



Funeral Service Association of Canada | Association des services funéraires du Canada

Written Submission for Finance Canada's Pre-Budget Consultations in Advance of the 2025 Budget



Recommendations

Recommendation 1

FSAC recommends that the Government of Canada amend the *Excise Tax Act* to add funeral services to the list of zero-rated supplies.

Recommendation 2

FSAC recommends that the Government of Canada restore the CPP Death Benefit to its original level of \$3,580 and tie it to inflation.

Introduction

For decades, the Funeral Service Association of Canada (FSAC) has led efforts urging the government to increase assistance in delivering crucial services to low-income Canadians. Because of the economic instability resulting from the COVID-19 pandemic, the worldwide effects of the Ukraine conflict, and associated supply chain challenges, inflation is anticipated to rise. FSAC asserts that every Canadian, regardless of financial standing, deserves respectful treatment and proper care of their remains after death—an essential societal responsibility in caring for the deceased.

The funeral services, cemetery, and crematorium sector has faced increased operational costs due primarily to inflation, outpacing adjustments to provincial and federal death benefits. Throughout the COVID-19 pandemic and subsequent years, the sector has strived to minimize expenses while ensuring operational sustainability, aiming to alleviate financial burdens on Canadian families during challenging economic times.

Traditionally, deathcare providers have supported low-income and disadvantaged Canadians by either donating services or significantly reducing costs, compensating for inadequately funded provincial or federal death benefit programs. However, these providers are also vulnerable to economic instability. Recent years have seen substantial changes in the profession, influenced by economic conditions and evolving cultural attitudes towards death and memorialization.

Adapting to evolving regulatory and licensing requirements poses an ongoing challenge for the sector, alongside investments in training, infrastructure, and compliance measures, which evolve in response to industry standards and consumer expectations. Given the current economic climate, many deathcare providers face heightened financial pressures, limiting their capacity to offer heavily discounted services to families in need.

The Funeral Service Association of Canada (FSAC) has long been a leading advocate urging the government to increase support for delivering essential services to low-income Canadians. FSAC believes that every Canadian, regardless of their financial situation throughout their lives, deserves respectful and dignified handling and commemoration of their remains after death. Essential services in Canada encompass those that fulfill basic societal functions. With inflation contributing to rising costs, this includes expenses associated with end-of-life arrangements.

Recommendation 1: FSAC recommends that the Government of Canada amend the Excise Tax Act to add funeral services (essential services) to the list of zero-rated supplies.

The loss of a loved one brings profound emotional and financial strain to families. This burden has intensified for families across Canada amidst an affordability crisis and rising inflation. The deathcare sector which encompasses funeral homes, crematoriums, cemeteries, and related service providers strives to provide end-of-life goods and services that honour diverse religious, spiritual, and cultural beliefs. The sector operates within a regulatory framework overseen by provincial and territorial authorities that includes licensing, environmental, health and safety, and consumer protection. The sector has undergone significant changes in recent years, driven by economic factors and shifting cultural norms surrounding death and commemoration.

Many deathcare providers are small businesses that are the backbone of our economy and have shown remarkable resilience, even in the toughest regulatory and economic climates.

Funeral costs (similar to other goods & professional services) are subject to inflationary pressures, causing prices to rise over time. Related goods such as caskets, urns, burial vaults, and memorial markers have risen due to factors like material costs and manufacturing expenses. Overall, the combination of economic factors, changes in consumer expectations, regulatory requirements, and regional dynamics all contribute to the rising costs of funerals in Canada. In recent years, certain provinces in Canada have seen an increase in unclaimed deceased individuals, as family members increasingly cite rising funeral expenses as a significant barrier to retrieving their loved ones' remains.

FSAC suggests a solution to ease this financial burden: amending the Excise Tax Act to exempt funeral services from GST. This change would zero-rate deathcare goods and services related to the care of the human body, aligning with similar VAT exemptions in the United Kingdom. These exemptions cover services such as the disposition of the remains of a deceased person; the making of arrangements for, or in connection with, the disposition of the remains of the deceased; the services of the funeral director in connection with a specific funeral of the deceased; disposition of the remains of the deceased usually by burial or cremation. This recommendation to amend the Excise Tax Act is crucial, given the increasing costs of end-of-life expenses and the strain on grieving families. By zero-rating essential goods and services, households could save an average of \$1,000 annually.¹ Extending this approach to essential deathcare services could significantly benefit bereaved families.

Proposals to remove GST from funeral services have repeatedly surfaced in Canada's Parliament through Private Members Bills across various political parties. We believe the government has an opportunity to enact a modest change to Canada's tax policy that would profoundly impact the lives of many Canadian families. Providing tax relief to make these services more affordable demonstrates a compassionate approach to taxation policy, offering support to Canadians during their most vulnerable moments.

Recommendation 2: FSAC recommends that the Government of Canada restore the 1998 CPP Death Benefit to its original level of \$3,580 and tie it to inflation.

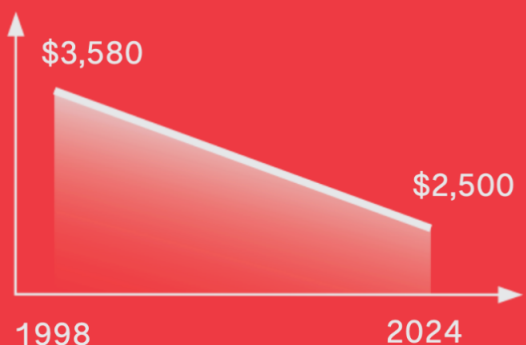
Canadians who have contributed to the Canada Pension Plan (CPP) during their lifetime are currently eligible for a lump sum of \$2,500 through the CPP Death Benefit. This \$2,500 amount is woefully inadequate and has remained stagnant since 1998. This amount is a reduction from the 1998 benefit of \$3,580 which was previously offered to serve the needs of Canadians. Since then, the amount has not increased nor been tied to inflation, therefore eroding its true value over time. In effect, the benefit has lost over 75 % of its value since 1998 due to inflation².

¹ Canadian Chamber of Commerce. Zero-Rating Essential Goods and Services: A Proposal to Reduce the Cost of Living for Canadians. 2019

² Bank of Canada inflation calculation since 1998, <https://www.bankofcanada.ca/rates/related/inflation-calculator/>

THE CPP DEATH BENEFIT IS WORTH 75% LESS TODAY DUE TO INFLATION

THE RATE DOES NOT COME CLOSE TO MEETING THE BASIC NEEDS FOR END OF LIFE ARRANGEMENTS, ESPECIALLY AFTER BEING TAXED.



If the benefit had been tied to inflation at \$2,500 in 1998, it would be valued at \$4,414 today. The original \$3,580 CPP Death Benefit would be worth \$6,321.79 today³.

The Federal Budget announcement on April 16, 2024, suggested that there would be a revision to the CPP Death Benefit. It was initially assumed that this would lead to an overall increase in available funds. However, further details revealed that the revision only raised the benefit to \$5,000 and is available exclusively to contributors with no survivors who have never received CPP payments. This means the enhanced benefit will affect very few, if any, and will not address the needs of vulnerable Canadians who rely on this benefit for end-of-life support. If changes are made to help some, similar support should be extended to others. As Canada's population continues to age, more Canadians will depend on the CPP death benefit for their loved ones.

In 2023, 178,000 Canadians received the CPP Death Benefit⁴, this number is estimated to increase to 218,000 by 2030 and continue to increase to an estimated 285,000 beneficiaries by 2040⁵. In addition, the ratio of 20-64 Canadians to Canadians 65 and over was 3.3 in 2022, however, it is expected to decrease to 2.6 by 2030 and will continue to decrease through 2070⁶. This will continue to place a financial burden on the next generations of Canadians looking to start their careers, buy their first homes, and care for their families as well as seniors and low-income Canadians. Increasing the CPP Death Benefit to reflect the reality of today and tomorrow is about ensuring generational fairness for all Canadians.

No matter the individuals' income, the need for end-of-life requirements touches every single Canadian. Our multi-cultural and diverse society necessitates appropriate and dignified care for every Canadian as they age and are faced with end-of-life requirements. That's why FSAC recommends that the Government of Canada restore the CPP Death Benefit to its original level of \$3,580 and tie it to inflation to prevent it from falling behind again as impacted by inflation.

With the current spike in inflation, high interest rates, and continued economic uncertainty, the government must continue to support our vulnerable populations. This restored death benefit would ensure that all Canadians can be better prepared to address end-of-life requirements. The good news is

³ Ibid.

⁴ OSFI. *31st Actuarial Report on the Canada Pension Plan*. December 14, 2022.

⁵ Ibid.

⁶ Ibid.

that the reform package agreed to by the federal and provincial governments in 1997 and the introduction of steady-state funding to replace pay-as-you-go financing in order to build a reserve of assets and stabilize the ratio of assets to expenditures over time makes this recommended change both affordable and appropriate. The current death benefit of \$2500 will cost the CPP fund \$459 million in 2024. The restoration of the 1998 benefit would represent a net difference in 2024 of \$199 million. Projected revenue vs projected expenditures make this consideration entirely possible and would serve the needs of aging and financially vulnerable seniors.⁷

About FSAC

The Funeral Service Association of Canada (FSAC) is the singular national association for funeral professionals representing funeral homes, cemeteries, crematoriums and suppliers from across Canada. One of the most important aspects of the deathcare profession is caring for the deceased in a dignified manner and guiding the bereaved through the many decisions that must be made when a death occurs. FSAC has been providing advocacy, leadership and education to funeral service professionals for over 100 years. We have enjoyed a good working relationship with the Government of Canada and its many departments on issues concerning veterans, seniors and all Canadians.

⁷ 2022 Office of the Chief Actuary, Actuarial reports Chart 1 Revenues and Expenditures - Base CPP, 9.9% legislated contribution rate (billions of 2022 constant dollars)