

## CPA Canada's Summary of the 2024 Fall Economic Statement (FES)

This afternoon, Liberal House Leader Karina Gould, tabled the federal government's 2024 Fall Economic Statement (FES) in the House of Commons.

Please find below a summary that highlights important FES measures of interest to the profession.

### Economy

The 2024 FES reports stronger-than-expected economic growth for 2024 and 2025, primarily fueled by historic population increases. While this growth is a positive driver for economic output, it is overshadowed by rising deficits, which are projected to worsen year after year. This trend raises serious concerns about Canada's long-term fiscal sustainability.

Deficits are being driven by \$25 billion in new spending over the next five years and a one-time \$21.8 billion liability write-off. Additionally, the federal government committed \$24.2 billion to new "priority" investments. Among these is a two-month GST holiday, costing approximately \$1.6 billion—a measure Canada can ill afford, especially as borrowed funds will accrue interest, adding further strain to public finances.

While robust population growth offers an opportunity to boost economic output, investments must be rigorously evaluated to ensure they deliver meaningful economic returns without exacerbating fiscal pressures.

CPA Canada is disappointed that the FES does not prioritize deficit reduction. The continued rise in deficits for 2024-2025 and beyond highlights an urgent need for more disciplined fiscal planning to secure Canada's economic future.

### Taxation

The government has proposed several tax measures aimed at fostering innovation, supporting clean technology, and enhancing equity in Canada's tax system. Key initiatives include:

- **Enhancements to the Scientific Research and Experimental Development (SR&ED) program:** Restoring pre-2014 eligibility rules for capital expenditures and introducing new measures to encourage innovation, with a new investment of \$1.1 billion. **A 10 per cent refundable EV Supply Chain Investment Tax Credit:** Designed to incentivize investments in buildings and structures used in qualifying EV supply chain segments.
- **Expanded capital gains rollover provisions:** Providing greater flexibility for reinvestments in small business ventures by expanding the program's eligibility.
- **Tax exemption for the Canada Disability Benefit:** Ensuring the benefit's full value is exempt to reduce impact on income-tested benefits and programs.



- **Development of automatic tax filing:** Aiming to improve access to benefits for lower-income Canadians by simplifying the tax process and establishing an automatic tax filing system.

CPA Canada is encouraged by these measures, which align with our recommendations to promote innovation and advance equitable tax policies. Investments like the extension of the Accelerated Investment Incentive (\$17.4 billion) and additional support for SR&ED (\$1.1 billion) reflect a commitment to entrepreneurship and economic growth.

However, previous tax measures still remain outstanding. The FES provides a list of outstanding tax measures including the **capital gains inclusion rate, Canadian entrepreneurs' incentive, clean economy investment tax credits** and the **alternative minimum tax**, which are essential for long-term financial planning and the integrity of Canada's tax system. Moreover, substantial progress is still needed on initiatives like trust reporting to ensure a level of efficiency is incorporated with the policy of transparency.

## **Business Growth**

The 2024 FES introduces targeted measures to drive business growth, enhance competitiveness, support small- and medium-sized enterprises (SMEs), reduce regulatory barriers, and foster economic integration.

- **The government's intent to introduce the Small Business Innovation and Procurement Act:** Federal departments and agencies will be required to procure at least 20 per cent of goods and services from Canadian SMEs, creating new opportunities and driving SME participation in government contracts.
- **Reinstating the Accelerated Investment Incentive:** To maintain Canada's competitiveness, the government is fully reinstating these measures for investments in manufacturing and processing machinery, clean energy, energy conservation technology, and zero-emission vehicles, fostering critical business investments and protecting Canadian jobs.
- **Red Tape Reduction Office:** Beginning in 2025-26, \$27.8 million over five years will establish a new office to modernize regulatory frameworks and reduce barriers. Priorities include eliminating outdated rules, improving accountability and transparency, and engaging directly with businesses through a dedicated feedback channel. Key sectors such as telecommunications, transportation, power generation, and healthcare will be prioritized.
- **Reducing Interprovincial Trade Barriers in Financial Services:** By incorporating financial services rules into the Canadian Free Trade Agreement, the government aims to facilitate the free flow of financial services across provinces, fostering a more unified national market. Ongoing collaboration with provinces and territories will ensure aligned policies and regulatory cooperation.



- **Unlocking Pension Investment Potential:** Removing the "30 per cent rule" will allow Canadian pension funds to hold more significant ownership stakes in Canadian entities, unlocking capital for innovation and economic growth.



## **Financial Crime and Anti-Money Laundering (AML)**

Today's FES, introduces several key measures with a view to strengthen Canada's financial system and combat illicit activities:

- **Strengthening Anti-Money Laundering (AML) and Anti-Terrorist Financing (ATF) Framework:** The government aims to amend the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) to improve enforcement, expand the scope of reporting entities, and introduce mandatory enrollment with FINTRAC. Additional measures include permitting FINTRAC to disclose information to assist in detecting illicit financing in Canadian elections and clarifying authorities for trade-based financial crime enforcement.
- **Enhancing Penalties and Compliance:** Proposed amendments to the PCMLTFA will target stronger penalties for financial crimes and support compliance with AML/ATF regulations.
- **New Taskforce and Interdepartmental Dialogues:** The government plans to establish a taskforce for law enforcement and the financial sector to combat high-end money laundering and launch dialogues with non-profits to enhance awareness and communication on these risks.

Enhanced AML measures are a critical step forward, especially as Canada undergoes its FATF evaluation in 2025-26. CPA Canada supports efforts to improve compliance, strengthen penalties, and foster collaboration between sectors.

## **Sustainability**

The 2024 FES outlines several key initiatives regarding sustainability and climate action:

- **Climate-Related Financial Disclosures:** The government intends to amend the Canada Business Corporations Act to establish a regulatory authority for climate-related financial disclosures from large, federally incorporated privately held corporations. This will align with existing requirements for federally regulated financial institutions and Crown corporations, and the government aims to harmonize these disclosures with those for publicly traded entities.
- **Canada Carbon Rebate:** The Canada Carbon Rebate for rural Canadians will be enhanced in 2024-25, with rural families eligible for an additional 20 per cent top-up. This will extend the rebate to approximately 1.6 million more rural Canadians, recognizing the higher costs of living in smaller communities.
- **Clean Electricity Tax Credit:** To ensure the Clean Electricity Investment Tax Credit benefits electricity ratepayers, provincial or territorial Crown corporations must commit to publishing energy roadmaps for achieving net-zero emissions by 2050.

## Data, AI, and Technology

The 2024 FES outlines two critical initiatives to bolster Canada's leadership in technology and innovation:

- **Securing Canada's AI Advantage:** The government introduces the \$2 billion Canadian Sovereign AI Compute Strategy, aimed at enhancing Canada's position as a global leader in artificial intelligence. This initiative will support world-class AI researchers and firms, fueling innovation and growth in this transformative sector.
- **Accelerating Digital Adoption for Small Businesses:** To empower SMEs, the government will provide financing and expertise to accelerate digital adoption, with a particular focus on integrating AI technologies. This initiative will help SMEs leverage digital tools to enhance productivity and competitiveness.

## Financial Literacy

The 2024 FES introduces several initiatives aimed at improving financial literacy and protecting Canadians:

- **Cracking Down on Predatory Lending:** The government proposes measures to prohibit the sale of credit insurance with payday loans and require payday loans to have a minimum term of 42 days with installment payment options.
- **Penalizing Predatory Debt Advisors:** Stricter penalties will be introduced for unlicensed debt advisors providing irresponsible advice on consumer proposals and bankruptcy.
- **Consumer-Driven Banking:** The government will support the adoption of new financial tools to help Canadians manage budgets, expenses, and savings goals more easily.
- **Improved Bank Accounts:** Modernized low-cost and no-cost bank accounts will be offered by at least thirteen banks, including Canada's six largest, with new \$0 and \$4 accounts available by December 1, 2025.

CPA Canada is encouraged that the federal government is taking measures to crack down on predatory lending.

## Other areas of potential interest for the profession:

**Foreign credential recognition:** The 2024 FES highlights efforts to create a more adaptable and resilient labor market by supporting newcomer integration, including removing the tax-exempt status of regulatory colleges that fail to accelerate credential recognition. A national credential recognition performance framework will be introduced, with details to be outlined in Budget 2025.

- **STEM education:** The government is investing in expanding STEM opportunities for high school students. The statement proposes \$3 million over five years to Shad Canada to enhance experiential learning programs in science, technology, engineering, and mathematics, with a focus on encouraging students to explore STEM careers and innovation. This investment aims to inspire more students, including those interested in **accounting**, to pursue their passions and career paths.

