

Driving Innovation and Productivity in Canada's Tax Filing System

*A Submission to the House of
Commons Standing Committee on Finance*

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H&R Block Canada

H&R Block Canada, Inc. is a subsidiary of U.S. tax preparation firm H&R Block, Inc.

Headquartered in Calgary with more than 1,200 retail locations and 7,000 full-time and seasonal employees throughout the country, H&R Block Canada is the largest tax preparation firm in Canada.

For more than 50 years, H&R Block Canada has provided expert tax advice and tax filing solutions to millions of Canadians.

H&R Block Canada strongly believes in giving back to the communities in which it operates. In recent years, H&R Block Canada staff have donated more than 60,000 hours nationally to local community initiatives across Canada including shelters, volunteer boards, and rotary clubs.

Executive Summary

H&R Block Canada believes the Government of Canada has an opportunity to further enhance Canada's tax filing system by advancing the following objectives:

- < Providing Canadians with an easier, more modern and convenient tax filing experience by developing a policy and regulatory framework that encourages further technological innovation and increases productivity within Canada's tax preparation and software industry; and,
- < Creating a collaborative partnership between the tax preparation and software industry and the Government of Canada that seeks to achieve tax filing policy objectives in a manner that best serves Canadians while not adversely impacting the competitiveness and sustainability of industry stakeholders.

Previous collaboration between our industry and the Government of Canada has yielded positive results, evolving Canada's tax filing system from a paper-based model to an advanced digital system. In the 2017 tax season, over 89% of tax returns were filed electronically in Canada with the assistance of tax professionals or by Canadians utilizing tax preparation software.

Notwithstanding this progress, H&R Block Canada is of the view that Canada's tax filing system can further innovate to encourage more Canadians to file their taxes and to facilitate growth, efficiency, and competition within Canada's tax preparation and software industry. Achieving these goals would spur additional employment opportunities for Canadians, encourage individual and corporate productivity, and generate further capital investment in Canada's economy.

Summary of Recommendations

In order to boost digital tax filing, increase industry productivity, and make it easier for Canadians to file their taxes, H&R Block Canada recommends the Government of Canada consider implementing the following steps:

1. Driving Innovation in Canada's Tax Filing System

- < Permit Canadians the option to provide electronic authorization/consent (as an alternative to providing a “wet signature”) to meet the requirements of the Canada Revenue Agency's (CRA) *T1013* and *T183* forms when preparing and filing their income taxes;
- < Expand the coverage of the CRA's EFILE system beyond the three years preceding the current tax season; and,
- < Permit tax preparers to electronically submit the *RC72* form directly to the CRA (via the CRA's *Rep-A-Client* service), and to Canadians through the CRA's *My Account*.

2. Serving Canadians in Need

- < Require organizations to issue tax slips and receipts earlier to Canadians by February 15th annually.

3. Enhancing Collaboration between the Government of Canada and the Tax Preparation and Software Industry

- < Establish a standing advisory committee comprised of representatives from the tax preparation and software industry, the CRA, other applicable government departments and agencies, and industry stakeholders.

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The current paper-based requirements of the CRA's tax filing process are cumbersome and inconsistent with Canada's increasingly digital tax filing system, and with the Government of Canada's policy priorities which indicate the CRA should "...support more Canadians who wish to file taxes using no paper forms."

As previously mentioned, the majority of Canadian tax returns are filed electronically. However, over 3.74 million tax returns were still paper-filed in 2017 (as at June 25th). Ongoing paper-filing in Canada is partially due to limitations embedded within CRA's EFILE system. The software system for electronic tax filing by tax preparers, EFILE will only accept electronic tax filing for the current tax year and the three preceding years. This means that tax preparation firms must paper-file multi-year tax returns for Canadians who are catching up in their tax filings in respect of years beyond this threshold. This process represents unnecessary inconvenience for many Canadians seeking to file multi-year tax returns, and is inefficient and costly for tax preparation firms and for the CRA to administer.

Other significant examples of CRA's outdated tax filing paper requirements that needlessly burden Canadians and tax preparers include the following:

- < Canadians are required to submit an original signed paper *T1013 Authorizing or Cancelling a Representative* form to grant a tax preparer authorization to deal with the CRA on their behalf for income tax matters. Tax preparers are also required to retain the original copy of the signed *T1013* form for CRA audit purposes;
- < Canadians are required to sign a paper *T183 Information Return for Electronic Filing of an Individual Income Tax and Benefit Return* form to authorize a tax preparer to file an income tax return on their behalf; and,
- < Tax preparers are required to mail a *RC72 Notice of the Actual Amount of the Refund of Tax* form to Canadians who obtain tax refund advances along with any subsequent *Notices of Assessment*. In some cases, tax preparers must also mail the *RC72* form to the CRA as well.

Paper-based requirements in Canada's tax filing system can be less secure than digital alternatives, and they also serve to constrain tax preparation firms from offering Canadians more modern and convenient tax filing products and services.

Driving Innovation in Canada's Tax Filing System

H&R Block Canada Recommendations:

- < Expand the coverage of the CRA's EFILE system beyond the preceding three years of the current tax season;
- < Permit Canadians the option to provide electronic authorization/consent (as an alternative to providing a "wet signature") to meet the requirements of the CRA's *T1013* and *T183* forms when preparing and filing their income taxes; and,
- < Permit tax preparers to electronically submit the *RC72* form directly to the CRA (via the CRA's *Rep-A-Client* system), and to Canadians through CRA's *My Account*.

Serving Canadians in Need

For the past three consecutive years, the CRA has postponed the activation date of its electronic income tax filing systems (EFILE and NETFILE), which has effectively resulted in delaying the commencement of Canada's tax filing season. These delays represent a significant barrier to Canadians in need who require timelier access to their income tax refunds.

Canadians seeking access to their income tax refunds sooner require earlier access to their tax slips and receipts in order to prepare their tax returns. To this end, H&R Block Canada recommends the Government of Canada require organizations to issue tax slips and receipts to Canadians earlier than the current February 28th deadline.

H&R Block Canada Recommendation:

It is recommended the Government of Canada require organizations to issue tax slips and receipts to Canadians by February 15th annually.

Enhancing Collaboration between the Government of Canada and the Tax Preparation and Software Industry

Among the Government of Canada's policy priorities is an objective to "offer to complete returns for some clients, particularly lower-income Canadians and those on fixed incomes, whose financial situation is unchanged year-to-year."

H&R Block Canada acknowledges the importance of ensuring lower-income Canadians file their taxes so that they receive the benefits they are entitled to.

Understanding that these benefits help increase individual productivity, H&R Block Canada is proud to offer free tax filing software during tax season to lower-income Canadians, and is exploring opportunities to support the Government of Canada's *Community Volunteer Income Tax Program* along with the Financial Consumer Agency of Canada's efforts to raise awareness amongst Canadians on the importance of tax filing.

H&R Block Canada believes that it is important for the Government of Canada to work closely with Canada's tax preparation and software industry to ensure strategies for achieving tax filing policy objectives are developed and implemented in a manner that best serves Canadians while not adversely impacting the competitiveness and sustainability of industry stakeholders.

H&R Block Canada Recommendation:

It is recommended the Government of Canada establish a standing advisory committee comprised of representatives from the tax preparation and software industry, the CRA, other applicable government departments and agencies, and industry stakeholders with a mandate to:

- < Identify partnership opportunities between the Government of Canada and industry stakeholders to increase productivity and further innovate Canada's tax filing system;
- < Promote further aggregate data-sharing between industry and the Government of Canada to assist more Canadians in filing their taxes (subject to privacy and freedom of information requirements); and,
- < Identify and advance opportunities to achieve tax filing policy objectives in a manner that best serves Canadians while not adversely impacting the productivity, competitiveness and sustainability of the tax preparation and software industry.

Conclusion

H&R Block Canada would like to express its appreciation to the *House of Commons Standing Committee on Finance* for the opportunity to provide input for the Committee's consideration in advance of Budget 2018.

H&R Block Canada believes the Government of Canada's endorsement of the policy recommendations contained within this submission will provide an opportunity to further modernize Canada's tax filing system for the ultimate benefit of Canadians in a manner which will enhance the competitiveness, productivity, and sustainability of Canada's tax preparation and software industry.

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