Splitting the Difference

Who really benefits from small business income splitting?

David Macdonald
About the Author

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Acknowledgments

The author would like to thank Dr. Kevin Milligan and Dr. Michael Wolfson for their helpful comments on an earlier version of this paper.
This summer, the federal government proposed a series of reforms to the Income Tax Act in an effort to close certain tax loopholes and address tax avoidance. Finance Canada says these changes would impact three key areas: income “sprinkling” (a type of income splitting), passive investments made by small businesses, and the conversion of small-business income into capital gains.

This paper examines the first change only — closing the income-sprinkling loophole — to determine who are the main beneficiaries of that proposed policy, and how various groups could be affected. Specifically, the paper uses Statistics Canada’s tax modelling software to estimate the impact on small-business families (i.e., those in a position to use the current income-sprinkling loophole by distributing business income among family members) by income level, gender and industry, while also assessing the cost to government.

The paper finds that the benefits of Canada’s income-sprinkling loophole for small business are heavily skewed toward Canada’s richest families. Of the 904,000 families receiving small business dividends, only about 47,000 (5%), representing 0.3% of all Canadian families, are likely to see more than $1,000 in tax savings from income sprinkling. (The annual cost to the federal government in taxes not collected from this loophole is approximately $280 million; the cost for the provinces is $110 million.)

In contrast, those we might normally call middle class — families whose incomes put them in the middle 40% of all income deciles — receive only...
3% of the benefits from the current income-sprinkling loophole. By far the biggest winners are Canada’s top 10% of families by income, who have access to nearly two-thirds of the total tax benefit from the current loophole.

Nearly all of the families who benefit most from income sprinkling are headed by male income earners, which undercuts claims that the current loophole is positive for gender equality, and almost half of all benefits flow to the richest 5% of families — those earning more than $216,000 a year. Families headed by professionals, particularly physicians, lawyers, accountants and those in real estate and insurance, are most likely to benefit from the income-sprinkling loophole.

On the other hand, more traditional small businesses, such as family-run farms or restaurants, are 2.5 times less likely than professionals to benefit from income sprinkling. Even among health care businesses — the group most likely to benefit from the current sprinkling loophole — three-quarters of families see little or no tax gain from distributing dividends among family members.

Simply put, Canada’s income-sprinkling tax loophole is not helping middle class families or small businesses. It is mainly a tool for already wealthy Canadians to avoid paying their fair share of taxes.

Finance Canada’s proposed reforms to close this loophole would have a positive, if modest, impact on reducing income inequality and should be part of a broader public examination of other costly and regressive federal tax expenditures.

For example, particularly unequal tax expenditures like the stock option deduction and the partial inclusion of capital gains should also be considered for closure. New revenues from these changes should be used to invest in programs that really matter for all Canadians, but especially those in lower and middle income deciles — like ensuring retirement security and improving access to child care. The government needs to do a better job of explaining these benefits to Canadians, and to continue to push forward on its promise to make Canada’s federal tax system fairer for everyone.
Introduction

This summer, the federal government proposed a series of reforms to the Income Tax Act that will affect small businesses across Canada. Finance Canada says these changes would impact three key areas: income sprinkling (a type of income splitting), passive investments, and converting small business income into capital gains. The proposed changes, and the connected public consultation process, are an attempt to close tax loopholes and address tax avoidance.

The Liberals were elected federally in 2015 on a platform that included promises to address tax avoidance and in particular small business income splitting. Nonetheless, the government’s summer announcement caught Canadians off guard — leaving many small businesses across the country incensed by the language and implications of the proposal, and many others confused by the complexities of the reform.

Debate about the changes is currently playing out in the media, where critics and lobby groups are attempting to frame the issue as an attack on the middle class and small-business owners. As tensions rise, it has become increasingly difficult to separate fact from fiction, and determine who exactly is affected by the loophole’s closing.

This paper seeks to make that debate clearer by showing who benefits most from income “sprinkling,” a preferential tax treatment not available to the vast majority of Canadian families. The practice allows a small business to reduce the total amount of tax they pay by distributing a portion of their income to family members — even those not involved in the family
business. Not only are income splitters taxed at a lower rate (since they will fall into a lower tax bracket), they can also take double advantage of deductions like the basic personal exemption.

As we will demonstrate, the benefits from income sprinkling go mainly to already wealthy Canadians, and there is scant evidence it produces positive outcomes for the Canadian economy. The tax expenditure is therefore both unfair and ineffective, and comes at a significant cost to the federal government.
Methodology

The Liberal Election platform, and the newly proposed package of tax changes, reference Michael Wolfson’s work on Canadian-controlled private corporations (CCPC). His initial work with Veall, Brooks and Murphy linked for the first time small-business tax filings with individual tax records. Their goal was to determine, among other things, the impact of including small-business income on the individual incomes of controlling owners and, by extension, the impact on income inequality.

Wolfson’s dataset, with further revisions, produced the first estimate of the cost to government of small-business income splitting, which was approximately $500 million a year, depending on one’s assumptions around tax brackets and the proportion of distributed small-business income that was for tax avoidance purposes. The research also examined the impact of regulatory changes on certain professional groups, notably physicians.

This paper makes extensive use of Statistics Canada’s tax modelling software, the Social Policy Simulation Database and Model (SPSD/M) 22.3, with “glass box” changes by the author. (The benefits and drawbacks of using SPSD/M are examined in the Appendix.) It examines the change in taxes paid and transfers received by economic families under the status quo versus if all non-eligible Canadian corporate dividends (otherwise referred to in this paper as “small business dividends”) are moved to the major earner, simulating an end to income splitting.

By definition, non-eligible Canadian corporate dividends are received from Canadian-controlled private corporations (CCPCs), which is an incor-
orporated structure for small businesses. It is worth noting that there is no necessity, legal or otherwise, for small businesses to incorporate and become CCPCs. Many small businesses operate outside of the CCPC structure, which by definition excludes them from benefits like income splitting and also from the analysis below. It is also worth noting that not all CCPCs receive the small business deduction as they may be larger than the threshold of under $500,000 in business income and less than $10 million in capital. This paper includes all CCPCs, whether or not they receive the small business deduction.

SPSD/M accounts for non-eligible Canadian corporate dividends separately from other types of dividends and only the distribution of non-eligible Canadian corporate dividends is changed in the simulations below. If all small-business dividends already reside with the major earner then the benefits of small-business income splitting are zero.

The economic family is used to capture all members in a household related by blood or marriage, irrespective of age. An economic family can be thought of as an extended family living in the same residence, with children, parents and elderly parents included as one family. This should capture income splitting with adult children, spouses and elderly adults residing in the same family home. Unfortunately, it will not capture income splitting with adults living outside of the family home. There are 904,000 economic families receiving small-business dividends. All figures are projected for 2017 unless otherwise noted.

One of the challenges when estimating the impact of small-business income splitting is determining which families are distributing small-business dividends for compensation of labour or capital and which are simply trying to avoid taxes. This is the basis for expanding the “reasonableness test” to small-business dividends. That test would allow family members to receive CCPC dividends only if those amounts are in compensation either for labour or capital.

Unless otherwise noted below, the paper assumes that all small-business dividends that result in tax savings are distributed for the purposes of income splitting and not for contributions of labour or capital. In other words, 100% of small-business dividend payments to family members would fail the “reasonableness test.” This is clearly not going to be the case, but it will help illustrate the upper-bound impact of ending small-business income splitting, and should avoid criticisms of cherry picking particular scenarios. The lower bound would be that no small business dividends are being used purely for tax avoidance and therefore no families would be af-
fected by the restriction of “income sprinkling.” Given the uproar, that is almost certainly also not the case. The truth is likely in the middle of these bounds. However, in the interest of fairness, this paper presents most scenarios using the upper bound in the knowledge that the impact of the “income sprinkling” proposals are likely much smaller.
Concentrated benefits of income splitting

Figure 1 shows what proportion of small business families receive what amounts from small-business income splitting. Even at the upper bound, 77% of families receiving CCPC dividends do not benefit at all from income splitting. This can be due to a variety of reasons, including not having an eligible adult with whom to split an income, or both partners making a similar income. For instance, in 96% of couples in Canada both spouses work, decreasing the likelihood that income splitting will produce tax savings.7

A further 10% of small-business dividend recipient families receive a tax benefit of less than $1,000 from income splitting, which is roughly what it would cost to pay an accountant to set up and maintain an income-splitting structure. Combine those two categories and we can see that 87% of all small-business families receive no net benefit from income splitting.

At the upper end, 13% of families receiving small-business dividends will benefit from income splitting, but only if you assume that none of the CCPC dividends are paid for work compensation, which is certainly far too high. In raw numbers, of Canada’s 904,000 small-business economic families, at most 117,000 receive a net benefit from small-business income splitting. This represents 0.7% of all Canadian families, which is a very narrow gain indeed.
**Figure 1** How much benefit do small business families get from income splitting

Source: SPSDM 22.3 (2017) Glass Box and author’s calculations.

**Figure 2** Small-business income splitting benefits by gender

Source: SPSDM 22.3 (2017) Glass Box and author’s calculations. For families receiving a net benefit above accounting costs, i.e. over $1,000.
The gendered impact of small-business income splitting is heavily skewed toward men. Of the 117,000 families that could be using small-business income splitting, 115,000 of them are headed by men. Only 2,000 families where the woman is the main income earner see a tax benefit from small-business income splitting greater than $1,000. The count is so low for female headed households that it constitutes statistically as more of a rough guess, suffice it to say that the female proportion is vanishingly small.
The benefits of small-business income splitting are heavily skewed to Canada’s richest families. (See the Appendix for a sensitivity analysis of this distribution). Almost two-thirds (64%) of benefits from small-business income splitting flow to families making more than $168,000 in combined pre-tax income, otherwise known as the top 10% of Canadian families. Families with less than $99,000 in combined income (the bottom 80%) share only 9% of the benefit. The middle class, or the middle 40% of families by income, only receive 3% of the benefits of small-business income splitting.

The high concentration in the top decile conceals an even greater concentration at the very top. The top 1% of Canadian families (making more than $416,000 a year) receive 16% of the benefits from small-business income splitting. The top 5% of families (making more than $216,000 in combined family income) receive almost half (47%) of total tax revenue lost to income splitting.

While it is possible to construct hypothetical families that see substantial gains (exceeding $20,000 per year) from small-business income splitting, the actual average benefits are much lower, even for higher income ranges, as shown in Figure 5. The average tax benefit from small-business income splitting is $7,300 for those receiving a net benefit of more than $1,000.

For the bottom seven deciles, the average tax gain is $2,300 or less, although almost no families in that income range receive anything. Even
**FIGURE 3**  
Small-business income splitting benefits by family income deciles

<table>
<thead>
<tr>
<th>Decile 1</th>
<th>Decile 2</th>
<th>Decile 3</th>
<th>Decile 4</th>
<th>Decile 5</th>
<th>Decile 6</th>
<th>Decile 7</th>
<th>Decile 8</th>
<th>Decile 9</th>
<th>Decile 10</th>
</tr>
</thead>
</table>

Proportion of dollar benefit

Source: SPSDM 22.3 (2017) Glass Box and author's calculations, deciles of pre-tax combined economic family income. For families receiving a net benefit above accounting costs, i.e. over $1,000

**FIGURE 4**  
Small-business income splitting benefits for the rich, by family income

<table>
<thead>
<tr>
<th>Bottom 90%</th>
<th>90%–95%</th>
<th>95%–99%</th>
<th>Top 1%</th>
</tr>
</thead>
</table>

Proportion of dollar benefit

Source: SPSDM 22.3 (2017) Glass Box and author's calculations, deciles of pre-tax combined economic family income. For families receiving a net benefit above accounting costs, i.e. over $1,000
among the top 10% of families, the average benefit stays between $9,200 and $10,000 per family. That average amount remains $10,000 even for the richest 1% of Canadian families.

Benefits from small-business income splitting differ substantially depending on the industry in which the families’ major earner works. Figure 6 breaks down the benefits by industry for families that would see more than $1,000 in tax savings from income splitting. As before, this assuming all small-business dividends are for tax avoidance and is therefore an overestimate of the likely actual impact. Also note that one-third of family heads don’t have an industry classification and are therefore excluded.

The highest likelihood of seeing a benefit from income splitting is for families with a head in the health care industry, made up of offices of physicians, dentists, chiropractors, physical therapists and so on. At most 26% of families in this category see a tax benefit of at least $1,000 from small-business income splitting.

Families in the professional, scientific and technical services industry, which encompasses lawyers, accountants and architects, are the next most likely to see benefits from income splitting. One-fifth (19%) of families re-
Receiving small-business dividends in these fields could be gaining more than $1,000 in tax savings.

The third-most-likely beneficiaries of income splitting are those in insurance and the real estate industry, where 18% of families may benefit from at least $1,000 in tax savings. These top three groups represent primarily professionals who may be incorporating as small businesses for the tax preferences it affords.

Interestingly, it is much less likely that more traditional small businesses, such as family farms (agriculture) or family restaurants (accommodations and food services), will benefit from income splitting. Slightly fewer than 10% of families with small businesses in these industries would see more than $1,000 in tax savings from income splitting.

Family farms and local restaurants are roughly 2.5 times less likely to benefit from income splitting than are small health businesses.

**Figure 6** Small-business income splitting benefit by industry of major earner

Source: SPSDM 22.3 (2017) Glass Box and author’s calculations. For families receiving a net benefit above accounting costs, i.e. over $1,000
Better estimates of income splitting

The assumption that 100% of small-business dividend distribution is for the purposes of tax avoidance will clearly overestimate the impact of federal changes. To try and provide a more reasonable cost estimate, I have attempted to separate instances of compensation for labour contributions from instances of income splitting.

In the first case, I isolate economic families based on labour-force status. If the member receiving the small-business dividend is not in the labour force or is unemployed (despite the dividend) that family is considered to be income splitting. I further restrict families to those receiving at least $1,000 in tax benefit, i.e., a benefit that makes the additional accounting expense of income splitting worthwhile.

By doing this, only 47,000 families are splitting income under the small-business loophole (line 2 of Table 1). This represents only 5% of all small-business families (and 0.3% of Canadian families), much less than the upper bound of 13%. Using this more realistic number of income-splitting families, the federal government is spending $280 million and provincial governments $110 million, on small-business income splitting in 2017.

The second case (line 3 of Table 1) includes only families where the person receiving the dividend worked less than two out of 12 months in the year. And again, this is restricted to families receiving a tax benefit of at least $1,000 through income splitting. In this case, essentially the same number...
of families would be affected (48,000) by the proposed federal tax reforms. The annual costs to government would be similar at $290 million federally and $120 million provincially.

While these approaches are far from perfect, they provide some additional estimates of the potential real impacts of ending income splitting through CCPCs. Compared to the upper-bound approach utilized above, more realistic estimates may cut the impact of ending small-business income splitting in half.
Recommendations

The Liberal government has taken several positive steps, many of them recommended previously by the CCPA, to make the federal tax system fairer. While these actions are a good start, much more needs to be done to reform our tax system. There are a number of straightforward tax measures that could generate significant revenue for public services, broaden our tax base, make the tax system fairer, reduce inequalities, and promote economic and productivity growth. We recommend the government take more substantial steps towards tax fairness, and implement a broader package of reforms, beginning with the specific recommendations below:

1. **Implement the proposed restrictions on “income sprinkling” through small business dividends.** As outlined in this report, income sprinkling is a preferential tax treatment used by wealthy families, particularly professionals, and should be closed.

2. **Eliminate the stock option deduction.** This loophole allows corporate executives to pay tax on the gains of their stock option compensation at half the statutory rate that the rest of us pay on our working income. Not only is the deduction highly regressive, with over 90% of the benefit going to the top 1% of tax filers (who make more than $250,000 annually), it is also bad for the economy, as it encourages CEOs to inflate short-term stock prices through share buybacks instead of investing in the economy.¹⁰
3. **Tax income from capital gains at the same rate as employment income.** Individuals who profit from the sale of assets pay tax at half the rate as those receiving income from employment thanks to the partial inclusion of capital gains. Over 90% of the benefit of this loophole on the personal income tax side goes to the richest 10% of income earners and 87% goes to the top 1%. The government should tax capital gains for individuals and businesses at the same rate as employment and other income, but should allow an adjustment for inflation. This would encourage longer-term productive investments rather than short-term speculation.

4. **Engage in a public review of tax expenditures.** The last time Canada conducted a comprehensive tax review (the Carter commission) was 51 years ago. Since then, our tax system has become overly complex and riddled with loopholes that worsen inequalities. A public review of tax expenditures examining their costs, who benefits and whether they are accomplishing their stated public policy goals is necessary.

    Not only will these measures make taxes fairer in Canada, they will allow the government to fund the social, economic, and environmental services and investments Canadians deserve, and help pay for other promises the government has made but not yet delivered on.
Conclusion

The data show that the benefits of small-business income splitting are heavily skewed toward Canada’s richest families. Simply put, income splitters have an unfair advantage not available to most Canadian families. Not only do unfair tax loopholes exacerbate inequality and undermine the integrity of our tax system, they also diminish the ability of government to fund the social and physical infrastructure needed to ensure a healthy and growing economy.

Even under the most inclusive scenarios, the number of families with small-business dividends that benefit from income splitting is very small. Of the 904,000 small-business families recorded by SPSD/M, about 47,000 (5%), representing 0.3% of all Canadian families, are likely to see more than $1,000 in tax savings through income splitting. Almost all of the families that benefit are headed by male income-earners, and almost half of the total benefits from the tax expenditure flow to the richest 5% of families (those taking home more than $216,000 a year).

Families headed by professionals, such as physicians, dentists, lawyers, accountants and those in real estate, are most likely to benefit from income splitting. More traditional small businesses, such as family farms or restaurants, are 2.5 times less likely than this first group to benefit. However, even among health care businesses — the industry most likely to benefit from income splitting — three-quarters of families see little or no net benefit.

The government needs to do a better job of conveying the impact of its proposed tax reforms. Opposition to Finance Canada’s proposals to close
the loophole allowing small businesses to avoid taxes by sprinkling income among family members is based on misconceptions about who benefits from these measures and by how much. That said, the government also should not exaggerate the costs of this income-splitting loophole, which is on the lower end of the list of regressive federal tax expenditures.

While confronting tax avoidance is an important first step toward tax fairness, there are many other unfair and ineffective tax loopholes — such as those for stock options and capital gains — that mostly benefit the wealthy and do not serve the broader public interest. Closing these loopholes as well would raise billions of dollars in revenue for public services that benefit everyone.

The government must take more substantial steps toward tax fairness and implement a broader package of reforms. A tax system where we all pay our fair share is an investment in a sustainable economy, in reducing inequalities, and in funding quality public services for generations to come.
THE BENEFIT OF using SPSD/M for this kind of analysis is that it may provides better detail on tax bracket differences between family members. This may lead to more precise tax benefit calculations and aggregate costs. SPSD/M also provides access to variables relating to labour contribution that may help separate small-business dividends paid for work compensation from those paid for tax avoidance (i.e., income splitting).

One drawback of using SPSD/M is that it does not provide a precise link to the previous work on this issue done by Wolfson et al. As with any SPSD/M model, unintended consequences may result from the integration of several surveys, including the Survey of Labour and Income Dynamics, T1 Family File, and the Labour Force Survey. SPSD/M completely ignores income splitting via wages, although a “reasonable test” already exists on salary or fee payments to family members under Section 67 of Income Tax Act, making non-eligible dividends the most likely source of income splitting. SPSD/M cannot distinguish non-eligible Canadian corporate dividends coming from different small businesses if those dividends are received by the same person.

As with the Wolfson et al. studies, family members residing outside of the family home are not captured as potential income-split recipients. Both approaches specifically focus on non-eligible Canadian corporate dividends, which SPSD/M embodies in its ididivie variable.

As a check on the results, Figure 7 compares the 2011 distribution of small-business dividends from Wolfson and Legree (2015) with SPSD/M 22.3 pro-
jected results for 2017. Results are compared based on deciles of individual pre-tax income, and on this basis the distributions appear similar. This is not the same as comparing detailed family construction, which is the basis for many of the calculations above, but it does provide some broad agreement in the data.

Given the difficulty of separating out small-business dividends (paid to family members for labour compensation) from simple tax avoidance, the distribution of several scenarios is examined. Each attempts to separate out income splitters from compensation for labour to determine if that changes the distribution of benefit. Each scenario below may substantially change the number of beneficiaries, the total amount of the benefit, and the average amounts of benefits as partially outlined in Table 1. However, the various scenarios do not seem to alter the broad distribution of benefits on a percentage basis. Several factors are likely leading each scenario to a similar distribution:

1. Small-business families tend to have higher incomes in the first place, focusing the benefit among higher-earning families.
2. Having a higher income makes it more likely that a person will split their income, as lower-income families rarely make enough to afford to have an adult stay home.

3. The right family construction is necessary to maximize income splitting. A family must have a spouse, adult child or older adult with little or no income to maximize income-splitting value. These types of families (i.e., couples, older families and families supporting outside adults) are likely to bring home higher incomes.

The five scenarios from Figure 8 are as follows:

1. The person receiving a dividend from income splitting worked less than two months in a year, and the family tax benefit was more than $1,000 (same as line 3 of Table 1).

2. All families receiving small-business dividends that have a positive tax benefit.
3. All families receiving a small-business dividend that see more than $1,000 in tax savings (this scenario is the one examined through most of the paper).

4. The person receiving a dividend was unemployed or out of the labour force and the family received a positive tax benefit.

5. The person receiving a dividend was unemployed or out of the labour force and the family received more than $1,000 in tax benefits (line 2 of Table 1).

Working with small, very specific populations of this nature may also lead to questions of statistical validity. The SPSD/M database is a combination of: the Survey of Household Spending (SHS), the Survey of Labour and Income Dynamics (SLID, to be updated to the Canadian Income Survey), the Labour Force Survey (LFS) and custom tabulations from the T1 Family File (T1FF) for high earners. Given its complex origins, evaluating statistical validity can be challenging. As a general rule, specific statistics should be backed by 25 SLID records and/or by additional T1FF sampling.

Table 2 provides an overview of statistical validity measures. The total SLID records for deciles eight and below fall under the 25-record threshold and should be used with caution. The additional T1FF sampling does not provide a buffer in these deciles as the coverage rate is 0%. However, the aggregate counts of families in these deciles is already low.

For the ninth and tenth deciles, the 25 SLID record threshold is reached. In the top 10% (income above $168,000), the SLID record threshold is reached even in small breakdowns below the decile level. In addition, for the top 5% and 1% of families having combined pre-tax income above $216,000 and $416,000 a year respectively, a substantial portion are receiving additional T1FF sampling, bolstering their validity.

Broadly, the conclusion should be that the estimates in the top two deciles, and particularly in the top 5%, are more statistically valid than the small counts present in the bottom eight deciles. In other words, statistical validity improves as one reaches the upper tales of the income spectrum due to the additional T1FF sampling.
### TABLE 2  Examination of statistical validity

<table>
<thead>
<tr>
<th>Economic family decile pre-tax income ranges including top 90–95, 95–99 and top 1 percentiles</th>
<th>Economic Family Count (000)</th>
<th>SLID Records</th>
<th>Families with additional T1FF sampling (000)</th>
<th>Families with additional T1FF sampling (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min-20587</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>20588–29510</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>29511–39682</td>
<td>0</td>
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<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>39683–50863</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>50864–63950</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>63951–79013</td>
<td>3</td>
<td>6</td>
<td>0</td>
<td>0%</td>
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<td>79014–98782</td>
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</tr>
<tr>
<td>98783–125473</td>
<td>10</td>
<td>16</td>
<td>0</td>
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<td>125474–168079</td>
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<td>45</td>
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<td>0%</td>
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<td>168080–Max</td>
<td>58</td>
<td>112</td>
<td>29</td>
<td>50%</td>
</tr>
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<td>168080–216025</td>
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<tr>
<td>216026–416469</td>
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<tr>
<td>416470–Max</td>
<td>14</td>
<td>33</td>
<td>13.1</td>
<td>96%</td>
</tr>
</tbody>
</table>

*Source*  SPSDM 22.3 (2017) Glass Box and author’s calculations. Counts include all families with > $1,000 in tax benefits from small business dividend income splitting.
Notes


5 This analysis is based on Statistics Canada’s Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the simulation results were prepared by David Macdonald and the responsibility for their use and interpretation is entirely that of the author.


8 See for instance the Canadian Medical Associations promotional video for their financial services arm: MD Financial Management, “Should I Incorporate My Medical Practice?”, Youtube.com starting at 1:50, https://www.youtube.com/watch?v=-oMSzZlAIs

9 Unfortunately, this may include people who are being compensated for capital invested and risk borne. However, there is no suitable way in SPSD/M to identify and isolate those individuals and families.

