



OPINION

We must preserve the tax advantages for owners selling businesses to employees

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As Prime Minister Mark Carney prepares his first budget this fall, he would do well to embrace a modest but powerful measure: the employee ownership trust. By extending this tax exemption, Canada can help ensure small businesses remain in the hands of Canadian owners.

Parliament created employee ownership trusts, or EOTs, in 2023 to help employees become owners. Under this model, a trust holds shares in a corporation on behalf of its workers, giving them a direct stake in the companies they've helped build.

A year later, the government added a pivotal incentive – a measure I was proud to sponsor in the Senate – allowing owners to claim as much as \$10-million in tax-free capital gains when selling to their employees through an EOT. Since these sales are typically paid out over time rather than in a lump sum, the exemption makes employee ownership financially viable.

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Canada got the structure right. But then we set a trap door beneath it: The \$10-million exemption expires on Dec. 31, 2026.

That is far too soon. Business succession is not a one-year exercise; it is a complex, years-long process that requires planning, financing and employee preparation. A premature cutoff risks forcing rushed sales or, worse, discouraging business owners from considering employee ownership at all.

With 2026 on the horizon, experts are urging the government to extend the tax exemption or eliminate the expiry date altogether. I emphasized this point earlier this summer at the Oxford Symposium on Employee Ownership in the United Kingdom.

As an economist and former central banker, Mr. Carney knows the stakes. At a minimum, the exemption should be extended to give business owners the time to understand and consider the model. The wiser course is to make it a permanent feature of our economy.

Amending the Income Tax Act in this way will deliver lasting benefits: stronger local economies, more productive businesses, better performance from employees and higher wages for middle-class families. Just as important, the widespread adoption of EOTs will strengthen Canada's economic sovereignty.

The need could not be more urgent. Over the next decade, three-quarters of small-business owners plan to retire or sell, yet only a fraction have succession plans in place. These businesses are the backbone of our communities and our economy.

Without accessible, community-rooted options, too many of these businesses risk being sold off to the highest bidder, often private equity or foreign buyers, instead of remaining in Canadian hands. The result? Jobs lost, communities weakened and Canadian wealth exported abroad.

EOTs offer a different path. They are not just a tool for succession; they are a safeguard for Canada's economic future. When employees become owners, decisions are made locally, profits are reinvested locally and the benefits stay with Canadian families.

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The world has already shown us what is possible. In the United Kingdom, EOTs now account for 10 per cent of all business sales. In the United States, employee ownership has generated more than US\$2-trillion in worker wealth. The common denominator? Their tax incentives do not expire. Denmark and Slovenia are moving in the same direction, embedding employee ownership as a cornerstone of economic policy.

Canada cannot afford to fall behind. If we give this policy room to breathe, more business owners will adopt it as part of their succession plans. Let us give our entrepreneurs the certainty they need. Let us give our workers the opportunity they deserve. And let us ensure that the companies that define our communities remain Canadian – not only until next year, but for generations to come.

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