



Atlantic Chamber  
of Commerce  
Representing business since 1896

Chambre de commerce  
de l'Atlantique  
Représentant les affaires depuis 1896

The Honourable Wade MacLauchlan  
Premier, Prince Edward Island  
5<sup>th</sup> Floor South, Shaw Building  
95 Rochford Street  
PO Box 2000  
Charlottetown, PE C1A 7N8

September 29, 2017

Dear Premier MacLauchlan,

We want to thank you for your leadership in steering Prince Edward Island's economy through these challenging times. We are writing to you because our members worry that big changes to federal tax policy could derail the hard work your government has applied to improve in the province's fiscal position, accomplished.

At the upcoming First Minister's meeting on October 3<sup>rd</sup>, we urge you to put the federal government's proposed tax changes at the top of the agenda with the Prime Minister.

The federal government has proposed the most radical changes in 50 years, including (1) a new tax rate (effectively 65%-73%) on investment income in a corporation, (2) a much higher tax rate for compensation in a family business deemed "unreasonable," and (3) new, tougher rules that prohibit converting income to capital gains making it less attractive to pass a business along to family members.

We believe the tax changes will:

- Lead to lower savings within their businesses, eroding sustainability and future investment for business growth;
- Make it more difficult to pass down ownership of family-run businesses to the next generation;
- Discourage entrepreneurship;
- Reduce venture capital available to Canadian business;
- Send foreign investors away to friendlier markets; and
- Reduce economic growth and job creation in Prince Edward Island.

Prince Edward Island is leading most of the provinces in Canada in terms of economic, export and population growth. It would be difficult to deny that the basis for this growth is tied closely to the number of new businesses. And it is undeniable that a significant number of jobs in communities across the province depend on the continuing growth of our small business sector. If the tax changes go ahead as proposed, we run the risk of a severely reducing the attractiveness of operating businesses, all for the sake of a poorly defined concept of fairness to the middle class.

There is no need for the government to rush ahead with radical tax changes. Decisions of this magnitude should not be taken in haste as, based on public reaction, the effects could impact our economy, our healthcare system, and the livelihoods of middle class employers and employees. That is why we urge you to tell the PM to take these proposals off the table, and launch meaningful consultations with the business community to address any shortcomings in tax policy without unfairly targeting small businesses.

Sincerely,

A handwritten signature in black ink that reads "Sheri Somerville". The signature is written in a cursive, flowing style.

Sheri Somerville

CEO, Atlantic Chamber of Commerce

cc: Perrin Beatty, President and CEO, Canadian Chamber of Commerce