

Canada needs a tax review

Simpler, Fairer, Better Tax

Canada's last major tax review was concluded in 1967, it's time for a fresh look

Taxes are collected to pay for the high-quality government programs and services that make Canadians proud - like healthcare and education. A well-designed and administered tax system creates jobs and helps build a fair society.

Over time, the tax system can accumulate requirements that make it more complex and changing trends and technologies can make aspects of the tax system ineffective. All countries need to regularly review and reform their tax systems to make sure they are competitive internationally, and remain simple, efficient, and fair.



A Complicated, Bloated System

As an alternative to directly paying for government programs, governments often use the tax system to help meet particular policy goals. They do this by using incentives, credits, or deductions to promote certain behaviour, or provide boutique benefits for specific groups. As successive governments add their own credits and incentives, this makes the system increasingly complicated for the government to administer, and confusing for Canadians who file their taxes.

Over the last 50 years, Canada's tax system has accumulated a patchwork of credits, incentives and narrow fixes. Many of these measures had noble aims when introduced, but together have created a bloated, complex and inefficient system that is holding Canada back.

<p>209 federal tax expenditures (credits, incentives etc)</p>	<p> 131 hours to prepare and file taxes for a company (up from 119 hours in 2005) Norway is 83 hours¹</p>	<p> 3220 pages Canada's Income Tax Act</p>
<p> 53.5 million calls received by Canada Revenue Agency in the 2016-2017 tax year</p>	<p>17th Canada ranks 17th out of 35 OECD members in the International Tax Competitiveness rankings²</p>	

¹ https://data.worldbank.org/indicator/IC.TAX.DURS?year_high_desc=false

² <https://taxfoundation.org/publications/international-tax-competitiveness-index/>

Over 50 Years Since Last Major Tax Review

The last review of the tax system was concluded in 1967. Since then we have seen a revolution in how we live and work. Canadians travel, live and do business all around the world; we are living longer; technology plays a central role in our everyday lives; and the proportion of women working has doubled. We are on the brink of further massive technological disruptions which will bring major changes to the lives of Canadians.

Since 2015 countries like the United States, Australia, New Zealand, Japan, the Netherlands, and France have all launched or undertaken major reviews or reforms of their own tax systems to make their systems simpler, fairer, and more efficient. Countries around the world are significantly changing the way they collect tax so that their systems are better prepared to deal with the realities of a digital world where people, business, and money are much more mobile.

Getting Left Behind

The tax system plays a crucial role in delivering inclusive economic growth for Canada. A complicated system adds costs for taxpayers and administrators, creates loopholes and can contribute to tax avoidance or tax evasion. It also disproportionately impacts those least able to cope with the complexity like small businesses,³ middle-class families, and low-income Canadians.⁴

Other countries' reforms are in place and they are better positioned to compete for jobs and investment, and are more prepared for whatever the future has in store.

What We are Asking For:

1

Canada must launch a **full review** – led by an independent expert panel – of our tax system to ensure it is designed for the taxpayer, is internationally competitive, and with a goal of becoming one of the world's fairest, simplest and most efficient.

2

We must **design a process**, built around consultation and based on evidence, to ensure new and existing tax policies are well-designed, and deliver the benefits intended in the best possible way.

3

We must have **regular reviews** and subsequent reforms of Canada's tax system to keep it up to date and in tune with technology and societal changes.

Canada is Losing Ground

Many of Canada's international peers have recently undertaken comprehensive reforms or full-scale reviews of their tax systems.

The Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF) are recommending that Canada conduct a review of its tax system to ensure that it is efficient and competitive.

Canada needs a fairer, simpler and more efficient tax system to attract jobs, talent and investment.

Why Accountants Support a Comprehensive Tax Review

Accountants pride themselves on the high-quality, professional financial advice they give to Canadians. Navigating a complex tax system takes away time better spent on more productive activities like helping small businesses grow and giving people financial advice to plan for the future. Our view is that a simpler, more efficient tax system benefits everyone.

³ https://www.cfib-fcei.ca/sites/default/files/2018-01/2017-12_CRA-Report-Card_0.pdf

⁴ <https://www.cbc.ca/news/politics/working-income-low-poor-canada-revenue-agency-tax-benefits-1.4423280>