



AN OPEN LETTER TO CANADA'S POLITICAL LEADERS

To: Right Hon. Stephen Harper, P.C., M.P., Leader, Conservative Party of Canada;
Hon. Michael Ignatieff, P.C., M.P., Leader, Liberal Party of Canada;
Gilles Duceppe, M.P., Leader, Bloc Québécois;
Hon. Jack Layton, P.C., M.P., Leader, New Democratic Party;
Elizabeth May, Leader, Green Party of Canada.

From: Anthony Ariganello, CPA (DE), FCGA, President & Chief Executive Officer
Certified General Accountants Association of Canada

Date: April 2011

Subject: Canada's Economic Recovery and Growth

Canada is fortunate to have weathered the global financial crisis relatively well, but the recovery is fragile and our economy still faces significant long-term challenges. During this election campaign, CGA-Canada urges you to consider reforming two key areas of public policy – taxation and regulation. Our proposals will result in a much-improved business environment, particularly for the country's small and medium-sized enterprises (SMEs) which provide employment for more than 60 per cent of working Canadians and contribute significantly to Canada's GDP. These reforms will have similarly positive benefits for individual taxpayers as well. And, if done properly, they will also result in greater efficiency and cost reductions to government. Best of all, these are low-cost initiatives that are well suited to times of restraint.

Taxation Policy

CGA-Canada advocates for a tax system based on principles of fairness, simplicity and efficiency. Our tax rates should also be internationally competitive to ensure that our businesses are able to compete in a globally integrated marketplace, our country is able to attract investment and capital, and in order to discourage tax avoidance. Recent federal governments have demonstrated an appreciation of the need for a competitive tax system, however much still needs to be done to make the system more fair, simple and efficient.

Over the years, Canada's tax system has grown to become a convoluted tangle of rules, credits and exceptions that even the people who administer it find difficult to navigate. It is one of the more complex tax systems in the world and that has a negative impact on business competitiveness. The burden of complying with this complexity is most seriously felt by SMEs, who lack the resources of larger enterprises and must divert their attention from more innovative and productive pursuits.

CGA-Canada's view is that significant reform is required to streamline the tax system. The first step is to appoint a panel of experts to provide third party advice and an action plan to the government. Some of our key trading partners are undertaking such reforms with the objective of ensuring their tax systems are competitive and designed for 21st Century challenges.

One significant reason for our tax system's complexity is a backlog of unlegislated tax proposals that cause uncertainty for taxpayers, preparers and administrators. CGA-Canada believes the next government should introduce a "sunset provision" for unlegislated tax proposals. If a tax proposal is not legislated within a fixed period of time, the proposal would be deemed to have lapsed and would not be able to be reinstated retroactively.

Regulatory Burden

Many of Canada's CGAs own, work for, or provide services to small or medium-sized businesses. When they were asked in a recent survey about their views on entrepreneurship in Canada, the regulatory burden came in for much criticism. Just like Canada's tax regime, the country's regulatory system has evolved to become a vast mess of overlapping, costly and confusing requirements. The need for regulations to protect Canadians from legitimate health, safety, environmental and consumer protection threats is not contested. But the compliance burden is an overwhelming drain on the limited resources of SMEs. We simply must find smarter and more efficient ways to achieve the regulatory protections we desire.

CGA-Canada asks you to commit to a national red tape reduction target and an effective, transparent process for meeting that target. Furthermore, we recommend that the next federal government convene a Federal-Provincial-Territorial-Municipal meeting to agree on a cooperative framework for reducing red tape. Surveys consistently show that it is the cumulative effect of overlapping regulations that is the most onerous aspect of compliance. True progress depends on governments working together to reduce regulatory duplication.

Upcoming Challenges

These tax and regulatory proposals are low-cost initiatives with significant long-term benefits, meaning that today's tight fiscal environment is exactly the right time to undertake these measures. That's especially the case since there are a number of major challenges looming on the horizon, including:

- Renegotiating health transfers to the provinces;
- Adapting to the healthcare challenges of an increasingly older population;
- Creating long-term funding for cities and necessary public infrastructure;
- Providing pension and retirement income security; and
- Ensuring the sustainability of Canada's social programs as the country's population ages.

To date, there has not been enough discussion of these issues during the campaign and Canadians would benefit from hearing some frank talk about the challenges we face. CGA-Canada will continue to bring forward our research and the expertise of our members to issues where we can provide value.

In closing, on behalf of our members, let me extend a thank-you to each of you and all of your candidates and campaign workers. Canada needs talented, committed leaders to navigate the difficulties ahead and we appreciate the sacrifices that public life demands.

Best of luck to each of you on Election Day.

[Original signed by Anthony Ariganello.]