



**Chartered Professional Accountants of Canada**

**Remarks to the**

**House of Commons Standing Committee on Finance**

**on the Pre-Budget Consultations in Advance of the 2018 Budget**

**September 27, 2017**

**Check against Delivery**

Thank you, Mr. Chair and Members.

I am Bruce Ball, Vice President of Tax at Chartered Professional Accountants of Canada, known as CPA Canada.

We are one of the largest and most respected national accounting organizations in the world, representing more than 210,000 Canadian chartered professional accountants at home and abroad.

Collectively, CPA Canada and the profession enable, champion and safeguard the Canadian ideal of good business that values inclusion, sustainable growth and social development in cultivating a healthy and thriving economy.

We are committed to:

- Acting in the public interest
- Contributing to Canada's economic and social development, and
- Enabling Canadians, businesses and the economy to succeed and prosper over the long-term.

Permit me to highlight some of our key priorities and recommendations for the next federal budget.

**First: Responsible fiscal management** – which includes a clear fiscal plan to balance the budget over the medium term.

**Second: An efficient regulatory environment for business** – with well-designed and streamlined regulatory processes that make it easier for businesses to comply, and which facilitates trade and enhances job and growth opportunities.

**Third: Human capital development** –

- For young people to have the skills to be resilient in times of rapid change
- For under-represented groups to have more opportunities in the workforce
- And for high-potential newcomers to be attracted to Canada and stay here

**Fourth: A national adaptation plan** that encompasses and coordinates, across all key players, all aspects of adaptation to Canada's changing climate. CPA Canada urges the government to develop such a plan in consultation with Canadian businesses.

**Fifth: Tax reform** – Because it is time for a comprehensive review of Canada's tax system.

CPA Canada has long-called for a top-to-bottom review of Canada's tax system. Many other national organizations, leading think tanks, economists and academics have joined the chorus. And, for the last four years, this committee has recommended that the federal government should simplify the Income Tax Act, and launch a national consultation process to accomplish this important task.

According to CPA Canada's recent Business Monitor survey, more than seven-in-ten business leaders in Canada agree that such a review is required.

With the government's proposed changes to tax planning involving private corporations, the call for a comprehensive tax review is growing even louder and more urgent.

CPA Canada fully supports the government's commitment to a fair tax system that is internationally competitive, supports economic growth and ensures that everyone pays their share so that all Canadians prosper. This is in the public's best interest.

However, in many respects, these proposals run counter to the basic principles of sound tax policy – fairness, simplicity, competitiveness, efficiency, certainty, appropriately targeted and consultative.

And, these proposals could undermine the government's focus on building an entrepreneurial, knowledge-based, and innovation-driven economy.

We believe that these tax proposals are not in the public's best interest.

There is also a significant disconnect in what the government is saying about these proposals and what Canadian experts, a number of stakeholders, and tax professionals – our members – are saying.

Among the many concerns, CPA Canada is hearing that these proposals will:

- Adversely affect many middle-class taxpayers, their families, small business owners and entrepreneurs.
- *(They will)* create barriers to business investment, innovation, entrepreneurship and job creation – harming Canadian competitiveness overall.
- *(They will)* add even more complexity and uncertainty to Canada's tax legislation.
- *(They could)* lead to inappropriate tax results in some situations due to their complexity.
- *(They will)* raise the costs of compliance, the overall costs of doing business and the government's costs to administer the tax system, including potential litigation costs.

- *(And they will)* undermine retirement and succession planning for small business owners.

These proposals also fail to provide enough time for taxpayers to bring their affairs in line with the changes.

These tax proposals represent major policy changes to rules that have been entrenched in Canada's tax system for decades. Yet, only 75 days was set aside for the public consultation process.

It is crucial to the public interest that the government examine all the implications and alternatives before enacting these proposals into law.

In fact, we urge the government to press the pause button on this consultation.

Instead, we encourage the committee to launch its planned study on a *Comprehensive Review of Canada's Tax System*.

In the almost half-century since Canada's last major tax reform initiative, the tax laws have seen layer upon layer of complex changes made without any consideration to the impact on the tax system and the public interest.

Now is the time to stop and take stock.

A fair, efficient and competitive tax system is essential to sustainable and inclusive economic growth.

To achieve it, we need a comprehensive tax review.

Thank you.