



**Pre-budget Submission in Advance of the 2024 Federal Budget
by Chartered Professional Accountants of Canada**

August 2023

Key recommendations for the federal government:

1. Smart tax and fiscal policy

- Establish a responsible and prudent fiscal framework that sets firm deficit reduction targets and timelines to return to a balanced budget.
- Adopt a principled approach to tax policy and administration.

2. Fighting money laundering and financial crimes

- Strengthen Canada's anti-money laundering efforts by introducing a national whistleblower reporting and protection framework.

3. Building a clean and innovative economy

- Ensure adequate funding is allocated to achieve the objectives and targets identified in the National Adaptation Strategy to adapt to Canada's changing climate.
- Remain committed to following through on two priorities announced in Budget 2023: bringing forward a concrete plan to improve the efficiency of the impact assessment and permitting processes; and developing a broad-based approach to carbon contracts for difference.
- Establish a cabinet committee to coordinate a proactive all-of-government approach to addressing artificial intelligence and other emerging technologies.

4. Supporting independent Canadian standard-setting

- Become a funding partner of the proposed new independent standard-setting entity in Canada.
- Support the Canadian Sustainability Standards Board (CSSB) as it plays a role in the uptake of the new sustainability standards issued by the International Sustainability Standards Board (ISSB), the global baseline for sustainability reporting.

Introduction

Chartered Professional Accountants of Canada (CPA Canada) is pleased to present its 2024 budget recommendations. CPA Canada is one of the largest national accounting organizations in the world, representing more than 220,000 members. Among its many activities, CPA Canada's mission is to act in the public interest and contribute to economic and social development.

Please find below our four pre-budget recommendations that we feel would benefit the Canadian society and the economy.

Smart tax and fiscal policy

Establish a responsible and prudent fiscal framework that sets firm deficit reduction targets and timelines to return to a balanced budget.

While we acknowledge the many demands on spending in this challenging economic environment, it is critical that the government focus on the highest priorities and make difficult decisions.

We also believe that the current fiscal anchor (declining debt-to-GDP ratio over the medium term) has provided too much flexibility in meeting any deficit targets and Canada's budgetary balance has worsened. The [2023 federal budget](#) added \$70 billion in new spending and, at the same time, abandoned the 2027-28 return to surplus, as promised last year in the [2022 Fall Economic Statement](#).

For the third year in a row, the [International Monetary Fund](#) has recommended that Canada adopt more binding fiscal constraints, including a debt anchor, and keep fiscal policy tight.

According to a recent [CPA Canada Business Monitor](#), only 12 per cent of surveyed CPA business leaders agree that level of spending in this year's federal budget was fiscally responsible. When asked to identify a timeline for balancing the federal budget, the largest group (38 per cent) would like to see the federal budget balanced within three years, while an additional 30 per cent indicated within three to five years.

Adopt a principled approach to tax policy and administration.

CPA Canada continues to believe that a comprehensive tax review, led by an independent panel, is essential to Canada's long-term economic growth. We are encouraged by the [Ontario Government's recent budget commitment to review the province's tax system](#) – with a focus on competitiveness, fairness, effectiveness and long-term growth – and we call on the federal government to do the same.

In the interim, we strongly recommend that the government adhere to a principled approach to tax policy and administration that is driven by purpose and vision, as opposed to politics and expediency. Simplicity, fairness, efficiency and competitiveness are among the most basic principles of a good tax system.

CPA Canada continues to hear from its members and the broader tax community that the pace and number of significant and complex changes in the tax system are extremely challenging and are adding to an already excessive regulatory and compliance burden on individuals, businesses and tax professionals. For example, while the Underused Housing Tax (UHT) is supposed to be aimed at only

non-resident, non- Canadians, there are many Canadians who will now be required to file a return(s) for each residential property owned or face a heavy penalty if they fail to do so. Similarly, under the new mandatory disclosure rules, which came into effect in June 2023, the compliance burden on taxpayers, advisors and others will significantly increase as a result of the new requirement to disclose more detailed information on certain tax planning strategies or transactions to the CRA. Moreover, the government's plan to impose a unilateral and interim Digital Services Tax (DST) on international or domestic companies, in advance of the OECD process being finalized, is fraught with serious problems – causing much uncertainty, more cost and burden to businesses and risk with our trading relations.

CPA Canada recognizes the Canada Revenue Agency's need for timely, comprehensive and relevant information, and supports the government's ongoing efforts to strengthen the integrity of Canada's tax system. However, it is essential that the government strike the right balance when developing tax policy to avoid putting more burden and costs on taxpayers and businesses than necessary, and other unintended consequences.

Fighting money laundering and financial crimes

Strengthen Canada's anti-money laundering efforts by introducing a national whistleblower reporting and protection framework.

While the federal government has taken steps on many fronts, there are additional strategic improvements which would strengthen the effectiveness of Canada's anti-money laundering efforts.

In comparison to other jurisdictions, Canada has yet to adequately focus on the valuable role of whistleblowing reporting and protection in the fight against financial crimes and for the escalation of other public interest disclosures. Specific to the federal anti-money laundering regime, a fundamental disconnect must be addressed where federal indemnity is of no value when being civilly sued, provincially, for whistleblowing. Additionally, rewards for speaking out must be contemplated so all members of the public, including private sector employees, have protection for a path forward while doing the right thing.

Major jurisdictions, such as the U.S., the European Union and the U.K., have whistleblower protection laws that support their anti-money laundering regimes and beyond, yet Canada's framework falls short. This gap undermines the effectiveness of the federal and provincial efforts necessary to combat the laundering of proceeds of crime.

Given the aspirations of the G20 to implement comprehensive and effective provisions for whistleblowers in the public and private sectors, CPA Canada is unclear as to how Canada can advance or improve its current position without a national framework that protects whistleblowers and provides rewards to those who identify and escalate public interest concerns, including money laundering.

Building a clean and innovative economy

Ensure adequate funding is allocated to achieve the objectives and targets identified in the National Adaptation Strategy to adapt to Canada's changing climate.

CPA Canada welcomes the recently finalized National Adaptation Strategy and associated action plan. These critical initiatives will prioritize and better coordinate climate adaptation actions between jurisdictions and make Canada more resilient to the effects of a changing climate.

However, achieving the goals, objectives and targets set out in the strategy will require additional adaptation funding in the coming years. Circling back to our earlier comments about setting priorities and maintaining fiscal discipline, adapting our country, our people and our economy to a changing climate should be a high priority.

Remain committed to following through on two priorities announced in Budget 2023: bringing forward a concrete plan to improve the efficiency of the impact assessment and permitting processes; and developing a broad-based approach to carbon contracts for difference.

Policy uncertainty remains a major impediment to businesses making the major long-term investments required to transition industries to low carbon operations. The announcements in Budget 2023 to address uncertainty around the assessment of resource projects and the future of carbon pricing were welcome measures to improve competitiveness. But the government must remain committed to following through on these measures with a sense of urgency or we risk that major investments will go to other jurisdictions instead of Canada.

Establish a cabinet committee to coordinate a proactive all-of-government approach to addressing artificial intelligence and other emerging technologies.

Technological disruption resulting from artificial intelligence and other emerging technologies presents as much challenge and opportunity for our economy and society as does climate change. And like climate change, it needs to be addressed holistically.

Too often, technology issues are compartmentalized and addressed within the siloes of an individual government department. Fully realizing the ambition of Canada's Digital Charter involves a range of policy tools implemented by various government departments in order to meet multiple objectives. A cabinet committee on technology would facilitate planning and collaboration across departments to better maximize the opportunities presented by technology and minimize the risks. Given the rapid developments in AI and its wide-ranging implications, we believe that establishment of a trustworthy AI accountability system should be prioritized.

Supporting independent Canadian standard-setting

Become a funding partner of the proposed new independent standard-setting entity in Canada.

High quality accounting, assurance and sustainability standards foster a common understanding of organizational performance and risks that ultimately impact the welfare of all Canadians. As such, they are a public good.

To ensure the integrity of the standard-setting process in the face of increasing and changing expectations, the Independent Review Committee on Standard Setting in Canada recommended the creation of an independent standard-setting entity to house the Accounting Standards Board, the Auditing and Assurance Standards Board, the Public Sector Accounting Board and the new Canadian Sustainability Standards Board. It also recommended a diversified funding model to strengthen its independence.

The Government of Canada should support the creation and ongoing viability of this independent entity by becoming a funding partner.

Support the Canadian Sustainability Standards Board (CSSB) as it plays a role in the uptake of the new sustainability standards issued by the International Sustainability Standards Board (ISSB), the global baseline for sustainability reporting.

The ISSB has issued its first two sustainability standards, one setting out the general requirements for disclosing sustainability-related financial information, and the other establishing requirements for identifying, measuring and disclosing climate-related risks and opportunities.

While the ISSB standards are voluntary at this point, they provide the information that investors, shareholders and other stakeholders have been requesting. They also reduce the confusion arising from different standards in the marketplace and will improve comparability of disclosures. We encourage the government to support the CSSB's work.

CPA Canada is pleased to have this opportunity to provide input to the Committee for its pre-budget consultation process leading up to the next federal budget.