

## Nourishing Our Nation: Raising Our Voice in the 2019 Federal Election

**When foodservice thrives, so do our communities.** A thriving restaurant sector is critical to the well-being of communities across Canada, contributing to jobs, investment, innovation, tourism, charitable causes and spaces for people to come together. Working with Restaurants Canada, the next federal government can help foodservice businesses continue **#NourishingOurNation**.

### KEY ISSUE: Passive Investment Income Threshold

Foodservice is comprised primarily of small and medium-sized business with an average pre-tax profit margin of less than 5 per cent. Many of these businesses rely on passive income, from interest earned on funds that they set aside and invest, as insurance against unforeseen costs and to help save for growth and expansion.

Furthermore, foodservice and hospitality businesses are often seasonal and subject to ups and downs. Restaurant sales can be especially impacted by poor and unpredictable weather. Passive investment income is essential to addressing this gap, providing a safety net in the face of frequent market volatility, and allowing businesses to remain competitive in an ever-changing economic landscape.

Tax rules need to take into account the impact of inflation and price increases on this indispensable nest egg for small foodservice businesses. The \$50,000 threshold that was recently introduced for passive investment income is not indexed to rise with inflation. This means foodservice operators could end up being discouraged from making investments to safeguard or grow their operations, as doing so could expose their business income to higher tax brackets.

### Restaurants Canada is calling on the next federal government to:

- **Index the passive investment income threshold to rise with the rate of inflation.** The current \$50,000 threshold and accompanying tax table for passive investment income should increase every year, in line with inflation. This will prevent small businesses from having their income taxed at higher tax brackets as a result of responsible investment decisions.

### CANADA'S FOODSERVICE SECTOR AT A GLANCE

- Our country's 98,000 foodservice businesses generate \$89 billion in economic activity each year.
- For every dollar spent in a restaurant, \$1.85 is spent in the rest of Canada's economy.
- With roughly 1.2 million workers, foodservice is the fourth-largest employer in the country.



### For more information:

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