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Canadian Federal Government Announces New Rules on Capital Gains Tax

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The recently announced changes by the federal government to the capital gains tax rules are terrible news for SMEs in Canada who are ultimately looking to sell their businesses. In accordance with the 2024 federal budget unveiled yesterday, the taxable portion of capital gains increases from 50% to 67% for capital gains in excess of \$250,000, and tax is subject to personal income tax levels, which we all know are one of the highest in the world.

Most small businesses that I work with certainly expect to sell their businesses for much more than that. By comparison, the long-term capital gains tax rate in the US for assets held for more than a year is 15-20%.

Assuming you hit the top income tax bracket, Canadians will effectively pay 33.5% on capital gain upon selling an asset, which may potentially be more than double what a US citizen would pay.

The capital gains tax impacts a number of parties:

- Business owners selling their businesses
- Individuals or corporations that make investments in stocks
- Real estate investors
- Individual employees that opt for stock options when they take a position in a startup firm

When you consider the recent triple whammy from the federal government, this puts considerable strain on SMEs that are still struggling to survive in the post-COVID world:

- \$40K CEBA repayments in January
- Shut down of CDAP - grants for digital adoption
- Increase in capital gains tax rate

The ripple effect from this announcement can be massive. Investors who put their capital into private businesses looking for a return will be deterred from continuing to support SMEs in Canada. For those business owners that were thinking about moving their business to another jurisdiction, this announcement is yet another push in that direction.

If they decide to pack up and move their headquarters elsewhere, we will see job losses and a loss in economic activity. Canada already provides a challenging environment for a startup company with insufficient sources of capital at an early stage. This will be yet another deterrent for that entrepreneur looking to take a substantial personal risk to start a business.

For those who believe this is simply taxing the rich to redistribute wealth to those more in need, I believe that opinion is oversimplified. I would support that argument if the federal government implemented an inheritance tax or a wealth tax, which taxes the net worth of wealthy individuals, a concept that has been floated around by politicians like Elizabeth Warren in the US. However, the effective capital gains tax rate was intentionally set up to be lower due to the recognition that activities that generate capital gains involve capital expenditures where individuals or businesses

take on risk that may at some point in the future yield a large return. These individuals are not necessarily wealthy today and theoretically should be rewarded for taking that risk. Individuals taking risks lead to greater innovation, better products and services for consumers, more jobs for Canadians, and higher overall productivity in the country.

This is a sad day for Canadian SMEs.



Lisa Robinson

PICKERING CITY COUNCILLOR

Pickering Council In a 6 to 1 vote On Board For a Way To Expel Members

By Lisa Robinson - Pickering City Councillor

Lately, there has been considerable talk surrounding municipal governments endorsing recommendations of the Association of Municipalities of Ontario (AMO), to call on the Provincial Government to amend the Municipal Act to have the power to remove a sitting elected official from Municipal office, prioritizing the interests of municipal elites over those of ordinary citizens.

This is a blatant disregard for democratic principles and the rights of elected officials to represent the diverse views and interests of their constituents.

This proposal by way of a motion has been circulating from municipality to municipality with the hope of granting Integrity Commissioners and City Councillors the power to remove a fellow sitting council member based on their subjected interpretations of their conduct, rather than objective criteria.

This development should raise serious concerns not only among municipal elected officials who resist conforming to the status quo or willing to engage in political posturing, but also among the electorate who voted for them. It presents a worrisome scenario wherein council members could potentially abuse their power and manipulate the system to target colleagues with differing views or whom they perceive as threats.

Granting municipalities the authority to apply to a member of the judiciary to remove a sitting member, based on the recommendation of a "CITY PAID Integrity Commissioner", lacks transparency and accountability. It also 100 percent creates a system where the removal of elected officials could be influenced by political motivations by either municipal staff, council, or a biased Integrity commissioner rather than genuine concerns about misconduct.

If that wasn't enough, the proposal also includes a clause to prohibit a member if removed from office, from sitting for election in the subsequent term which further raises a huge red flag for me, making me suspicious of ulterior motives.

By effectively disqualifying individuals from seeking re-election, this provision could be used as a tool to silence dissenting voices and maintain the status quo within municipal councils. This is a direct threat to the democratic principles of

fair competition and equal opportunity in elections. This loophole opens a whole new breeding ground to enable incumbents to wield their positions of power to safeguard their own political interests, thereby distorting the democratic playing field and diminishing the rights of potential challengers to participate in the electoral process. AMO's recommendation cannot persistently define and establish clear and objective criteria for determining what constitutes misconduct or disrespectful behavior warranting removal from office. Without such criteria, there is a risk that the process may be manipulated to target councillors who hold opposing views or challenge the status quo.

If the AMO and all those supporting these recommendations genuinely prioritized the well-being and accountability of its municipal members, would it not also encompass provisions for the removal of councillors and/or mayors in cases of dishonesty, or lying? In my opinion, this too raises concerns about the consistency and fairness of the proposed measures.

Lying or dishonesty by elected officials can be equally be damaging to public trust and the integrity of municipal governance as other forms of misconduct, if not more so, and failing to address this as a form of misconduct creates a selective approach to enforcement that may serve to protect certain council members while targeting others. Furthermore, this lack of seriousness in addressing these types of unethical behavior, sends a strong message that certain forms of misconduct may be tolerated or overlooked.

By neglecting to address lying or dishonesty as a form of misconduct, the motion misses an opportunity to strengthen public confidence in municipal governance and ensure that elected officials are held to the highest ethical standards.

There is also a lack of consultation with the electorate, which further undermines the legitimacy of the proposed legislative changes. It suggests a top-down approach to governance that prioritizes centralized control by a few and undermines the role of the electorate by diminishing their voice in the democratic process. This would erode the trust and confidence of voters who elected the representative to advocate for their interests, only to see that representative removed without their consent.

By providing municipalities with these expanded powers to remove elected officials based on subjective interpretations of their conduct, the motion risks undermining the fundamental rights to free speech and expression enshrined in the Canadian Charter of Rights and Freedoms. This would have a chilling effect on elected officials' willingness to express dissenting opinions or challenge the status quo, for fear of facing punitive action or removal from office.

Overall, this recommendation appears to be driven by political obedience rather than genuine concern for workplace safety and respectful discourse. It raises serious questions about the motives behind the proposed changes and the potential consequences for democracy and accountability within Ontario's municipal governments.

In my humble opinion, any municipal members of councils who vote in favour of sending such a motion to be heard by the Provincial Government hold a blatant disregard for the democratic process, confirming the undeniable truth that the voices of the electorates do not matter.

We are currently witnessing a worrisome demonstration of potential abuse of power through this authoritarian attempt at governance. This is not a democracy.

"Strength Does Not Lie In The Absence Of Fear, But In The Courage To Face It Head-On And Rise Above It"

CLARINGTON PLANS ON HOW TO DEAL WITH HOMELESS ENCAMPMENTS



The Municipality of Clarington announced it plans to develop an encampment response strategy.

Clarington is replacing its Parks By-law with a rewritten Public Spaces By-law to modernize how it enforces and responds to encampments in public spaces, ensuring compliance with the Canadian Charter of Rights and Freedoms by connecting people to the supports they need

within the regional shelter system, said the announcement.

It said the council also directed staff to develop a protocol that clearly articulates a framework for Municipal Law Enforcement Officers to address encampments in consultation with the Region of Durham and the Durham Regional Police Service to ensure a human-centred, housing-first, health-focused, rights-based approach.

If people see someone in need, they can contact Durham Region's Outreach Team 24 hours a day, seven days a week, at HomelessHelp@Durham.ca or call 905-666-6239 ext. 5510.

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