



BILL C-208 - TRANSITIONING YOUR BUSINESS TO YOUR CHILDREN OR GRANDCHILDREN

Are you considering transitioning your business to your children or grandchildren and would you like to use your lifetime capital gains exemption? If so, the new legislation outlined in Bill C-208 may apply to your situation.

I. OPPORTUNITIES

- Bill C-208 provides the opportunity for a family business to partially or fully transition to a child or grandchild in a tax efficient manner.
- The parent transitioning their business may be able to utilize their lifetime capital gain exemption on the transition, potentially reducing their capital gain by up to \$892,218.

II. QUESTIONS

- Are your children or grandchildren at least 18 years of age?
- Are they active in the family business or would you like them to be involved?
- Is your corporation a Qualified Small Business corporation (meaning at least 90% of the assets are used in active Canadian business)? If not, other up-front planning may be required before transitioning the business.

III. ASSOCIATED RISKS

Bill C-208 is intended for situations involving the transition of family businesses to the next generation. Though Bill C-208 does not explicitly state that the child has to be an active member of the business, there is a risk that if a bona fide transition plan has not taken place, the CRA may apply the General Anti-Avoidance Rule ("GAAR") and convert the sale proceeds from a tax-free capital gain to a taxable dividend.

IV. SOURCES

- Bill C-208:
<https://www.parl.ca/DocumentViewer/en/43-2/bill/C-208/royal-assent>
- Anticipated Amendments to Bill C-208:
<https://www.canada.ca/en/department-finance/news/2021/07/government-of-canada-clarifies-taxation-for-intergenerational-transfers-of-small-business-shares.html>

Thank you for reading our information release on Bill C-208. Transactions utilizing Bill C-208 should not be implemented without a careful and professional assessment of your unique situation. Should you have any questions, please give our office a call or email to discuss in greater detail.

Our team,

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