



**Pre-budget Submission in Advance of the 2025 Federal Budget  
by Chartered Professional Accountants of Canada**

**August 2024**

## **CPA Canada's recommendations for Budget 2025:**

- 1. Implement a government-wide productivity agenda to focus public policy on securing Canadians' future prosperity.**
- 2. Adhere to a principled approach to tax policy and administration.**
- 3. Set a clear timeline for return to a balanced budget.**
- 4. Enhance the opportunities and minimize the risks presented by artificial intelligence and other emerging technologies, by introducing measures to accelerate adoption of technology and ensuring appropriate regulatory frameworks are in place.**
- 5. Support broader rollout across all sectors of the new sustainability disclosure standards to be issued by the Canadian Sustainability Standards Board (CSSB).**
- 6. Become a funding partner of the proposed new independent standard-setting entity in Canada.**
- 7. Strengthen Canada's anti-corruption and anti-money laundering efforts by introducing a national and comprehensive whistleblower reporting and protection framework.**

Chartered Professional Accountants of Canada (CPA Canada) welcomes this opportunity to present its recommendations for the 2025 federal budget.

## About CPA Canada

CPA Canada is one of the most influential accounting organizations in the world. Working with the provincial, territorial and Bermudian regulatory bodies, CPA Canada supports the profession and represents Canadian CPAs at the national and international levels.

Domestically, CPA Canada acts in the public interest to promote transparency in financial markets, prepare members for a rapidly evolving business environment through extensive guidance and programming, and contributes to standard setting and policy making.

Globally, CPA Canada works together with international bodies to build a stronger accounting profession worldwide.

## Productivity agenda needed to secure future prosperity

When the Bank of Canada's Senior Deputy Governor suggested it is "time to break the glass" on Canada's productivity "emergency", it added urgency to the ongoing debate in economic and public policy circles about Canada's lagging productivity rate. Canada's CPAs and the country's business leaders also see the issue as a priority.

But it's not just business and academia who are concerned. The Canadian public is finding it increasingly challenging to make ends meet, they worry about maintaining their present standard of living, and they feel pessimistic about the future. As the International Monetary Fund (IMF) noted in the Concluding Statement from its recent mission to Canada: "Addressing lagging productivity growth is critical to improving Canadians' living standards."

While the economy has continued to grow through the recent challenging years, our living standards (GDP per capita) have not. Recent high population growth is one factor that has contributed to both growing the economy and reducing GDP per capita.<sup>1</sup> The concern appears to be a preference by business to add labour, rather than investing the capital necessary to improve productivity and thereby improve living standards. We should be building a better Canada rather than simply a bigger one. To address this, the government should **implement a government-wide productivity agenda to focus public policy on securing Canadians' future prosperity.**

A government-wide productivity agenda would ensure that policies across government are aligned to support this priority. It would focus government policies on incenting and supporting businesses to grow sustainably, on adopting technology in both the public and private sectors, and on investing in our human capital – the potential of Canadians.<sup>2</sup>

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<sup>1</sup> Brassard, David-Alexandre, [Budget 2024 leaves the feds in an unenviable position](#), CPA Canada, April 3, 2024, and Nathan Janzen and Carrie Freestone, [Canada's economy might not be in a recession but it feels like one](#), RBC Thought Leadership, July 17, 2024.

<sup>2</sup> Bennett Jones, [2024 Mid-Year Economic Outlook: Saving, Investing and Productivity Growth](#), June 2024.

## A principled approach to taxation

CPA Canada, once again, strongly recommends that the government **adhere to a principled approach to tax policy and administration** that is driven by purpose and vision. This principled approach is enhanced when the government consults with, and carefully considers input from stakeholders while taking a reasonable amount of time to implement significant tax policy changes.

The change to the capital gains inclusion rate, announced in the 2024 federal budget, was implemented quickly without sufficient stakeholder consultation. Detailed legislation, rules or guidance were provided only two weeks before the effective date, leading to some uncertainty among Canadians regarding the implementation of this tax policy.

In CPA Canada's pre-budget submission a year ago, we expressed the frustration felt by many in the tax community about the number of significant and complex tax changes and how this was adding to an already excessive regulatory and compliance burden on individuals, businesses and tax professionals. The example we highlighted last year was the Underused Housing Tax.

A different tax change, the bare trusts reporting requirement, illustrated the same issue this year. While we appreciate the decision by the Canada Revenue Agency not to enforce the new rules for the 2023 tax year, making this decision much earlier would have avoided many Canadians spending hundreds or even thousands of dollars on professional fees to comply with the requirement and file the associated paperwork.

Efficient tax policy can benefit from ongoing dialogue with organizations like CPA Canada, that can provide insights and perspectives prior to the design and implementation of proposed tax measures. CPA Canada's vast network of experts, with knowledge of both tax policy and its practical implications, can provide critical advice and information about the costs and uncertainties associated with proposed tax changes.

Of course, the real solution to these issues is a comprehensive review of the entire tax system. CPA Canada continues to believe that such a review, given the independence and expertise needed to do the job and guided by the principles of simplicity, fairness, efficiency and competitiveness, is long overdue. Moreover, such a review is needed to reform the system to better meet the needs of a 21<sup>st</sup> century economy. It is also an opportunity to consider the tax system from an equity and inclusion lens and how it might promote economic reconciliation with Indigenous peoples of Canada. Finally, such reform is a necessary step to improve Canada's lagging productivity.

## Timeline required for return to budgetary balance

The Canadian government faces many pressing needs, but they can't all be addressed at once. A productivity agenda requires the fiscal discipline to put off some spending so that other investments can be prioritized.

One way to instill this fiscal discipline is to **set a clear timeline for return to a balanced budget** and remain committed to it. Balanced budgets are not a panacea, but governments must commit to consistently returning to balance over the medium term. Greater fiscal discipline is necessary to ensure that the financial resources are available to maintain core public services and support

intergenerational equity. It is also necessary to preserve the financial flexibility to address unanticipated crises.

## **Improve adoption of technology while protecting the public**

The Pan-Canadian Artificial Intelligence Strategy has succeeded in making Canada a global leader in AI research, but more attention is needed to the back end of that strategy – translating AI research into commercial opportunities and encouraging Canadian businesses to more proactively adopt AI and other technologies. The government should **enhance the opportunities presented by AI and other technologies by introducing measures to accelerate their adoption.**

It is important to note that, while related, commercialization and adoption serve different purposes and public policy should not conflate the two. Adoption by Canadian firms is necessary to improve productivity, even if the AI technology being adopted is not Canadian.<sup>3</sup>

While AI offers tremendous benefits, it also poses potential threats and can be used to serve illegal or unethical purposes. The government should **minimize the risks presented by AI and other emerging technologies by ensuring appropriate regulatory frameworks are in place.** Proposed legislation is progressing slowly through Parliament as elected officials work to address the complexities in a very technical bill. The AI framework would benefit from further consideration, but modernized privacy legislation is long overdue. Without it, our key trading partners may eventually impose restrictions on the movement of data to and from this country to protect their own citizens.

## **Support the adoption and fund the setting of standards**

Transparent reporting of an organization’s performance and climate-related risks is essential for its owners, employees, investors, customers and other interested and affected parties to make informed decisions. The Government of Canada was an early supporter of the International Sustainability Standards Board (ISSB), which has now issued its first two sustainability disclosure standards, which should greatly improve the quality and comparability of sustainability reporting around the world.

The government should continue to **support broader rollout of sustainability disclosure standards across all sectors of the economy.** Specifically, these should be the forthcoming Canadian Sustainability Disclosure Standards issued by the new Canadian Sustainability Standards Board. These Canadian standards are based on those issued by the ISSB to ensure global comparability for Canadian entities.

As the process for setting reporting and assurance standards in Canada evolves, it is critical to ensure that the standard-setting process remains both independent and financially viable. Standards are developed in the public interest and, as such, **the federal government should become a funding partner of the proposed new independent Canadian standard-setting entity** when it is established in the coming months.

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<sup>3</sup> International Monetary Fund, [Canada: 2024 Article IV Consultation – Press Release and Staff Report](#), pp 17-18, July 2024.

## **Strengthen anti-corruption and anti-money laundering efforts by protecting whistleblowers**

The federal government has taken numerous steps in recent years to strengthen Canada's fight against financial crime. Notably, the new federal beneficial ownership registry will play a key role in the country's anti-money laundering (AML) efforts, especially if all Canadian jurisdictions take up similar measures to create a pan-Canadian beneficial ownership effort.

Much more is still needed on the enforcement side, including launch of the promised Canada Financial Crimes Agency. Yet one important element of fighting financial crime continues to be underutilized. Those who have knowledge of illegal financial activity should feel safe and secure enough to expose that activity to the proper authorities. The government should **strengthen Canada's anti-corruption and AML efforts by introducing a national and comprehensive whistleblower reporting and protection framework** to enable disclosure without fear of retaliation.

This requires ensuring that individuals in both the public and private sectors and indeed the public at large, are protected from reprisals through civil actions. Canada needs to amplify the recognized value of those who take on the risk of speaking up in the public interest by providing the right legal framework and protections.

## **Conclusion**

Pre-budget consultations encourage bold new ideas; however, it is important to address unresolved past announcements, especially those related to the energy transition, to reduce uncertainty and encourage private sector investments before launching new commitments.

Thank you for this opportunity to present CPA Canada's recommendations for Budget 2025. We would welcome the opportunity to appear before the committee to elaborate on these ideas.