

An open letter to the leaders of Canada's federal parties¹

As each of your respective parties consider its public policy positions for the October election and the mandate of the next government, CPA Canada strongly encourages looking at the country's archaic and overly complex tax system.

The next government – no matter which political stripe – must act on the widespread calls for a comprehensive review to ensure our tax system is simple, fair and competitive for all Canadians, today and tomorrow.

Canada's tax system needs to be progressive and reflect today's modern economy. More than 50 years have passed since the last thorough review. Over that time, our tax system has accumulated a patchwork of credits, incentives and incremental changes. This has created a bloated, complex and inefficient system that is holding back Canada and Canadians.

With more than 217,000 Chartered Professional Accountants spread across ridings throughout Canada and in countries around the world, we see first-hand examples of the tax challenges people and businesses face in their everyday lives.

Canada's tax system is not delivering for Canadians

Canada's needlessly complex tax system makes it difficult for lower-income and vulnerable Canadians to access much-needed income supports. More than \$1.2 billion in federal benefits for low-income households goes unclaimed each year - including the Guaranteed Income Supplement, Canada Learning Bond and Canada Child Benefit.² Only 40 per cent of the 1.8 million Canadians living with severe disabilities, including a high proportion of seniors, claim the federal disability tax credit – according to a 2018 study.³ Tax complexity also makes compliance a real challenge, especially for those without resources to navigate the system.

Canada's high personal income tax rates and relatively low income thresholds have been cited as a barrier in attracting top talent and entrepreneurs. Canada's headline corporate tax rate advantage has been eliminated by U.S. reforms. While the temporary measures introduced in last year's Fall Economic Statement to boost business investment are a positive step forward against U.S. tax reforms, it remains imperative that the federal government address Canada's much broader tax competitiveness challenges.

¹ Includes the leaders of Canadian political parties currently represented in the House of Commons.

² Remarks by Elizabeth Mulholland, Prosper Canada, *Canada 2020 Tax Summit*, Ottawa, October 22, 2018.

³ <https://www.policyschool.ca/wp-content/uploads/2018/01/Disability-Tax-Credit-Dunn-Zwicker.pdf>



Canadians are being left behind, as other countries, including New Zealand, Australia, the United Kingdom and the United States, have moved forward with major tax initiatives – such as reforms or full-scale reviews to support growth, competitiveness and investment.

A fairer, simpler and better tax system is in the public's best interest

The mission of Chartered Professional Accountants of Canada (CPA Canada) is to act in the public interest. We believe that a sound tax system is essential to a competitive environment, inclusive growth and a fair society. Canada's tax system affects the daily lives of every Canadian. As such, we believe a full review of Canada's tax system lies squarely within the public's best interest. And it's clear Canadians are ready for it.

In a recent poll conducted by Nanos Research on behalf of CPA Canada:

- 81% of Canadians see a comprehensive tax review as a priority for the federal government – of those, 35% say it should be a high priority.
- Almost half (47%) of Canadians say the tax system has become more complex than it was 10 years ago.
- 60% of Canadians would prefer lower personal tax rates over special tax credits.

The views of Canadians do not sit in isolation. Parliamentary committees, national organizations – including the Canadian Chamber of Commerce, the Business Council of Canada, and the Canadian Manufacturers and Exporters – as well as leading think tanks, economists and academics all see the value in a comprehensive tax review. International bodies, such as the Organisation for Economic Co-operation and Development, are also urging Canada to review its tax system.

The way forward

Based on the many conversations we've had over the past several months, representatives from the political parties we have so far talked with all agree on the need for a comprehensive tax review. The question then becomes what action to take and when.

CPA Canada believes that a comprehensive tax review - led by an independent expert panel - should be launched by the next government within the first year of its mandate.

Appointed by the Finance Minister, ideally the panel would be comprised of a mix of senior members of the tax, legal, business, economics and academic communities, along with representatives of other key stakeholders. The review should be governed by clear terms of reference that set out a broad mandate for a transparent process of analysis and public consultation within a reasonable timeframe. The overall goal should be to deliver a set of achievable recommendations for the government.



With this letter, we hope to help put this discussion on solid ground by offering a set of four key principles to guide a tax review to serve Canadians' best interests: fairness, simplicity, competitiveness and efficiency. We also encourage you to read CPA Canada's latest research reports on our tax review initiative, including *The Best Way Forward: Designing a Tax Review for Canada*, which provides a blueprint for achieving the best results through a tax review in Canada.

CPA Canada wishes you the best for the election campaign ahead and looks forward to engaging with you on key public policy issues that are important to Canadians and our prosperity.

Yours truly,

A handwritten signature in blue ink, appearing to read "Bruce Ball".

Bruce Ball, FCPA, FCA, CFP
Vice-President, Tax
CPA Canada