

**Small Business survey
Questionnaire 9/8/2017**

[ASK ALL RESPONDENTS]

Q1. Today's survey is about business, taxes, and the economy here in Canada. Let's start by getting your reaction to some arguments that have been made recently about Canada's economy and the fairness of the tax system in Canada.

Do you agree or disagree with each of the following statements?

[ROWS – RANDOMIZE]

The role of small business in the Canadian economy is overrated
Professionals, like doctors, who make their practices into corporations should not get the same tax benefits as other small businesses
The top one per cent of income earners in Canada don't pay their fair share of taxes
People starting new businesses deserve ongoing tax breaks to help offset their financial risks
If I could, I would own my own business
Government civil servants get the biggest breaks by far because of their tax supported pensions
The income tax rates are so high in Canada that I am considering moving to another country
Canada has a generally fair system of taxation
I feel that I get a fair return for the taxes that I pay

[COLUMNS]

Disagree strongly
Disagree moderately
Agree moderately
Agree strongly
Don't know/Can't say

Q2. Recently there has been some discussion about the fairness of the federal income tax system. We'd like to know if you feel that the following groups are generally treated fairly by the Canadian tax system or if you think they have unfair advantages under the tax system.

[ROWS – RANDOMIZE]

People in professions like medicine, law, and accounting
Government employees
Executives leading large corporations like banks and telco companies
Owners of small businesses, such as corner stores and hairdressers
Sole proprietors (i.e. people who are self-employed and have no employees)
People who start technology businesses
Farmers
Unionized workers in the private sector

Non-union workers in the private sector
 [ANCHORED] You, yourself

[COLUMNS]
 Have unfair advantages
 Treated fairly
 Really can't say

Q3. Is anyone in your household an owner of an incorporated small business or professional practice (such as a doctor, lawyer, accountant, etc.)?

Yes, I am
 Yes, someone else in my household
 [EXCLUSIVE]No, no small business owners or incorporated professional practices in my household
 [EXCLUSIVE]Not sure – I live with a professional, not sure if they're incorporated

[SMALL BUSINESS OWNERS SKIP TO Owners section]

Non-Owners section (ASK ALL EXCEPT THOSE WHO SAY 'YES, I AM' AT Q3)

Q4. Does anyone in your household work for a small business or incorporated professional practice?

Yes, I do
 Yes, someone else in my household
 [EXCLUSIVE]No, no one in my household works for a small business or incorporated professional practice

[ASK THOSE WHO SAY 'YES, I DO' AT Q4]

Q5. Including yourself, how many employees does the business you work for have?

Just one – me
 2 – 4
 5 – 9
 10 – 19
 20 – 49
 50 – 99
 100 or more

Q6. Recently, the federal government has stated its intention to change tax rules that it claims give an unfair advantage to small business owners and incorporated professionals like doctors and lawyers. Before taking this survey, had you heard anything about this proposal?

Yes, heard a lot about it

Yes, heard a little bit

No, I hadn't heard about it until now

Q7. Some say these proposed changes will harm business investment and don't take into account the risk taken by small business. Others say that these proposed changes will make the tax system fairer, and that Canada should do everything possible to improve the fairness of the tax system, even if some groups protest.

Which of these perspectives is closest to your own?

[ROTATE]

These changes will harm business investment and don't take small business risks into account

These changes will make the system fairer, and should be made even if some groups protest

[NON-OWNERS NOW SKIP TO Q31]

Small Business Owners Section (ASK ALL WHO SAY 'YES, I AM' AT Q3)

Today we are talking with owners of small businesses and other incorporated entities about the economic outlook and tax proposals put forward by the federal government.

First, some questions on your business:

Q8. What is your role in the business? Are you:

The sole owner

A part owner

Q9. And, how would you describe your family's involvement with your business? Would you say:

My family is intimately involved in my business

My family is involved in my business in minor ways

I try to keep my family out of my business entirely

Q10. Besides yourself, how many employees does your business have?

None – it's just me

1 employee

2 – 4

5 – 9

10 – 19

20 – 49

50 – 99

100 or more

Q11. Which of the following categories best describes your business? Is it:

Licensed professional services (e.g. medicine, law, veterinarian, accountant, etc.)

General services (consultant, travel arranger, hairdresser, etc.)

Manufacturing

Farming/fishery

Retail

Food service (restaurant, coffee shop, caterer, etc.)

Resource extraction (oil and gas, mining, forestry, etc.)

Other, please specify:

Q12. How many years have you owned your current business? (If you've been in business for less than a year, please type '0')

[NUMERIC RESPONSE]

Q13. Some businesses have a greater risk of failure than others. Would you say that your business is basically safe or inherently carries the risk of failure?

[ROTATE]

Basically safe

Inherently risky

Q14. Think about the cash you used to start your business. What percentage of it came from each of the following sources?

[ALLOCATION SLIDER]

Personal/family savings or assets

Outside investors

Banks or other financial institutions

Others

Q15. Some businesses need a lot of capital (either cash or other investments) on hand for growth or to protect against downturns, while others need relatively little. How capital-intensive would you say your business is?

Very capital-intensive
Moderately capital-intensive
Not that capital-intensive
Not at all capital-intensive

Q16. Thinking about the amount of capital (cash, property, other investments, etc.) you have invested in your business today, what proportion of it would you say you see as a retirement plan?

Basically all of it
Most of it
About half
Less than half
Basically none of it

Q17. How would you describe the current economic climate for your business? Is it:

Excellent
Good
Average
Poor
Terrible

Q18. Generally speaking, what is the trajectory of your business today? Is your business:

Growing rapidly
Growing slowly
Stable
Declining slowly
Declining rapidly

Q19. Recently, the federal government has proposed a series of changes to tax rules that affect small business operators and the taxes they pay.

How closely have you been following this issue? Are you:

Seeing lots of media coverage and discussing it with friends and family

Seeing some coverage and having the odd conversation

Just scanning the headlines

Haven't seen or heard anything about it

[INTRO SCREEN]

Now, let's look at two of the core proposals that are included in this package. For each one, we will provide a brief description of what the government has proposed and ask you a few questions about it.

[RANDOMIZE PRESENTATION OF QUESTION BLOCKS]

[BLOCK 1 – Income Sprinkling] One proposed change relates to a practice called “Income Sprinkling” – business owners paying out income or capital gains to family members in order to avoid income taxes at the highest tax bracket.

The government proposes to extend current rules that prohibit income splitting with minors to include all adults, and to introduce a “reasonableness test” to determine whether a family member or other acquaintance is making a legitimate contribution to the business.

Q20. Before reading this description, were you aware of this proposed tax change?

Yes, heard a lot about it

Yes, heard a little bit

No, I hadn't heard about it until now

Q21. If implemented, what sort of impact would this proposed change have on each of the following? Would it have a positive impact, a negative impact, or no impact?

[ROWS – THIS ORDER]

Your business

Your personal financial situation

[COLUMNS]

Negative

No impact

Positive

Really can't say

[ASK THOSE WHO SAY THE IMPACT WILL BE 'NEGATIVE']

Q22. You indicated that this change would negatively affect your business. In what way? Please describe how you would be negatively affected in your own words:

[OPEN END]

Q23. Thinking about the Canadian tax system overall, regardless of how this proposed change might affect you, personally, in your opinion, is this proposed change related to "income sprinkling" fair or unfair?

[ROTATE]

Fair

Unfair

[ANCHORED]Not sure

Q24. And, keeping in mind that 'income sprinkling' is not illegal, which of the following describes your use of 'income sprinkling' practices? (Please also note that all of your responses are strictly anonymous and confidential)

I do it all the time

I do it occasionally

I have never done it

[BLOCK 2 – Changing tax treatment for passive investment income held by a business] One proposed change relates to the tax treatment of passive investment income held by a business – that is, money earned by a business that it then saves in a bank, the stock market, real estate, or some other investment vehicle.

Currently, income from such investments – when distributed to an individual – is taxed at the same rate regardless of how the individual accumulated the principle that was used to make the initial investment. So, salaried employees in the highest income bracket will end up paying \$50,000 in personal income taxes for every \$100,000 they earn, leaving them with \$50,000 in capital to invest. A business, in contrast, would pay just \$15,000 in small business taxes on the same \$100,000 in profit, leaving it with \$85,000 in capital to invest.

The government proposes to change its rules for taxation of passive investment to account for this initial imbalance, charging an additional tax on passive investment income held by businesses when that income is distributed as dividends.

Q25. Before reading this description, were you aware of this proposed tax change?

Yes, heard a lot about it
 Yes, heard a little bit
 No, I hadn't heard about it until now

Q26. If implemented, what sort of impact would this proposed change to rules for passive investment income held by businesses have on each of the following? Would it have a positive impact, a negative impact, or no impact?

[ROWS – THIS ORDER]

Your business
 Your personal financial situation

[COLUMNS]

Negative
 No impact
 Positive
 Really can't say

[ASK THOSE WHO SAY THE IMPACT WILL BE 'NEGATIVE']

Q27. You indicated that this change would negatively affect your business. In what way? Please describe how you would be negatively affected in your own words:

[OPEN END]

Q28. Thinking about the Canadian tax system overall, regardless of how this proposed change might affect you, personally, in your opinion, is this proposed change to rules for passive investment income held by businesses fair or unfair?

[ROTATE]

Fair
 Unfair
 [ANCHORED]Not sure

Q29. How would you describe the amount of passive investment income your business generates, if any? Is it:

A significant amount
 An insignificant amount
 None – my business doesn't have any passive investments

Q30. And, if these proposed changes are implemented, what sort of effect, if any, will they have on your tax planning – that is, the amount of time, effort, and money you spend on seeking professional tax advice and preparation? Would these changes make tax planning:

[RANDOMIZE]

Easier/more affordable

Harder/more expensive

[ANCHORED]No different from now

[ANCHORED]Really can't say

[ASK ALL RESPONDENTS – INCLUDING NON-OWNERS]

31. The federal government initiated a 75-day – or roughly two-and-a-half-month – consultation period for these proposed tax changes in mid-July. The consultation period is scheduled to end on Oct. 2.

Past federal government consultations on other issues have been as short as just two weeks or less, and as long as a year or more.

What are your views on the length of this consultation? Is it:

Too short

About right

Too long