



Pre-budget Submission in Advance of the 2023 Federal Budget

by Chartered Professional Accountants of Canada

October 2022

Key recommendations

That the federal government:

1. Introduce a national whistleblower protection framework to fight financial crimes.
2. Increase support for SMEs by reducing the regulatory and compliance burden to help boost economic growth.
3. Improve service delivery within Canada's immigration system to help address labour market needs by speeding up the application process, cutting backlogs and doing more to ensure the success of newcomers after arrival.

Who we are

[Chartered Professional Accountants of Canada \(CPA Canada\)](#) works collaboratively with the provincial, territorial and Bermudian CPA bodies, as it represents the Canadian accounting profession, both nationally and internationally. This collaboration allows the Canadian profession to champion best practices that benefit business and society, as well as prepare its members for an ever-evolving operating environment featuring unprecedented change. Representing more than 220,000 members, CPA Canada is one of the largest national accounting bodies worldwide.

Central to our organization's mission is advocating on issues in the public interest which matter to Canadians, businesses, and the economy. CPA Canada strives to positively contribute to the public policy process in ways that align with the [Canadian Ideal of Good Business](#) – which values fairness, compassion, inclusiveness, and equality in cultivating a healthy society and thriving economy.

Introduction

The impacts of the COVID-19 pandemic continue to present serious challenges for both Canadians and our country's economic recovery. [CPA Canada's October 2022 Economic Briefing](#) found that the imbalance between demand and supply has led inflation to reach heights not seen in 40 years. We encourage the government to use Budget 2023 to address the rising cost of living and high household debt levels facing Canadians while aligning with the Bank of Canada's ongoing efforts to reduce inflation. CPA Canada acknowledges that demands for government investment are high, nonetheless it is paramount that the federal government implements a [fiscal anchor framework](#) to ensure the highest priority needs are met while the country's finances remain strong enough to withstand unanticipated shocks.

While the federal government recorded a \$10.2 billion surplus in its first fiscal quarter, we are concerned about its continued reliance on gradually reducing the debt-to-GDP ratio, without setting a range of limits or targets. Indeed, a recent [CPA Canada Business Monitor](#) found that 47 per cent of surveyed CPA business leaders reported feeling extremely or very concerned about the state of federal finances with only 16 per cent reporting being slightly or not at all concerned. When asked to identify the most important factor to ensure responsible fiscal management, the largest group (38 per cent) called for setting-up hard limits on government spending and indebtedness, while 25 per cent are looking for improved oversight and 21 per cent cited the need for an independent review of government spending.

1. **Strengthen Canada's anti-money laundering regime, including by introducing a national whistleblower reporting and protection framework**

Fighting money laundering and financial crimes requires a multi-pronged strategy. While the federal government has taken steps on various fronts, there are additional improvements which would strengthen the effectiveness of Canada's anti-money laundering regime. Three of the most valuable changes would be to: **introduce a national whistleblower reporting and protection framework** which is the central recommendation we propose; **facilitate greater information sharing between public and**

private sector regime participants within Canada; and enhance international co-operation and information-sharing to better understand the sources of funds coming into Canada. The latter two proposals were explored in “[Confronting Money Laundering and Terrorist Financing: Moving Canada Forward](#)”, the 2018 report by the House of Commons Standing Committee on Finance; these warrant reconsideration now.

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 on money laundering must be contemplated so members of the public and employees have protection for a path forward while doing the right thing. Of note, the Ontario Securities Commission provides financial awards to whistleblowers, as does the Anti-Money Laundering Act in the United States.

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. Recognizing the value of whistleblowing protections, including incentives, can encourage and enable the contribution of information to the anti-money laundering regime, and potentially to the proposed financial crimes agency.

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.

2. Increase support for SMEs by reducing the regulatory and compliance burden to help boost economic growth.

As global economies try to recover from the pandemic, and businesses try to return to normal operations, significant problems have emerged – including serious supply chain issues, labour shortages and increased borrowing costs, due to high inflation and rising interest rates. These challenges are exacerbated by ongoing issues businesses face in terms of excessive red tape and an overly complex tax system, both of which tend to disproportionately impact Canada’s small to medium-sized enterprises (SMEs). CPA Canada believes that the federal government needs to take a more proactive approach to supporting the SME sector by reducing the regulatory and compliance burden.

First, following on the Treasury Board’s legislated review of the *Red Tape Reduction Act*, **the government should further reduce the administrative burden and red tape on Canadian businesses;** this is based on the advice received during the 2019 public consultations on regulatory modernization and subsequently published in the November 2020 [What We Heard Report](#). In that report, stakeholders identified several horizontal themes that are important for improving regulatory efficiency and reducing the cumulative burden faced by businesses. The report also noted that stakeholders felt that the *Red Tape Reduction Act* has had little to no impact in reducing the overall regulatory burden. To address that, **the government should expand the scope beyond administrative burden to include broader regulatory burdens, including tax regulations and other requirements.** Integrating greater

consideration of regulatory efficiency and economic growth into regulatory mandates, including adopting [key principles identified in the consultations](#), would, we believe, help restore better balance to regulatory regimes.

Second, we draw attention to the work of the CRA's [Action Task Force on Small Business Issues](#) that was created to identify which administrative practice of the Canada Revenue Agency (CRA) imposed the greatest burdens on small businesses and to introduce a systemic approach to burden reduction across the CRA. In all, 61 action items were identified by the Action Task Force in its 2007 report, all of which were addressed by the CRA in its 2011 [Closing Report on Action Items](#). Over a decade has since passed, yet the paperwork and compliance burden remain a critical problem for the SME sector – an issue that the CRA and Finance Canada need to address in collaboration. CPA Canada encourages the CRA and Finance Canada to do so by **striking a Joint Advisory Panel on Tax Simplification for SMEs**, empowered to provide government with concrete solutions to significantly reduce the compliance burden imposed on SMEs once and for all.

Third, we recommend that **the Canada Revenue Agency (CRA) undertake a new round of *Serving You Better* consultations to continue making its programs and services more streamlined and client-centric and to address some of the more recent service challenges exposed during the COVID-19 pandemic.** Face-to-face, cross-country consultations with SMEs and accountants were held in 2012, 2014, 2016 and 2018 through this initiative and the *Serving Canadians Better* consultations, but understandably neither have continued since the onset of the COVID pandemic. However, those ongoing consultations provided an excellent opportunity for CPA members to provide input and insights on how the CRA can make it easier for them and their clients, including SMEs, to meet their tax obligations. Further, they have also led to a wide range of important practical improvements in the CRA's programs and services over the last several years.

3. Improve service delivery within Canada's immigration system to help address labour market needs by speeding up the application process, cutting backlogs and doing more to ensure the success of newcomers after arrival.

While unemployment in Canada is at historically low levels and demand for workers is high, a persistent skills gap is compounding struggles in the post-shutdown economy. We believe this provides an opportunity for the federal government to **leverage immigration policy to help address labour market needs; a key component of doing so must be ensuring that Immigration, Refugees and Citizenship Canada has the necessary resources to speed up application processing times while also reducing application backlogs.**

Additionally, Canada must do a better job of effectively integrating newcomers into the workforce after they arrive. While different jurisdictions, regulatory bodies, and employers all play a role in this, the federal government makes an important contribution through the Foreign Credential Recognition Program. The [2020 evaluation](#) of the program noted the ongoing need for federal leadership and coordination in this multi-jurisdictional regime. We encourage the government to build on the positive results of the Foreign Credential Recognition Loans Projects and the Canadian Work Experience Pilot which help to bridge gaps in newcomers' qualifications. According to the evaluation report, two-thirds of loan recipients would have taken more time to complete their credential plan if they had not had access to the loan program.

Conclusion

CPA Canada is pleased to provide input to the Committee for its pre-budget consultation process and looks forward to participating in the Committee's deliberations.