

**WRITTEN SUBMISSION FOR THE PRE-BUDGET CONSULTATIONS
IN ADVANCE OF THE 2019 BUDGET**

SUBMITTED BY: TAX-FILER EMPOWERMENT CANADA

List of Recommendations

- **Recommendation 1:** Clarify the respective roles and commitments of Canada's tax preparation and software industry and the CRA;
- **Recommendation 2:** Facilitate further collaboration and digital innovation between industry and the government; and,
- **Recommendation 3:** Achieve public policy objectives in a manner that best serves Canadians and does not impact the competitiveness and sustainability of industry.

Digital Tax Filing: Building on Government-Industry Collaboration

Recommendation

That the Government of Canada strengthen the competitiveness of Canada's tax preparation and software industry by implementing a framework agreement between industry and the Canada Revenue Agency (CRA).

Tax-Filer Empowerment Canada

Tax-Filer Empowerment Canada (TFEC) is the industry association representing leading firms within Canada's tax preparation and software industry. Established in 2018, TFEC advocates for an efficient, innovative, and responsible tax filing system that benefits Canadian taxpayers.

Summary

Over the past two decades, the partnership between our industry and the CRA has transformed the Canadian tax filing system by improving its efficiency and cost-effectiveness for the benefit of taxpayers. During this same period, our industry's growth has resulted in TFEC member companies providing employment opportunities for thousands of Canadians in professional roles such as tax preparation, finance, software development, and marketing.

Digital tax filing is the culmination of a successful partnership between our industry and the CRA that has served Canadians well. Moving from an all-paper system in the 1990s, now nearly 90% of taxpayers prepare and file their taxes digitally through industry do-it-yourself (DIY) software, with the assistance of professional tax preparers, or through accounting firms. This success is in large part a result of the CRA's establishment of digital tax filing platforms that permit our industry to create and offer convenient and trustworthy tax preparation and software options for timely and accurate tax filing. These tax filing platforms are known as EFILE and NETFILE and form the basis of our industry's partnership with the CRA.

The tax preparation and software industry is a proud participant in this unique and successful digital service delivery partnership with the CRA. This collaboration leverages industry's expertise and innovation to help simplify tax filing by facilitating the development of innovative tax preparation and software products and services for Canadians.

Digital returns filed through DIY software, professional tax preparers, and accounting firms benefit from automatic processing, resulting in millions of dollars in savings for the Government of Canada and freeing up resources within the CRA that were previously dedicated to manual review of paper forms. As a result, the CRA can further focus its efforts on critical issues such as investigations and tax evasion.

The Government of Canada's partnership with our industry helps to maintain what we believe is a critical separation of roles between the tax collector and that of the tax filer. This distinction of roles ensures objective and impartial tax administration permitting the CRA and Government of Canada to focus its efforts on tax policy, revenue collection, and assessing the accuracy of income tax returns, while our industry remains steadfast in providing user-friendly and competitively priced products to Canadians that help them achieve tax compliance and minimize their tax liabilities. To ensure that Canadians in need also have access to tax preparation and

filing, our industry offers a number of free solutions such as in-person volunteer tax clinics and complimentary DIY software.

Our industry is a strong proponent of the successful EFILE/NETFILE partnership; we believe it serves as a good “early adopter” example for innovative government digital service delivery to Canadians, and for helping to foster a vibrant and competitive tax preparation and software industry in Canada. We are pleased that the Government of Canada shares a similar perspective by recognizing that its beneficial partnership with our industry “has created an ecosystem where a variety of vendors are providing digital tax filing solutions, competing on the ease of their user interface and the features provided, and simplifying the tax filing experience for Canadians as a result.”¹

The EFILE/NETFILE partnership has yielded many successes; TFEC believes this partnership can be expanded, in part due to the Government of Canada’s renewed focus and commitment on enhancing digital services. This focus has been clearly demonstrated by the Treasury Board President and Minister of Digital Government, whose leadership is challenging government’s “old way” of thinking about service delivery in favour of innovative partnerships with industry that achieve public policy objectives more efficiently without financial risk to taxpayers.

TFEC is recommending that the Government of Canada implement a framework agreement between industry and the CRA that will seek to enhance Canada’s tax filing system through the following:

1. Clarify the respective roles and commitments of industry and the CRA;
2. Facilitate further collaboration and digital innovation between industry and the government; and,
3. Achieve public policy objectives in a manner that best serves Canadians and does not impact the competitiveness and sustainability of industry.

The benefits of establishing a formal framework agreement are significant for Canada’s tax preparation and software industry and Canadian taxpayers, who will benefit from an enhanced digital tax filing environment. A formal framework agreement will provide our industry with business certainty, and in turn additional confidence, to further invest in the Canadian economy and recruit additional technology and business talent. We are encouraged that the CRA has taken initial steps to develop and implement a framework with our industry, and we look forward to further collaboration with the government to achieve this policy objective in a timely manner.

The desires and expectations of Canadians with digital tax filing continue to evolve. The tax preparation and software industry’s innovative thinking and flexibility in conjunction with the establishment of a framework agreement that will help facilitate our industry’s growth and competitiveness, will allow industry to continue to meet the expectations of Canadians and further contribute to Canada’s economy.

¹ *Canadian Digital Service (Government of Canada) – 2017 Engagement Report*