



Beyond Numbers



By Rupesh Kapadia

The tax proposals implemented in 2018 have a major impact on the small businesses. In particular, I would like to raise questions on what I think is counter-intuitive for the national economy.

Background

Small businesses are the growth engines of the economy by employing labour and resources. Small business corporations that are carrying out active business - manufacturing, trading, professional practice, restaurants, grocery stores - are given the incentive to be in business and grow the economy by taxing it at a lower rate of 13.5% on first \$500,000 of net profits.

Over period funds that are not required or used in the active business (also to create a nest egg) are invested in passive assets within the corporation – shares of public companies, GICs', mutual funds, investment properties- which then earns passive income. The tax rate on passive income is 50.17%. In essence, this was a perfect system to encourage small businesses – a lower rate of tax on active business and a higher rate of tax on passive income.

Moreover, when the business owner withdraws money from the active business – Dividends or Bonuses – they pay their marginal tax rate (usually the top marginal rate of over 50%),

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India News Snippets

Piramal & Ivanhoé Cambridge to invest \$1 bn

Piramal Group is looking to set up an aggregation and investment platform for renewable energy assets. In February 2017, Piramal Enterprises entered into a strategic partnership with Ivanhoé Cambridge, a real estate subsidiary of Caisse de dépôt et placement du Québec (CDPQ), Canada's second largest pension fund, to provide long-term equity capital. Ivanhoé Cambridge and Bain Capital Credit will jointly invest about \$1 billion in restructuring opportunities across India.

India's logged a record \$98 billion in deals this year

Indian companies have been involved in deals worth a record \$97.6 billion this year. Top banker JPMorgan Chase & Co. is predicting more offshore interest in the nation, particularly in technology, media and telecom. Walmart Inc.'s \$16 billion acquisition of a majority stake in Indian e-commerce company Flipkart Online Services Pvt. Ltd. -- a deal JPMorgan advised -- has been the biggest so far, pushing the total past a previous annual peak of \$92.3 billion, according to data compiled by Bloomberg.

'Mastercard's to invest \$1bn in 5 years

Global payments major Mastercard said its cumulative investment in India for the period of 2014-19 would stand at around \$1 billion to promote digital transactions in the country. The local investment includes acquisition of new offices and a Mastercard Innovation Lab and operations hub. Mastercard has grown its India workforce from 29 in 2013 to around 2,000, which is 14% of the global workforce, and the largest outside the United States.

CIF's 3rd Annual Golf Tournament 2018



WEDNESDAY, AUGUST 8TH, 2018
ROYAL ONTARIO GOLF CLUB

IN SUPPORT OF FAMILIES OF
FALLEN SOLDIERS
IN INDIA BHARAT KE VEER +
IN CANADA BENEFITING
32 SERVICE BATTALION REGIMENT



32 Service Battalion is a reserve Canadian Army Combat Service Support (CSS) unit that provides logistics and maintenance support services, primarily to the units of 32 Canadian Brigade Group, as well as other elements of the Canadian Armed Forces. This support includes food services, transportation, supply, administration, vehicle and weapons repair.



The Battalion consists of a Headquarters element, 135 Logistics Company and Maintenance Company. Members acquire and maintain proficiency both in fieldcraft and their specific support trades in order to accomplish their mission. Based in Toronto with roots dating back to 1901, the Battalion received its Crest, featuring the landmark Casa Loma in March of 1984. Members have served in Germany, Cyprus, Bosnia, Afghanistan, Kuwait and Ukraine.



The Indian Brave Hearts / Bharat Ke Veer is an initiative of the Government of India's Ministry of Home Affairs to enable direct support from across the world to the families of fallen soldiers. The web portal makes it easy for anyone to contribute directly to the families of a martyred soldier up to



Dharmendra
Yadav



Gajender
Singh



Jitender Singh
Kushwaha



Laxman



Manoj Kumar
Singh

Donations can be made directly to individual brave heart's account (up to max of ₹ 15 lakhs – 1.5 million Indian Rupees) or may donate to the Bharat Ke Veer corpus. To ensure maximum coverage, a cap of ₹ 15 lakhs is envisaged per brave heart.

Bharat Ke Veer corpus is managed by a committee made up of eminent persons of repute and senior government officials, in equal number, who would decide the disbursement of the fund to the families of fallen soldiers on an equitable and just basis.

Jai Hind!

Greetings & Best Wishes from CIF on India's Independence Day

CIF's Annual General Meeting
Date: Thursday, August 16, 2018
Time: 2:00 PM to 6:00 PM
Venue: 2939 Portland Drive
Oakville ON L6H 5S4

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and the government gets the final taxes on funds not retained in a corporation.

So, what has changed!

It is very complicated but to simplify, if a corporation earns a passive income of \$150,000 or more (5% passive income on \$3 million of passive assets), the tax on the active income will jump to 26.5% (from 13.5%) - A 13% penalty to have a successful small business and creating a nest egg (\$3 million or more) within the corporation. There are arguments on both sides of the spectrum, and it is an endless debate. However, the questions that come to my mind are:

- Why is the government in a rush to get this 13% of additional tax?
- What has the government done from a fiscal standpoint to encourage the small business to be in business?

I hope to find some answers some day and hopefully sooner.



From l to r: Mayur Dave, Rupesh Kapadia, Francesco Sorbara, Anil Shah and Girish Kekre

CIF Members met with Hon. Francesco Sorbara, MP Vaughan-Woodbridge, on August 2, 2019. They discussed Canada India bilateral relations and gave information about CIF's mandate to the MP.

The members informed the Member of Parliament of the Higher Education Forum, the Annual Global Indian Award Gala and the Speaker Series. Mr. Anil Shah, National Convener, also invited the MP to the upcoming 3rd Golf Tournament that CIF is organising at the Royal Ontario Golf Club on August 8, 2018.

Commenting on the social media about the meeting, Hon. Sorbara said, "I had the pleasure to sit down with members of the Canada India Foundation and discuss how we can foster greater bi-lateral #relations between the two countries. Canada and India share a special friendship and we are working together to create good, middle class jobs for Canadians and Indians alike."

Speaker Series

**Getting to the
Heart of the Matter
Dr. Anil Gupta, Cardiologist**



Time: 6:00 pm to 8:00 pm

Date: Tuesday,
August 21, 2018

Venue: CIF Office 2939 Portland Drive 2nd Floor Oakville ON L6H 5S4

Free event | Limited Seating | Light Refreshments will be served

Pre-registration preferred

RSVP by Monday, 20 August 2018 to sudha@canadaindiafoundation.com

Dr. Anil Gupta is Staff Cardiologist at the Trillium Health Partners. He is the Lead for Cardiology Education for University of Toronto, Mississauga Academy. He has been the Medical Director of the Coronary Care Unit & Clinical Cardiology and the Innovation Lead for the Cardiac program. He serves on National and Global Advisory Boards to promote education and communication on innovative treatments in cardiology. He is the Founder and Co-Chair of the Smoking Cessation Program at Trillium, whose work has been presented at National and International meetings. He is a lecturer at the University of Toronto and an active member of the teaching staff for the Mississauga Academy of Medicine, Faculty of Medicine, University of Toronto.