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## Policy Forum: Editors' Introduction— The Canada Revenue Agency as a Benefits Administrator

In the 2020-21 fiscal year alone, the Canada Revenue Agency (CRA) will deliver an estimated \$55 billion in payments under the Canada emergency response benefit and the Canada recovery benefit, and \$28 billion in payments under the Canada child benefit. It will also disburse the Canada workers benefit (CWB), the climate action incentive, and most provincial child benefits, as well as credits for Canadians with disabilities and other special needs.<sup>1</sup> The CRA's administrative infrastructure has allowed it to deliver these benefits at a low cost while achieving relatively high takeup rates. Moreover, the CRA has been able to deliver benefits without the stigma attached to traditional "welfare" programs.

With CRA-delivered benefits becoming an ever-larger part of Canada's income support landscape, getting the delivery of those benefits right is critical to the well-being of Canadians. An assessment of the CRA's benefit delivery is particularly timely at present, as calls for the introduction of a guaranteed basic income<sup>2</sup> raise the question of how such a benefit could be delivered. This Policy Forum presents three articles that examine the challenges that the CRA faces in benefit delivery and suggest ways in which the agency's benefit delivery capabilities could be enhanced in the future. The first two articles are by academics specializing in economics and public policy, and the third is by a tax practitioner.

Jennifer Robson and Saul Schwartz open the Forum with a discussion of the CRA's strengths and weaknesses as a benefit agency. While praising "the speed and ease" with which the CRA was able to launch several new income benefits during the COVID-19 pandemic,<sup>3</sup> they note two important weaknesses in the CRA's current operations. First, the CRA does not collect within-year income information, and so cannot adjust benefits quickly in response to changes in individuals' circumstances. Second, voluntary compliance in tax filing means that people who do not file an

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1 Canada, Department of Finance, Fall Economic Statement, November 30, 2020, at 119, annex 1 ([www.budget.gc.ca/fes-eea/2020/report-rapport/anx1-en.html#Fiscal-Projections](http://www.budget.gc.ca/fes-eea/2020/report-rapport/anx1-en.html#Fiscal-Projections)).

2 Gregory C. Mason, "How To Build a Better Canada After COVID-19: Transform CERB into a Basic Annual Income Program," *The Conversation*, June 28, 2020 (<https://theconversation.com/how-to-build-a-better-canada-after-covid-19-transform-cerb-into-a-basic-annual-income-program-140683>).

3 Jennifer Robson and Saul Schwartz, "Policy Forum: Should the Canada Revenue Agency Also Be a Social Benefits Agency?" at abstract.

income tax return do not get benefits. Robson and Schwartz argue that “a fundamental shift toward tax-agency reconciliation (TAR) is needed.”<sup>4</sup> This would involve the use of third-party information to determine a taxpayer’s tax liability and credits. With a TAR system, the CRA would be able to deliver benefits even to non-filers, thus reaching the most vulnerable Canadians and those in greatest need of benefits.

Robson and Schwartz are, however, cautious about the ability of the CRA to be all things to all people—to be both a tax collector and a deliverer of benefits. They note that the use of a TAR approach, while desirable from a benefit delivery point of view, might be resisted by for-profit tax preparers, who might face a loss of business. Moreover, the CRA does not have sufficient staff and other resources to provide “soft services,” such as helping benefit recipients with complex needs to navigate the system, especially the appeal process. Robson and Schwartz argue that, when soft service provision is important, the CRA’s best role might be providing information to another government body, rather than taking on a direct role in delivery.

Gillian Petit, Lindsay M. Tedds, David Green, and Jonathan Rhys Kesselman provide a perspective informed by the authors’ recent work on British Columbia’s Expert Panel on Basic Income. They concur with Robson and Schwartz’s view that the CRA has many advantages in benefit delivery, and identify the same key issues: not everyone receives the benefits to which they are entitled, and benefits are not sufficiently responsive to real-time fluctuations in income. Petit et al. are, however, more optimistic than Robson and Schwartz about the possibility of change, pointing to other countries that have successfully implemented pre-filled tax returns (where the tax authority fills out tax returns for taxpayers) and real-time reporting of earnings. They argue that a move toward pre-filled tax returns might take time; for example, it would be easier to implement for the employed than the self-employed. It might also necessitate other changes to the income tax system, such as increased use of standard deductions. However, they argue that these implementation challenges can be overcome with “proper leadership, attention to policy objectives, and learning lessons from other jurisdictions.”<sup>5</sup>

Hugh Neilson’s commentary on the two preceding articles provides a practitioner’s perspective. Neilson expresses concern with the increased burden associated with real-time reporting, and suggests that any requirements for more regular payroll filings be accompanied by simplification measures to offset some of the burden. For example, if real-time reporting were in place, the CRA could eliminate the requirement for employers to file annual T4 slips. Neilson also emphasizes the need for the CRA to be flexible in the setting and enforcement of reporting requirements. For example, the four-week reporting period for claims under the Canada emergency wage subsidy (CEWS) program created challenges for employers whose pay

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4 Ibid., at 94.

5 Gillian Petit, Lindsay M. Tedds, David Green, and Jonathan Rhys Kesselman, “Policy Forum: Re-Envisaging the Canada Revenue Agency—From Tax Collector to Benefit Delivery Agent,” at 114.

periods seldom lined up with the four-week, Sunday to Saturday period required to be used for CEWS purposes.

Neilson is less optimistic than Petit et al. about the possibility of implementing real-time reporting for the self-employed. While goods and services tax/harmonized sales tax returns and T4As have been suggested as potential sources for information on self-employment income, Neilson argues that neither is truly satisfactory. Yet, as he points out, some kind of reporting of self-employment income is vital if benefits are to be appropriately targeted toward those in need, as an increasing number of low-income workers—domestic workers, Uber drivers, and so on—are included in the ranks of the self-employed.

Given the challenges in moving toward a system of pre-filled tax returns or a TAR model, Neilson argues that more rapid action needs to be taken to reach out to vulnerable Canadians. He argues for greater outreach by the CRA to intermediaries who deal directly with members of vulnerable populations, to help them to access benefits.

Over the past 25 years, benefits have essentially been an “add-on” to the CRA’s tax collection activities. The structure of benefits—the timing of benefit adjustments, for example, and the calculation of benefit eligibility—has to a greater or lesser extent been determined by the structure of income taxes. Yet the articles in this Policy Forum show that we are reaching the limits of this tax-led model of benefit delivery. If we are to achieve goals such as expanding the CWB so that it forms the foundation of a basic annual income, or expanding the reach of benefits through the use of pre-filled tax returns, we may need to change the tax system, and the mandate and philosophy of the CRA, to better support the benefit system.

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