CWCF
FCCT
CANADIAN WORKER CO-OP FEDERATION
FÉDÉRATION CANADIENNE DES COOPÉRATIVES DE TRAVAIL

12 September 2025 Via email

The Honourable François-Philippe Champagne, MP
Minister of Finance
Department of Finance Canada
90 Elgin Street
Ottawa, Ontario K1A 0G5

Dear Minister,

RE: Consultation on adding a $10 million capital gains exemption for qualifying sales of businesses to worker co-ops - August 15, 2025

Canadians are facing a challenging economic climate, marked by a high cost of living, increasing unemployment, and growing income inequality, notably for equity-denied groups. Small and medium-sized businesses are especially vulnerable to the combined pressures of the "Silver Tsunami" of business owner retirements and economic uncertainty. Disasters related to floods, fires and drought, exacerbated by climate change, have taken their toll as well. Addressing these complex challenges requires solutions that are both people-centric and planet-centric.

Worker co-operatives[1] are one such solution. As democratic enterprises based on mutual self-help, worker co-operatives are a democratic form of employee ownership built on the international co-operative values and principles. Worker co-operatives have a proven track record and a superior survival rate compared to other enterprises. Over 100 studies across many countries confirm that employee ownership is linked to:

1) improved firm performance and productivity,
2) greater job stability with fewer layoffs,
3) a measurable reduction in income inequality,
4) enhanced quality of work life due to greater control, aligned incentives, and stronger skills development.[2]

The UN has declared 2025 an International Year of Co-operatives, one of whose objectives is to encourage governments to create an enabling environment for co-operatives.

---

[1] They include, for CWCF: 100% worker-owned co-ops, multi-stakeholder co-ops ("*coopératives de solidarité*" in Quebec) with substantial worker control, and worker-shareholder co-ops.
[2] Study by Douglas Kruse, Rutgers University, 2016.

#104, 402 – 30 Ave NE Calgary, AB T2E 2E3 tel: (403) 276-8250
www.canadianworker.coop hazel@canadianworker.coop

The Canadian Worker Co-operative Federation ("CWCF") welcomes the Government's recognition of the advantages of employee ownership for succession planning as part of its commitment to building a strong economy and increasing productivity. Encouraging employee ownership also helps to keep Canadian enterprises in the hands of Canadians.

Budget 2024 committed to providing a $10 million capital gains tax exemption on sales of business shares to Employee Ownership Trusts ("EOTs") and worker co-operatives, along with other measures. Employee ownership is a solution for succession planning within small and medium enterprises (SMEs) that face closure if their owners do not sell the business. Generational renewal is a key concern as SMEs are owned by an aging population, and communities may experience job losses and loss of important local services without a plan for succession to new owners.

While legislation has already been passed to implement these measures for EOTs, it has not yet been extended to worker co-ops, although it is proposed for worker co-ops as of August 15, 2025. It is essential that worker co-ops remain a viable and robust option for SMEs converting to an employee-ownership model, and that Government facilitates the success of that option with a policy environment open to co-ops.

Our concern is that these provisions are said to apply for three years, expiring on December 31, 2026. By the time the legislation is enacted, there would likely be only about one year during which the provisions could apply to worker co-ops. This is insufficient time, given the complex process of converting a business to a co-operative.

The looming expiration of the capital gains tax incentive creates uncertainty, discouraging potential sellers from considering worker co-operatives or EOTs. We believe that the benefits of employee ownership are compelling enough that this measure should not be time-limited but continue indefinitely. A ten-year review period, as was done in the UK, could provide accountability without discouraging adoption.

We therefore respectfully urge the Government of Canada to:

- Ensure that worker co-operatives are included in the implementation of the $10 million capital gains exemption on equal footing with EOTs; and
- Make the provisions **permanent** for both worker co-operatives and EOTs, rather than letting them expire in 2026.

We greatly appreciate your government's recognition of employee ownership and your commitment to building a stronger, more resilient Canadian economy. We look forward to working with you to ensure worker co-operatives can continue to thrive as a vital part of Canada's economic fabric.

Sincerely yours,

Hazel Corcoran
Executive Director

cc: Mike Toye, Executive Director, Co-operatives and Mutuals Canada
Nancy Wanye, Senior Director, External Affairs, Co-operatives and Mutuals Canada
Jon Shell, Chair, Social Capital Partners