimates in terms of the actual cost to the taxpayer, but over the period of half a decade or a decade, how many more family businesses and family farms would be maintained in the same family than if the bill were rejected and we continued to have the status quo? Have you seen any figures that would show what the difference eliminating these penalties would actually mean for community businesses and for family farms?

**Mr. Larry Maguire:** I know from some of the work we have seen that 75% of small business owners have already indicated that they would transfer their businesses to the next generation over the next 10 years. It is estimated that 50% of those owners wish for the succession of those businesses to their own family members. Those are the numbers that I think are most important in terms of encouragement to getting this bill put forward, so that they will not be penalized, as you pointed out in your first question, Mr. Julian, and to be able to make sure they can continue with those businesses in those communities.

We're seeing businesses close their doors right now in some parts of Canada. It's more because of COVID than markets or those sorts of things right now, other than markets have been taken away because of COVID, but those are pretty significant numbers. Trillions of dollars' worth of businesses there would be transferred in assets. That's still very small compared with the large business sector that we have in our country, but it's very important. If we can keep 50% of those transfers into family businesses, it would be an exceptional bit of success for Canada to be able to do that.

**The Chair:** You have time for a last quick one, Peter.

**Mr. Peter Julian:** Mr. Fragiskatos raised I think a legitimate question about whether or not this bill could be used as basically a tax dodge. Do you have any concerns about that, Mr. Maguire? Do you feel there are any weak points within the bill that may lead to that?

**Mr. Larry Maguire:** Part of the reason I was proud to be able to bring this bill forward was that one of your former colleagues, Mr. Caron, built some safeguards into this bill. Those shares that are being transferred to the next generation, outside of a death occurring, have to stay in that next generation's hands for five years or else the taxation is completely reversed and those taxes have to go back and be paid.

When you have a 34% difference in tax, that is a substantial amount of funding. I don't know if either side of that equation would be able to just dip into whatever they might think they had for funds and be able to come up with that, so there are safeguards built into this. While there may never be a tax program that comes forward that is 100% without some new generation of accountants trying to find a way to get around it, I would say this is pretty much a safeguard for these particular kinds of transactions.

**The Chair:** Thank you both.

We go now to a five-minute round. Mr. Falk is first.

**Mr. Ted Falk (Provencher, CPC):** Thank you, Mr. Chair.

I think the bill Mr. Maguire is presenting is excellent, but Mrs. Jansen is going to be speaking to it.

Thank you.

**The Chair:** Okay. Go ahead, Ms. Jansen, and then we'll come back to Ted.

**Mrs. Tamara Jansen (Cloverdale—Langley City, CPC):** Thank you.

This bill appears to be very timely from the perspective of a COVID recovery plan, since we know that our small businesses will be paramount in helping us get our economy back on track when we finally reopen. We all know that family businesses are the lifeblood of our economy and our communities, so honestly, I can't wrap my mind around why the government continues to punish parents and children for being willing to put their blood, sweat and tears into a small business, only to be considered tax cheats by the Liberals simply for wanting to pass it on to the next generation.

You mentioned the hypothetical story of a couple who own a business in a small town. They want to retire and they are relying on the funds from the sale for their retirement fund. This sort of thing happens all the time.

In your example, the couple is hoping to retire and sell the business to one of their daughters. She has been working with them for years. She is all excited to take over from her parents and to continue building on their legacy. In the meantime they are approached by a larger, non-related company that has no local ties.

This larger corporation will want to produce the goods in a bigger urban centre where it is based, possibly even overseas. Ultimately this means completely shifting jobs out of the local community.

As you mentioned, when you do the math with your accountant, it will cost up to 67% more in taxes for your child to buy it than it would for a stranger to buy it, simply because they're your son or daughter. It makes no sense that we don't have a level playing field

here, especially considering how much communities gain from family farms and businesses that are run by successive generations.

Since it's clear that a robust COVID-19 recovery will need healthy small businesses that are owned and operated by passionate local entrepreneurs, it's clear that your bill will make a huge difference for local family-run businesses that want to keep that work in their family.

I am wondering, since this bill is so critical for small family-owned businesses, how many people have actually opposed the bill.

• (1530)

**Mr. Larry Maguire:** I haven't heard of any who have opposed it. Some Liberal members didn't vote for it on second reading, the majority of the governing party, but a few members of the Liberal Party did vote for it. There were others who had indicated to me that they liked the bill and just, because of party affiliations, didn't vote for it.

I think there is a great deal of recognition that this is something that's needed to support our small businesses in Canada.

I want to make sure it's not just farmers and fishers who are involved here. It could be the local grocery store, the corner store, a shoe store, a hardware store in a small community, or one in a major city. I think those are the types of businesses that will be put on a level playing field here. It's not that they're getting any great incentive; it's just that they're being put on a level playing field and that the penalty that Mr. Julian referred to in his question is being taken away.

I think there may be a misconception here that someone is getting a huge benefit out of this. It is just putting people back on a level playing field.

With the plethora of organizations I read off to you that are supporting this bill, there is very little argument from anyone against moving forward with this.

**Mrs. Tamara Jansen:** Thank you.

You mentioned CFIB. I know that prior to the pandemic, CFIB data indicated that almost three-quarters of business owners are planning to exit their business within the next 10 years—you mentioned that—and that represents \$1.5-trillion worth of assets that are going to be transferred to a new generation of entrepreneurs. Of small business owners planning to exit their business, apparently almost half want to have their children take over.

How will your bill encourage the sale of family businesses to family members?

**Mr. Larry Maguire:** Well, it's the difference between being taxed on the dividend from the surplus from the sale price over the original purchase versus being allowed to use the capital gains exemption. It's that difference of 34% that I talked about. That's such a significant amount that it penalizes family members.

I think I failed to mention the Chicken Farmers of Canada in the organizations I was talking about before. I was on farm organizations for years, dealing with changes in Canadian agricultural situations, including with people from Quebec in the Union des producteurs agricoles. I made some great friends while working on those things.

It doesn't matter what sector of Canada you live in today, whether you're running greenhouse operations in your local area in southern British Columbia or down along Lake Erie here in Ontario, or any other types of small businesses in the communities that are supported by a lot of these businesses. It's the taxation rate that is the significant issue here. We just want to make sure those businesses are on a level playing field with their competitors.

• (1535)

**The Chair:** You are out of time, Tamara. Have you completed your questions or do you have another one? Okay.

Ms. Dzerowicz.

**Ms. Julie Dzerowicz:** Thank you so much, Mr. Chair.

I want to thank you, Mr. Maguire, for being here today, and I want to say congratulations on your success in bringing forward your private member's bill to this committee.

I agree that if there's an issue, if there are things we can improve in terms of facilitating transfers of small businesses to the next generation, then we should be looking at it. I don't agree with my colleague Mr. Kelly, though. I don't think that we have heard from experts. I do think that we want to be hearing from experts, because as we move forward we want to make sure that the decisions we make are the best decisions, based on the best information we have.

The questions I have for you, Mr. Maguire, are just around some of the concerns that might have been raised. I'd love to get your thoughts on a number of things.

The first thing I'd love to get your thoughts on is around your proposed amendment to section 84.1. One of the key concerns that has been raised is that your proposed change would unfairly benefit wealthy individuals instead of other people, whether it's middle-class farmers or fishermen. That is one of the concerns that has been raised. How would you respond to that?

**Mr. Larry Maguire:** I would respond the way I did in the House: that these are family operations. In most cases, they're not extremely wealthy operations. They're using the funds that the next generation would be able to generate for the value for the business to be able to fund their own retirement. It's not like they're going to be going out and starting another completely...like building a mansion or something like that, after the retirement takes place. It's to fund their retirement.

Anything we can do to put people on a level playing field, I think, regardless of their income in those areas, is something that would benefit those families, to be able to do it.... When complete strangers can do it, there's very little.... Well, there's unanimity, practically, across the country, to make sure they're treated in the same manner.

I know that section 84.1 is set up to make sure that there is not a stripping of funds from the tax system or that there are not loop-

holes there. As I said in reply to Mr. Julian's questions, there are safeguards built into this bill that would allow it to take care of any situations that may arise in being able to just fund these off and then sell them outright and benefit those individuals.

I think it's a legitimate question and I thank you for it, but this bill is all about putting people back on a level playing field.

**Ms. Julie Dzerowicz:** Since you mentioned the surplus stripping, I'll ask my next question on that. My understanding is that your private member's bill would facilitate surplus stripping, using an individual's lifetime capital gains exemption without ensuring that a genuine intergenerational share transfer has occurred.

With Bill C-208 as proposed, after selling shares of the transferred corporation to a purchaser corporation owned by their child, could a parent immediately purchase the shares of the purchaser corporation from their child?

**Mr. Larry Maguire:** Not that I know of, because of the clause we have in there that if they tried to do something like that, they do have to go back to pay the percentage of tax that was deemed to be there in the first place, the benefit, if you will.

Once you've run a business for five years, that is seen to be a very relevant amount of time, by the research we did, to be able to say that the transaction is obviously legitimate at that time. If it were sold back before that period of time and there were, as you say, a false benefit there or a deemed benefit, then there would be a penalty in place.

**Ms. Julie Dzerowicz:** Okay. I appreciate that.

I have one more question. I know there's always a concern around artificial tax planning. My question to you is, what guardrails have you proposed in this bill to ensure the differentiation between genuine transfers and artificial planning?

• (1540)

**Mr. Larry Maguire:** I think I just answered that in regard to the five-year clause that's been put in there and that sort of thing as well. It's more to be able to make sure that people are on a level playing field. I just have to keep reiterating that. The playing field needs to be level for these people to be able to keep the type of business they've built in the same family.

Now, that isn't to say that the next generation won't take that business and do something completely different with it, or add to it or expand it, but most times they will keep it going in their own local area as well. That's one of the big benefits to this. Whether that small business is in your hometown or my hometown or a rural area or a coastal fishing village, the benefits stay in those communities. Those businesses will continue to operate on the same turf they've been on for a generation already and for generations down the road, hopefully, if this is to continue in that regard.

As I say, for the benefit that would be attained from these small businesses being put on a level playing field and having these funds.... It's not like they're all going to go and put them into a huge savings account. They're going to continue to purchase items in their communities. Those dollars will stay there. They'll stay in those local communities as well.

**Ms. Julie Dzerowicz:** Thank you.

**The Chair:** We'll begin the two-and-a-half-minute round with Mr. Ste-Marie, followed by Mr. Julian, and we'll go back to Mr. Falk, if he wants in.

Mr. Ste-Marie.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

Mr. Maguire, can you go back over the statistics you have? You may have already mentioned them, but I would like to hear them. How many family businesses could be positively affected by this bill?

Finally, you mentioned that a business that stays in its community spends in its community. We know that one company that stays active in its community makes a big difference to that community.

I'm listening.

[*English*]

**Mr. Larry Maguire:** Not every small business has a succession plan. They work really hard to be able to move it forward. I talked earlier about how 75% of small business owners intend to exit their businesses between 2018 and 2028. Some have exited already. We have only seven of those years left. Of those business owners, 50% wish for the succession of their businesses to a family member on the sale or transfer of it. Finding a suitable buyer is a main issue for a lot of families.

I think there's another issue here as well. I've seen it in agriculture. Traditionally, when I was growing up, it was always the males who came back into the farming operation. That has changed dynamically today. A lot more young women are coming back with university degrees and taking over the family farm businesses, in fisheries and many other small businesses, I might add. One advantage here is that we would be helping female entrepreneurship stay in the family by doing this and making it more accessible. A few years ago, only 16% of small businesses and 29% of farms were majority-owned by women. I think anything we can do to enhance both genders to stay in those operations certainly puts everyone on a level playing field. That's just another part of the equalization that this bill brings to the table for succession planning.

**The Chair:** Go ahead, Gabriel.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you.

In my riding, there are a few cases of farms being taken over by daughters. I am thinking of Ms. Parent and Ms. Perreault. These are great stories. Let us hope that the bill will be put forward to encourage family succession.

I will end my talk with an anecdote that I will ask you to comment on. Quebec's Minister of Finance, Mr. Girard, made a presentation to the Chambre de Commerce du Grand Joliette before the pandemic. It was precisely on the importance of family succession, and the minister could not understand at all why Ottawa had not adopted the measures proposed in this bill, since Quebec had.

And allow me to remind you that one can easily put an end to all doubts about tax evasion. Why doesn't Ottawa do it now?

I would like to hear your comments on this topic.

● (1545)

[*English*]

**Mr. Larry Maguire:** Well, I think there have been a couple of comments.

In reply to my own presentation in the House at second reading—and Ms. Dzerowicz brought this up a little bit—there seems to be a worry here that some wealthy person is going to find a loophole to avoid paying some kind of taxes, but that's not what this is set up for. It is set up as an equalization to support small businesses.

I guess I would just say that someone who brings that to the table from your community of Joliette probably should go and talk to the Board of Trade of Metropolitan Montreal, because they are in support of this bill, and so are chambers of commerce across this country in regard to the types of business entrepreneurship that they see in their communities.

I know that right here in Brandon, Manitoba, there are so many businesses run by families and family operations that it would be quite significant. I look around to the smaller communities that I have lived in throughout my life, and it is the same thing there. While many family members will go away and get an education in agriculture, commerce, engineering, human resources and many fields, they will end up coming back to those small businesses with that education and training, and they will be able to enhance them even more.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Maguire.

[*English*]

**The Chair:** Go ahead, Peter.

**Mr. Peter Julian:** Thank you, Mr. Chair.

Thank you, Mr. Maguire, for being here. We're having a good discussion.

I'd like to take it a little bit away from the subject of the bill itself, Mr. Maguire, given your agricultural background, to talk about the importance of food security and food sovereignty and how, essentially, having family farms often is really the foundation for local community economies and regional economies. The family farm responds to the needs of the community in a way that a farm that is purchased by an offshore corporation can't fulfill. Often, we see offshore corporations looking exclusively for export crops, rather than providing the essentials for the community or the region.

I guess I wanted to ask you, given your experience, whether you think this bill contributes to having the family farm as that foundation for food security and food sovereignty. How important is that when you look at other pillars of agriculture, such as supply management? How important is it for Canada's future to have a secure basis and foundation for family farms?

**Mr. Larry Maguire:** I think the continuity is tremendously important, Mr. Julian.

I see the little flag over your right shoulder. It's the same with Mr. Easter and the many others in the gallery screen who we have here today. Coming to this as a farm leader from across Canada, I know how respected Canadian food products are in the world. It's known that we produce some of the best-quality food in the world, if not the best, and the safest food in the world. You don't get that by not having your heart and soul in the operation.

There are many things that can take place for contamination and for a number of other things. The generational transfer of being able to keep this continuity that I spoke of at the forefront really is what the rest of the world is watching, to make sure that we are producing food that can be exported as top-quality food in the world, to be able to compete with anybody in the world. That's why our export markets are so important and why the transportation of our goods is so important.

That is a very important question that you raise, and I thank you for that. It's the continuity of being able to make sure that the generation coming up knows why they're doing the things they're doing on those operations, particularly in agriculture and probably in our fishing industry as well. I would even say that it doesn't matter if you're making shoes, you want the quality of what you're making replicated in the next generation so that the people who are buying your product will have confidence in that purchase.

● (1550)

**The Chair:** Okay. We will have to move on.

Larry, just before I go to Mr. Falk, this relates to the discussion you just had. We tend to talk about money and the difference in taxation when selling out of the family. But there is another aspect to this in a community, and that is, I guess, coming from the heart: the pride of ownership. We're seeing, especially in the west, I think, more and more absentee landowners, if I can call them that.

With your bill, what could you argue in the case of community? If the bill's intended purpose is met, will it do anything in terms of, number one, instilling pride in your operation that you're fourth-, fifth- or sixth-generation, and holding people in the community? It especially relates to the farm sector. What would you have to say

along those lines? What would be the benefits beyond the saved dollars?

Second to that, how much pressure is there—I've seen this—when a son or daughter wants to buy the operation but they don't think they can because they can't give their parents a good enough retirement if they get it at the price they would have to get it at in order to survive? That's another aspect. How much pressure is there on both generations, in terms of the transfer, to not purchase because of the disadvantage of the taxation system?

I have those two questions, and then we'll go to Ted.

**Mr. Larry Maguire:** In answer to your last one, there's a huge pressure there not to be able to give it to the next generation. There's a huge tax disincentive there, to go back to the dollars. Your first point is tremendous. You live in a part of the country where you have six and seven generations. Out here on the prairies, we might be getting close to that, but we're not quite there yet. You've had many more generations on the east coast than we have here, or in Ontario or other parts of Canada.

That continuity is so tremendous. To answer your question, it's the heart of many communities. It's what keeps them going. We have had many successful foreign purchases of farms or small businesses in Canada. Those people become part of those communities. But if there's an offshore purchase through a type of multi-corporation that just rents the land out to people who don't have the same investiture in the success of it, many times we've seen that fail.

I think it is so important to make sure that we still allow that sort of foreign land purchase. You don't want to restrict the families when they're selling these businesses, the same as any small business. However, whether it's a farm, as in your example, or a shoe store, I think it's very important that we provide them with every opportunity to be able to have the continuity that I spoke of in reply to Mr. Julian's question. It's not just important for the small community or for the exports, but tremendously important for the local region.

**The Chair:** Thank you.

Turning to the five-minute round again, we have Mr. Falk.

Ted.

● (1555)

**Mr. Ted Falk:** Thank you, Mr. Chair, and those were great questions.

There are lots of dynamics involved when there's a family farm sale, or a family fishing corporation sale or a small business share sale, especially when an intergenerational transfer of a farm, corporation or small businesses is involved. I think those are things that need to be considered within this bill as well.

This bill is seeking to take away the inequities that currently exist in our tax structure when a sale is made to a family member. Those inequities shouldn't exist. There should be a level playing field when a business, farm or fishing corporation is transferred intergenerationally to a family member.

Mr. Maguire, you've talked a little bit about the safeguards you've built into this bill. You've also acknowledged and credited some of our previous parliamentarians for initially bringing a similar bill to Parliament. I think the recognition is there that we need this bill to create a level playing field for folks who are considering selling their small businesses or farms.

For the most part, a lot of families have socked away their equity, their retirement savings plans, inside of their businesses. They've kept those corporations running efficiently and effectively. They've actually been very prudent with their own expenditures and personal finances to make sure the corporations are well funded to succeed. Then when it's time to sell the business, they're looking at whether to sell it to a family member or whether they're going to sell it to an outside individual or entity. They're looking at the tax consequences and they're seeing that their retirement fund could now be in question depending on their decision. A question of a retirement fund or taxes should never inform a decision regarding whether a business is going to be sold to a family member or to an outside party.

Another dynamic is that it's also much easier to keep a family unified by providing fairness in the transition. If parents have to make an allowance for having to pay additional taxes to sell it to their children, do you think that creates stress inside families, Mr. Maguire?

**Mr. Larry Maguire:** I definitely know it does. I know of cases in which the family actually had to make the decision not to sell it to their own family, and it was probably one of the hardest decisions they ever had to make in their lives, just because they didn't think the next generation could carry the taxation burden. They couldn't afford to lose the benefit of the lifetime capital gains exemption, which, by the way, was put in place years ago and has been expanded. Successive governments have known that it is a very good tool to help small businesses—there's no doubt about that—but having it there to support, as you say, the communities, and never mind just the next generation, would be a big benefit of making these transfers to the next generation.

I think it's important to look at the mix of those who are coming back and taking them over now, with gender equality and diversification taking place in all of our industries today. We need to continue to put bills like this in place to make sure that those entities are able to succeed and be parts of their communities, and raise their families in the same way they were raised. I know it puts a lot of stress on those families if they can't do these intergenerational transfers because of the taxation.

**Mr. Ted Falk:** You know, Mr. Maguire, often in times of these intergenerational transfers, one child ends up with the farm or the family business and the parents are seized with the decision of how they can equitably treat the other family members, the other siblings. If their taxes are going to be such that the residual they're left with after the sale to a family member causes them to not be able to be fair to the other children, what do you think that does to the fam-

ily and the community? How would those ripple effects be realized?

**Mr. Larry Maguire:** That's a good question, Ted. Thanks.

Not every one of the siblings is going to want to be involved in that operation. There has to be an equitable arrangement made. Most families look at it this way anyway. They want to make an equitable arrangement with the sale of their business, to maybe have something to provide for those who are not parts of their direct sale of the business as well. I think that's what you were looking at.

I feel it's very important that the transition that takes place in those businesses not lead to further family misunderstandings, I guess, if you could put it that way.

• (1600)

**Mr. Ted Falk:** That's correct, yes, that was the dynamic—

Oh, I'm sorry, Mr. Chair.

**The Chair:** If you have another question, Ted, go ahead.

**Mr. Ted Falk:** I was just going to say that was my observation as well. Often, the disparity that would be caused by increased taxation due to selling to a family member just ripples on to the distribution to other siblings as well in a transaction like that. I think that with your bill, the first principle is tax fairness, no matter who it's sold to, but the other thing is that it's actually a real benefit to families to be able to equitably distribute the residual sale of either a farm or a small business.

**The Chair:** I see Mr. Maguire shaking his head yes on that point—

**Mr. Larry Maguire:** I think I answered that question previously, Mr. Chair, but I thank Mr. Falk for bringing that forward. It is an important point.

**The Chair:** Okay. We have Mr. Fraser, who will be followed by Mr. Fast and then Ms. Koutrakis.

Sean.

**Mr. Sean Fraser (Central Nova, Lib.):** Thanks very much, Mr. Chair.

Thanks, Mr. Maguire. I don't think we've had a chance to get to know each other as well I'd like, but I will say that from your comments in the House and what I've seen, you seem like a very genuine person who has come to politics for all the right reasons.

I appreciate what the bill is trying to do. I think there is certainly some good that could come from it. I do have a couple of reservations about things that the bill doesn't do or perhaps unintended consequences that could stem from the bill. I'll focus my comments on those issues.

The first sort of bucket of objections comes from the fact that it's tied to the intergenerational transfer of companies. Not all small businesses.... I know that for fishing operations and farms in particular our attention is drawn to them, but of course it's not limited to those industries. I have a huge inshore lobster fishery in my own community. Some of the businesses are owned by corporations, but a significant number are owned personally. I may be mistaken, but I'm wondering whether your bill does anything to assist the intergenerational sale of personally owned businesses in the fishery or in agriculture.

**Mr. Larry Maguire:** Thank you for that question, Mr. Fraser. I've been called a lot of things, but I take it as a compliment that "genuine" would be one of them, so thank you.

This bill does nothing to stop the direct sale from family members who aren't in corporations. The benefits are still there that they can use in those direct sales, so it's probably even simpler for them to be able to do it. This is a circumstance for those small business qualifying shares, to be able to put them back on a level playing field.

**Mr. Sean Fraser:** Look, I guess there are two inequities that I observe. One that your bill is trying to tackle is the fact that you really should be able to sell to family members the same way you can sell to the general public and, for what it's worth, I'll point out that the mandate letters for the Ministers of Finance and Agriculture included that commitment as well, and I certainly have hope and will be cheering for our government to make good on those commitments.

The other inequity I see stems from the difference between creating favourable tax circumstances for someone to transfer a company to their kids when, if that same business is owned personally, like the inshore fishing operations I referred to, they won't necessarily benefit from those same advantages. One of the things the proposed bill does in the amendments to section 84.1 of the Income Tax Act, which is essentially trying to restrict access in certain ways to the lifetime capital gains exemption, is that if you actually sell your shares in a company to your child—you sell to them personally, not to a company they own—they have access to a lifetime capital gains exemption.

I'm curious if your view is that there would somehow be an opportunity through the measures included in your proposed bill that would actually give better access to the lifetime capital gains exemption than somebody might have if they sell it to their kid, who might not own a company but would rather take the assets or shares personally.

• (1605)

**Mr. Larry Maguire:** In terms of what we looked at with this bill, there are the safeguards that I talked about earlier in terms of the resale down the road. I think it's equitable to be able to make sure that the generation we're selling it to....

In the act, and in the bill that we've put forward as well, "qualified" shares is right in there. For individuals to be able to sell to their own families outside of those corporations, it's a choice that they've made, one that I had to make back in the seventies. The structure of a corporation was very new in those days. It was new legislation. In fact, it was legislation brought in by the present

Prime Minister's father in those areas for agriculture to be corporations in those days. There were benefits to being incorporated. When you get to a certain size, that still is the case today. That's why many...just because of the tax rules that are already put in place.

This has taken a look at all of the tax rules there today that are still relevant to whether you're selling to an individual who is not a corporation and evening out the playing field for those who are. They have already made the decision to remove themselves, I guess, as an individual and put themselves into a corporation. A corporation sometimes has that annotation to it that there's a huge amount of wealth involved when actually what's being done here is just managing the tax processes and the day-to-day cash flow of these operations so that they can stay afloat.

**Mr. Sean Fraser:** I have no reservations about what type of business association a person may choose for their structure. In very large businesses, you'll often have a corporate structure, but that's certainly not always the case. There are a lot of small family businesses that choose that structure.

One of the themes that came up earlier—I think maybe Mr. Fragiskatos and subsequently Peter Julian raised the issue—was around potential tax-avoidance issues. I have a concern that may or may not play out. That is, would anything in the bill prevent a circumstance where there's effectively an artificial transfer for tax reasons and not a genuine intergenerational transfer? I'm thinking of a circumstance where person X has a child and that child sets up a holding company just for the purpose of holding shares in the farming operation, when in fact that kid has no interest in taking over the family farm. The person knows this 20 years before they decide to retire from farming, so they say, "To reduce the tax burden, let's put it in the holding company. I'm going to keep working on this. Eventually, we'll sell the shares."

Do you think there's the potential for abuse with someone transferring a small business, a farming operation or a fishing corporation, to a holding company purely to avoid the tax burden rather than to genuinely effect a transfer to their children?

**Mr. Larry Maguire:** I think that's the safeguard that was built into it, Mr. Fraser. In regard to that, it's not just a deemed transfer. There needs to be a legitimate transfer of the funds taking place in this, and not just the shares in regard to that for a holding company that you're talking about. I think when Mr. Caron brought this bill forward in the first place, it was his intention, and it's certainly mine too, to be able to make sure that these are legitimate transactions that stay in place for x number of years down the road, in this case five. If they're not, then the reverse taxation has to be paid.

I get that you're considering more years than that down the road, but we just put five in the bill. I think when regulations are put in place around these types of bills, those things can be dealt with.

**Mr. Sean Fraser:** Yes. I guess—

**The Chair:** On this subject, you can follow it up, Mr. Fraser. Go ahead.

**Mr. Sean Fraser:** Sure.

Look, I don't mean to be too picky here. I used to work with a lot of tax lawyers. I sense what they're going to advise everybody who owns one of these businesses, farming or whatever it may be, which is, "Put this in your kid's name, five years plus a day, whether they intend to own it or not. Transfer the assets there and you keep running your business." I'm just not convinced that the safeguard will actually achieve what it hopes to. I have some reservations about whether it will really have that effect.

In any event, I'm now just rambling with the thoughts that are on my mind. I appreciate your testimony, Mr. Maguire.

Thank you for the indulgence, Mr. Chair.

• (1610)

**The Chair:** Thank you both.

I think Mr. Maguire answered that question previously.

We turn to Mr. Fast now.

**Hon. Ed Fast (Abbotsford, CPC):** Thanks, Mr. Chair.

I want to clarify that Canadian small businesses are not tax cheats. The large majority of our small businesses are law-abiding businesses that try to do their very best to generate prosperity not only for their families but also to generate a public good.

I seldom find myself agreeing with Mr. Julian, but I am totally on board with his suggestion that for too many years Canadian family-owned businesses have been penalized for being family owned. They are trying to transfer the accumulated value of those businesses to the next generation, and they can't do that on a level playing field.

Mr. Maguire, thanks for bringing this bill forward. This bill has been analyzed up, down and sideways. There's very little left to be investigated here. You suggested that you would like to see this bill expedited. I can give you one reason why I think you're right on that.

The CFIB estimates that somewhere in the order of 240,000 small businesses are going to go under by the time COVID is done. These are businesses that will not be severely diminished but gone forever. We're talking about 1.2 million small businesses in Canada. That means 20% of them won't be around anymore. For the remaining ones, the very least we as a country and as legislators can do is to remove an unfair tax burden they carry vis-à-vis transferring these businesses to non-family members.

Mr. Maguire, could you comment on the urgency of understanding what COVID-19 has done to small businesses in Canada, and the opportunity we have to do something that will allow these small businesses not only to survive but also to be able to be transferred to the next generation that can bring new energy and vigour to making these businesses a success?

**Mr. Larry Maguire:** I see no irony in your question coming from a person by the name of Fast—the faster you can get this type of legislation into place, if I could put it that way without any pun intended, the more of those small businesses will stay in existence.

That was the case before COVID hit, but the comment from the Canadian Federation of Independent Business now is that if a quar-

ter of a million of these businesses, 240-some thousand of these businesses, may not make it because of COVID, it could be a big help.

All sides of the House are looking for ways to be able to help small businesses stay in place, the 1.1 million I talked about earlier. You're right. Twenty per cent of them could disappear if those numbers were right.

I think our job as politicians is to make sure we keep as many of them viable as we can, and if legislation like this will help do that, I think it's a benefit not just for the small businesses but also for the eight or nine million people who they employ.

**Hon. Ed Fast:** Do you see any merit in calling more witnesses to speak to this bill, or would you like to see this go to clause-by-clause?

**Mr. Larry Maguire:** I would like to see it go to clause-by-clause. I get that there are many people. If you wanted to have everybody come and speak to this bill who wants to, we wouldn't get it through until next Christmas, because there are that many people who want to be on the record as supporting it.

I have done this through farm transfer counselling organizations and those sorts of things as well. Intergenerational coaches on this sort of thing agree with this as well.

I think there's a real need to be able to move it forward. If you could do clause-by-clause on it, there wouldn't be a need to have.... I understand that normally witnesses do come before committees for one or two meetings on private members' bills, but I wouldn't say there's a need to do much more than that because this bill is anxiously being awaited not only by those 1.1 million businesses but also by the eight or nine million employees they employ.

• (1615)

**Hon. Ed Fast:** Earlier, Ms. Dzerowicz mentioned that she had a concern that this legislation might mostly benefit wealthy small business owners. I'd be interested to hear your response to that. Have you done any analysis as to who would actually benefit from this levelling of a playing field?

**Mr. Larry Maguire:** The 1.1 million businesses that are out there today would. As I said in second reading, these are not wealthy, multi.... They're not huge businesses. I'll put it that way. It's not the large businesses that this affects. They've already got a tax structure in Canada for businesses of a certain size.



As I say, when you're looking at these small businesses in particular, I guess the goal of every small business is to be wealthy, but I think there's a definition involved in that which involves some of the things that Mr. Julian asked me about and that I was asked by others—by Ted, as well—in regard to how success is not always measured in the dollars that small businesses makes. It's measured in the community activities and the success of being able to bring their family members into that business.

I get that Mr. Fraser is concerned about that. So am I, but I think we need to do everything we can to facilitate the legitimate businesses—which I would say is 99% of these small businesses—and would want to make sure that they are actually helping the next generation get into the business, keep it in business and provide continuity in their local communities, right from the sporting events and the arts to whatever denomination they choose for their religious freedom in this country. I think we have an opportunity here to be able to help everyone through a bill like this.

**The Chair:** Thank you, both of you. We were a little over there.

I'm not sure, Ms. Koutrakis, if you still want in. Go ahead.

**Ms. Annie Koutrakis (Vimy, Lib.):** Thank you, Mr. Chair. I cede my time to Mr. McLeod.

**The Chair:** Mr. Michael McLeod, the floor is yours.

We will have time for one more after that.

Before I go to you, Michael, I would say that if on the off chance we can get to clause-by-clause on March 9.... We have two panels of witnesses that day. I don't think we have heard from officials yet, but if on the off chance we could get to clause-by-clause on that day, the legislative clerk tells me that if there are any amendments, we would need to get them to the clerk's office by Thursday, March 4 at 4 p.m. That's this week. If anybody is thinking of amendments, keep that in mind.

Go ahead, Mr. McLeod.

**Mr. Michael McLeod (Northwest Territories, Lib.):** Thank you, Mr. Chair.

I want to thank our witness for appearing in front of us today on this bill.

I come from the north. We don't have a whole lot of farms. We have people who are interested in farming and we have some small hobby-type farms, but this applies to more than just farms. We've talked about the fishing industry and small businesses.

I think some people have raised the issue about the concern and the rationale as to why the legislation is the way it is. I hear that the largest concern in adopting the proposed changes to section 84.1 is that it could open the door to new tax avoidance opportunities. Would the witness like to comment on that? Is this something that he sees as realistic or is it something that is not quite correct?

• (1620)

**Mr. Larry Maguire:** I will use the terminology that I've used before. I believe that 99% of these businesses are legitimate businesses that want to continue to work in their community, such as yours in the north and those in the territories as well. They're not tax cheats, as Mr. Fast referred to, the way they have been referred

to by some in the House before—I think by the Prime Minister—in regard to that.

As I said, the goal of some of these businesses is to make sure that they are successful. There are different definitions of “wealthy”. I'm assuming that they're referring to financially wealthy. Most of these small business owners will use the funds, which the next generation will probably have to borrow to make the purchase of that business, for their retirement.

Personally, I have no problem being involved in small business, having been a farmer throughout most of my life and having watched those around me operate businesses. Is there ever a tax position in the country that someone isn't trying to find a way to get around? There are accountants and tax lawyers who spend a great deal of time and effort trying to make sure they're putting as many dollars as they can into their local people's pockets, by looking at such things as whether or not their businesses are incorporated.

It is important to have a structure in Canada that helps to provide the quality products that we are known for exporting around the world, to have the freedom to continue to have community development by leaving these dollars in these communities, to be able to have the pride of ownership that many families really feel, and to convince the next generation that the business they're in is a great one for them to take over. It is also important to have them educated to be able to do that. I think that's a circumstance that we need to be quite proud of in this country, and we always need to be cognizant of those who might try to skirt the types of structures that are set up. I would say that, from an efficiency point of view, this is being set up to make sure that we help small businesses and put them on an equitable field.

**Mr. Michael McLeod:** Thank you.

I thought you were going to give me a yes-or-no answer. You made it clear that you don't think this is going to open the door to further tax-avoidance opportunities.

I want to go back a little bit. I have been following some of the history on this. You mentioned that this is a private member's bill that you picked up but that somebody else had drafted and that you're carrying it forward. Can you tell me where the previous member went with this bill and what happened? Why didn't it get—

**Mr. Larry Maguire:** Mr. Caron brought the bill forward. He brought it into reading in the House, and the government defeated the bill. The entire opposition voted for it at that time. There were even 10 Liberals who voted for it. But in the majority Liberal government, the bill was defeated. That's the history of it.

You're quite correct. Mr. Dubourg did bring in a bill earlier than that, as a Liberal, to deal with a similar situation for small businesses, but that never got passed because of an election interfering with that, and it was never brought forward again.

Mr. Caron did the very, I think, worthwhile exercise of doing a lot of... That's why I asked him to come into my office to have a discussion on it and to pass the research he had already done to me so that I wouldn't have to reinvent the wheel in order to make sure that his goal of having small businesses supported in this manner and in intergenerational transfers would take place.

**The Chair:** Does anybody else have a couple of quick questions? We have about four or five minutes left.

I would say this, Mr. McLeod and Larry. Guy Caron was on the finance committee for quite a number of years. He is an extremely strong individual on research. I've never seen him come forward with anything that he didn't know his stuff on. That's a compliment to Mr. Caron.

Does anybody have a quick question they want to ask?

Annie, go ahead.

• (1625)

**Ms. Annie Koutrakis:** Thank you, Mr. Chair.

Thank you for your testimony, Mr. Maguire.

I think what we've heard this afternoon is that there definitely needs to be more discussion and a really healthy debate.

I think that certainly there is a need for the federal government to facilitate the transfer of small businesses and family farms and fishing corporations between family members; however, I know that many of my colleagues have talked about tax avoidance, and I think that by raising that issue in no way are we suggesting that small business owners or farmers or fishers are not honest. I'm just saying that we need to go forward with extreme caution so that there aren't any unforeseen consequences or considerable tax avoidance opportunities.

You mentioned in your opening remarks that several organizations have voiced support for this bill. However, I'm concerned that these consultations did not fully explore the potential consequences of this bill with regard to opportunities for tax avoidance. Have you discussed this bill with any lawyers, academics or other stakeholders who voiced concerns? If they did voice concerns, can you speak to us a bit about that? Not to reinvent the wheel—and you had a great briefing—I'm just curious to know if you have had any conversations to that effect.

**Mr. Larry Maguire:** I have spoken with major accounting firms across the Canada, and many of them believe that this bill is very accurate and should be implemented immediately.

I also want to make the point that I know the Liberal government has said they feel this bill would be okay for agriculture, but if it's okay for agriculture and there are loopholes in it, then why wouldn't there be loopholes on the agriculture side as well?

Taking out one sector when they are all to be treated the same—whether it's small business corporations with share capital that

would be allowed as opposed to just segregating out agriculture—is not fair to small businesses across the country, because there is no difference in the manner in which they would be dealt with through major legal counsel or accounting firms in this nation. A tax policy is a tax policy, and it should be set up not for just one sector or agriculture and fishers, but for the small business community.

I now live in the city of Brandon, and as I referred to earlier, I know that it doesn't matter what city we live in, there are small businesses, and many of them are family-run operations.

**The Chair:** Okay. The last question is for you, Mr. Kelly.

**Mr. Pat Kelly:** Thanks.

I've listened to all the comments. Of course, none of us wants the tax system to become more complicated. I see this as an exercise in making it less complicated by treating all sales the same, but on the concern around these small businesses getting an advantage, or small business owners being able to take advantage or receive an advantage, I wanted to get on the record this point about small businesses.

When we talk about selling a small business that people have put their entire working lives into and they are retiring from, the small business owner doesn't have a pension from an employer. They didn't have employer benefits throughout their working careers. They weren't protected through their livelihood with all the protections that employees in the workforce have.

It is a tough life being self-employed. When a small business owner, whose assets in the business are not likely to be liquid... They've accumulated—we've talked a lot about farms and fishing businesses—equipment, land, a plant and these kinds of things, all sorts of items that they want to transition to allow the business to keep going.

It's not that this bill will give an advantage to small business owners. Mr. Maguire, would you agree that this bill will simply take away a disadvantage faced by small business owners?

• (1630)

**Mr. Larry Maguire:** Absolutely it will, Mr. Kelly, and I think Mr. Julian made a very good point on that when he said that we need to stop the “penalty” they're presently faced with. I think that's the culmination of the whole bill: a level playing field. It's not that it's even close right now. There is a huge penalty there, a big disincentive, to sell to your own family, and that needs to change.

**The Chair:** Okay. We are going to have to end it there.

We do have a meeting on Thursday with the Law Clerk. I'm not exactly sure how much time he has for us, but we will leave that to the clerk of our committee.

Thank you very much, Larry.

I thank everyone for the discussion. This was a great discussion today. With that, the meeting is adjourned.

---





Published under the authority of the Speaker of  
the House of Commons

---

### SPEAKER'S PERMISSION

---

The proceedings of the House of Commons and its committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the Copyright Act. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the Copyright Act.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

---

Also available on the House of Commons website at the following address: <https://www.ourcommons.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

---

### PERMISSION DU PRÉSIDENT

---

Les délibérations de la Chambre des communes et de ses comités sont mises à la disposition du public pour mieux le renseigner. La Chambre conserve néanmoins son privilège parlementaire de contrôler la publication et la diffusion des délibérations et elle possède tous les droits d'auteur sur celles-ci.

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la Loi sur le droit d'auteur. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre des communes.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la Loi sur le droit d'auteur.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

---

Aussi disponible sur le site Web de la Chambre des communes à l'adresse suivante :  
<https://www.noscommunes.ca>