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## Policy Forum: Should the Canada Revenue Agency Also Be a Social Benefits Agency?

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### PRÉCIS

L'Agence du revenu du Canada (ARC) joue un rôle important dans le versement de prestations aux Canadiens, mais devrait-on élargir ce rôle? La rapidité et la facilité avec lesquelles l'ARC a lancé plusieurs nouvelles prestations de revenu pendant la pandémie de COVID-19 ont suscité la question de savoir si l'Agence devrait assumer un rôle beaucoup plus important en tant qu'organisme de prestations sociales, en plus de celui de percepteur d'impôts. Nous passons en revue les arguments pour et contre cette question, en notant les faiblesses importantes qui entravent déjà le rôle actuel de l'ARC dans le versement des prestations et qui seraient exacerbées si on élargissait ce rôle. Tout compte fait, nous concluons qu'un rôle élargi n'est pas le meilleur choix. Nous suggérons que l'ARC pourrait plutôt consolider l'une de ses forces — la collecte et le partage de renseignements — afin que d'autres organismes puissent administrer plus efficacement les prestations qui ne sont pas directement liées au régime fiscal.

### ABSTRACT

The Canada Revenue Agency (CRA) plays an important role in the delivery of benefits to Canadians, but should that role be expanded? The speed and ease with which several new income benefits were launched by the CRA during the COVID-19 pandemic have prompted the question of whether the agency should take on a much larger role as a social benefits agency, in addition to tax collector. We review the arguments for and against, noting important weaknesses that already impair the CRA's current role in benefit delivery and that would be exacerbated in an expanded role. On balance, we conclude that an expanded role is not the better choice. We suggest that the CRA might instead enhance one of its strengths—collecting and sharing information—so that other agencies can more effectively administer benefits not directly tied to the tax system.

**KEYWORDS:** CANADA REVENUE AGENCY ■ BENEFITS ■ ADMINISTRATION

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**CONTENTS**

Introduction	88
Two Important Weaknesses	90
The CRA Does Not Collect Within-Year Income Information	90
Voluntary Compliance in Tax Filing Means That Non-Filers Do Not Get Benefits	92
Two Other Potential Weaknesses of the CRA as a Benefit Administrator	94
The Potential Influence of For-Profit Tax Preparers	94
Public-Facing Services	96
Conclusion	97

**INTRODUCTION**

The Canada Revenue Agency (CRA) plays at least three central roles in the delivery of benefits to Canadians. First, and perhaps most visibly, the CRA directly administers several benefit programs, determining who is eligible and how much they should get, and then delivering the money. The Canada workers benefit (CWB), the climate action incentive, and both federal and most provincial child benefits—all are run by the CRA. More recently, several COVID-19-related benefits, such as wage subsidies payable to employers, have been distributed by the CRA.

Second, the CRA is an important source of information used by other government agencies to run their own programs. For example, the CRA provides annual income information to Employment and Social Development Canada (ESDC) for use in administering old age security (OAS) and the guaranteed income supplement (GIS), and for registered education savings plans.<sup>1</sup> To give just one provincial example, the government of British Columbia relies on information from the CRA to establish eligibility for its income-tested child-care benefit.<sup>2</sup>

Third, the CRA acts as a debt collector for other government bodies by enforcing compliance with program and benefit rules. For example, the administrator of the Canada student loans program relies on the CRA to communicate with borrowers in default, to withhold tax refunds as required, and to handle repayment arrangements as necessary.<sup>3</sup>

The use of tax agencies to deliver benefits, including benefits that have little relationship to the collection of taxes, is motivated by the relative regularity of tax

1 For a discussion of the CRA's role in the OAS and education savings programs, see Stephanie Ben-Ishai, Jennifer Robson, and Saul Schwartz, "Eligible Non-Participation in Canadian Social Welfare Programs" (2020) 64:3 *McGill Law Journal* 499-533.

2 Government of British Columbia, "Consent To Share Information for the Affordable Child Care Benefit" (<https://www2.gov.bc.ca/gov/content/family-social-supports/caring-for-young-children/child-care-funding/child-care-benefit/income-info>). If the person has not filed an income tax return for the last two years, an alternative "Income Declaration Form" can be used.

3 Government of Canada, "Repay a Study Loan—Can't Repay Your Loan" ([www.canada.ca/en/services/benefits/education/student-aid/grants-loans/repay/unable-repay.html](http://www.canada.ca/en/services/benefits/education/student-aid/grants-loans/repay/unable-repay.html)).

filing.<sup>4</sup> As a matter of course, most Canadians voluntarily file a tax return every year, reporting on their annual income and providing contact information. Moreover, third parties provide the CRA with additional information such as T4 slips for employment income and T5 slips for social assistance income.<sup>5</sup>

Congdon, Kling, and Mullainathan<sup>6</sup> argue that, in principle, setting up a separate bureaucratic apparatus to enrol citizens in benefit programs and to then administer those programs would be expensive and, more importantly, inefficient. They compare the takeup rate of 94 percent among eligible Americans for the earned income tax credit (EITC), administered through the tax system, with the 67 percent takeup rate among those eligible for the administratively separate food stamp program.<sup>7</sup> Here in Canada, Warburton<sup>8</sup> found that provincial programs to reduce health-care premiums for lower- and modest-income residents had significantly lower takeup rates when they required a proactive application directly to a provincial office compared to programs that were integrated with an annual tax return.

During the COVID-19 pandemic, the CRA took on a significantly expanded role in delivering monthly income support to self-employed workers, as well as wage and rent subsidies payable directly to employers and firms. But should the agency continue that expanded role once the emergency is over? For the CRA, an expanded role in benefit programs may create implementation burdens and may conflict with its primary focus on tax collection. A further shift in effort away from tax collection toward the provision of social benefits may also bring a whole new set of outside influences to bear.

For lower- and modest-income Canadians, interactions with the CRA have been, even pre-pandemic, an essential part of accessing several income benefits. Our own work on the extent to which Canadians lose benefits because they have not filed a tax return has found that an important share of working-age Canadians may not file

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4 William J. Congdon, Jeffrey R. Kling, and Sendhil Mullainathan, “Behavioral Economics and Tax Policy” (2009) 62:3 *National Tax Journal* 375-86 (<https://doi.org/10.17310/ntj.2009.3.01>).

5 These third-party forms are important in providing information for the automatic completion of tax returns and in substituting as information sources when a return is not filed or is filed incorrectly. For example, starting in 2019, the CRA has been able to use a new source of third-party information to automatically calculate a taxfiler’s eligibility for the CWB, even if the taxfiler does not proactively apply. Canada Revenue Agency, “Canada Workers Benefit (Working Income Tax Benefit Before 2019)” ([www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2018-equality-growth-strong-middle-class/canada-workers-benefit.html](http://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/federal-government-budgets/budget-2018-equality-growth-strong-middle-class/canada-workers-benefit.html)).

6 Congdon et al., *supra* note 4.

7 Congdon et al. note that this is the upper limit of estimated takeup rates: *ibid.*, at 382. Public data on EITC takeup in 2016 suggest a lower overall rate of 78 percent: see United States, Internal Revenue Service, “EITC Participation Rate by States” ([www.eitc.irs.gov/eitc-central/participation-rate/eitc-participation-rate-by-states](http://www.eitc.irs.gov/eitc-central/participation-rate/eitc-participation-rate-by-states)).

8 Rebecca N. Warburton, “Takeup of Income-Tested Health-Care Premium Subsidies: Evidence and Remedies for British Columbia” (2005) 53:1 *Canadian Tax Journal* 1-28.

a return and may not receive the ongoing benefits that the CRA directly administers.<sup>9</sup> In that work, we are primarily motivated, in thinking about the CRA's role, by a concern for benefit recipients rather than concerns about tax compliance. Those who rely most heavily on benefits directly administered by or otherwise verified with the CRA will be lower- and modest-income Canadians, and concerns about tax compliance and closing tax gaps will be less relevant.

## TWO IMPORTANT WEAKNESSES

While we are not suggesting that the CRA should get out of the business of directly or indirectly administering benefits, we want to emphasize two important weaknesses in its current operations.

### The CRA Does Not Collect Within-Year Income Information

First, in its current role vis-à-vis benefits, both as a provider of information and as a direct administrator, the CRA has been able to offer only end-of-year income information, gathered in a seasonal flurry of tax filing. During the COVID-19 pandemic, the CRA's lack of within-year information has created important constraints on how various relief benefits are designed and administered. For example, the Canada recovery benefit (CRB) aims to support self-employed and other workers unable to qualify for employment insurance (EI). The amount of the CRB should vary according to what work income a beneficiary earns. But because the CRA has information only on annual income, it can adjust the benefits, including the recovery of overpayments, only when beneficiaries file their annual tax return. As others have observed, relying so heavily on attestation and delaying verification until a tax return is filed will almost certainly lead to problems with administration and enforcement.<sup>10</sup>

Even pre-pandemic, many Canadians found that they needed to apply for benefits because their personal circumstances had changed in ways that their most recent tax return simply did not reflect. If real-time income information were provided to the CRA, benefits could be adjusted for meaningful fluctuations in income. In provincial social assistance systems and the EI system, benefits paid monthly or biweekly can be and are adjusted for changes in a beneficiary's circumstances, though often the emphasis is on reducing benefits paid in response to other income. But in the case of benefits directly administered by the CRA, amounts are generally adjusted only once a year. As a result, a benefit intended to reduce poverty when it strikes

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9 A non-trivial share of Canadians may not file a return, and as a result, benefits are not paid to otherwise eligible people. We have estimated the value of those unpaid benefits at over \$1 billion in 2016. See Jennifer Robson and Saul Schwartz, "Who Doesn't File a Tax Return? A Portrait of Non-Filers" (2020) 46:3 *Canadian Public Policy* 323-39 (<https://doi.org/10.3138/cpp.2019-063>).

10 Robin Boadway, "The Canada Recovery Benefit: Employment Insurance or Basic Income Guarantee?" *Finances of the Nation* (<https://financesofthenation.ca/2020/10/09/crb-ei-or-basic-income-guarantee>).

may be delayed by as much as 18 months following a sudden loss of income.<sup>11</sup> One relatively straightforward way to move toward collecting within-year income information for use in benefit administration is to ask employers to augment the monthly payroll information that they are already providing to the CRA. Currently, employers are required to report their aggregate monthly payroll (along with the total number of employees on payroll) and to remit certain deductions (including income and payroll taxes) collected at source.<sup>12</sup> Instead of aggregating payroll information across all employees, however, employers could report individualized information for each of their workers.

In other jurisdictions, detailed payroll information on an employee-by-employee basis is submitted to the tax agency throughout the year, ensuring that the government has detailed and timely individual-level information about workers. For example, this system—sometimes referred to as e-payroll—is in place in the United Kingdom, Ireland, and New Zealand. In the Republic of Ireland during the COVID-19 crisis, e-payroll has allowed employers to quickly and easily request a temporary wage subsidy, calculated by the tax agency, by simply adding a code to their existing monthly e-payroll submission.<sup>13</sup> By contrast, here in Canada, employers have had to complete a separate 12-step application and calculate their own subsidy each time they request the equivalent COVID-19-related subsidy, the Canada emergency wage subsidy (CEWS).<sup>14</sup> Some observers have noted that the CEWS system is complex and creates uncertainty for employers who worry that they may be asked to repay CEWS money if they have misunderstood the CRA's rules.<sup>15</sup> In the Irish system, the subsidy calculations are all done internally by the tax agency. In New Zealand, the e-payroll system provides detailed information on the employment earnings of individuals, across multiple employers and for specific periods of

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11 Benefits such as the Canada child tax benefit, GIS, and goods and services tax (GST) credit are readjusted in July using tax information for the previous calendar year (that is, starting in January of the previous year).

12 Canada Revenue Agency, “Employers’ Guide—Payroll Deductions and Remittances” ([www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4001/employers-guide-payroll-deductions-remittances.html](http://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4001/employers-guide-payroll-deductions-remittances.html)).

13 Government of Ireland, Office of the Revenue Commissioners, “General Information on the Temporary COVID-19 Wage Subsidy Scheme,” March 24, 2020 ([www.gov.ie/en/publication/f24dcc-general-information-on-the-temporary-covid-19-wage-subsidy-scheme](http://www.gov.ie/en/publication/f24dcc-general-information-on-the-temporary-covid-19-wage-subsidy-scheme)).

14 Canada Revenue Agency, “Canada Emergency Wage Subsidy (CEWS): Application Guide” ([www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-apply-guide.html](http://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy/cews-apply-guide.html)). The application also collects information to identify firms (or their accounting representative) through the usual payroll remittance system, but, unlike Ireland’s approach, the remittance system alone cannot be used to apply for the subsidy.

15 Jim Wilson, “‘Risk, Complexity’ for Employers with CEWS Extension,” *Canadian HR Reporter*, July 29, 2020 ([www.hrreporter.com/focus-areas/legislation/risk-complexity-for-employers-with-cews-extension/331939](http://www.hrreporter.com/focus-areas/legislation/risk-complexity-for-employers-with-cews-extension/331939)).

time, a useful tool for providing proof of income when benefits depend on real-time rather than last-year's income.<sup>16</sup>

We acknowledge that e-payroll cannot, on its own, capture all income from own-account self-employment. We suggest, however, that the missing information might be collected by other means, such as Payments Canada data or more regular and mandatory goods and services tax (GST) reporting on self-employment income.<sup>17</sup> At the very least, we see merit in exploring these and other mechanisms to capture important income flows outside traditional employer-employee relationships.

### **Voluntary Compliance in Tax Filing Means That Non-Filers Do Not Get Benefits**

As noted earlier, another limitation to the CRA's role in benefit administration, even setting aside the issue of within-year income information, is that not all Canadians provide the agency with an annual tax return. In fact, the absence of a complete and up-to-date register of all adult Canadians meant that the government of Canada was forced to use an application-based system to distribute emergency COVID-19 aid, rather than universal and pro-active payments that had been proposed by some.<sup>18</sup> The most recent speech from the throne unambiguously directed the CRA to address non-filing, including a commitment to introduce free and automatic tax filing for Canadians with simple returns.<sup>19</sup>

This commitment appears to be an important acceleration of rather modest past efforts to provide simplified filing. As an example of these past efforts, the CRA launched a pilot project in October 2016 to encourage filing to claim benefits among Canadians who had not filed a return in the two previous years. According to internal documents,<sup>20</sup> letters were sent to more than 260,000 taxpayers to describe various benefits that could be claimed and how to claim them, beginning

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16 New Zealand, Inland Revenue, "Understanding Your Income Summary in myIR" ([www.ird.govt.nz/income-tax/income-tax-for-individuals/understanding-your-income-summary-in-myir](http://www.ird.govt.nz/income-tax/income-tax-for-individuals/understanding-your-income-summary-in-myir)). While applications for income benefits such as New Zealand's job seeker's benefit (the equivalent to EI regular benefits in Canada) accept an applicant-provided printout from MyIR as proof of income, the benefits system in the country does not yet seem to automatically incorporate e-payroll information into benefits applications. See Government of New Zealand, Work and Income, "Online Application Process" ([www.workandincome.govt.nz/online-services/apply/online-application-process-mymisd.html](http://www.workandincome.govt.nz/online-services/apply/online-application-process-mymisd.html)).

17 Currently, most firms are required to complete monthly GST returns, including nil returns. Small suppliers are generally not required to submit returns more frequently than once annually.

18 Jennifer Robson, "Why Can't They Just Send Us All a Cheque," *C.D. Howe Institute Intelligence Memo*, April 3, 2020 ([www.cdhowe.org/sites/default/files/IM-Robson-2020-0403.pdf](http://www.cdhowe.org/sites/default/files/IM-Robson-2020-0403.pdf)).

19 Canada, Governor General, *A Stronger and More Resilient Canada: Speech from the Throne To Open the Second Session of the Forty-Third Parliament of Canada*, September 23, 2020, at 22.

20 Michael Snaauw, "Memorandum for the Commissioner: Non-Filer Benefit Letter Initiative" (Ottawa: Canada Revenue Agency, 2017). Released under access to information and available from the *Canadian Tax Journal* at [www.ctf.ca](http://www.ctf.ca).

with catching up on tax returns. As a result of this first pilot, 33,937 returns<sup>21</sup> were completed and \$27.3 million in unpaid benefits was sent to Canadians. CRA staff, however, warned the commissioner (the head of the CRA) that the initiative represented “a significant departure from the primary mandate and traditional program objectives of the [existing] Non-filer program,” which had traditionally aimed to increase “tax recovery” by targeting non-filers with unpaid taxes due.<sup>22</sup> The CRA has also introduced a program called “File My Return” that invites selected Canadians expected to have simple returns to complete their tax return through a telephone-based interactive voice system. While some 950,000 Canadians were invited to take part, only 47,195, or less than 5 percent, did so.<sup>23</sup>

Since the 2016 tax year, the CRA has allowed taxpayers to automatically complete much of their personal income tax return by accessing third-party information that the CRA already possesses.<sup>24</sup> However, this requires that taxpayers use software provided by for-profit firms, including firms that have publicly cautioned against a larger role for tax agencies in filing returns for citizens.<sup>25</sup> This is all in addition to the community volunteer income tax program (CVITP), which provides free in-person help with filing a return to qualifying low-income Canadians.

More recently, the Canadian Digital Service (CDS) worked with the CRA to develop an online service that would enable Canadians to file their returns for free.<sup>26</sup> Through a custom-built application that framed the return as an opportunity to access income benefits, participating Canadians would have been able to complete a simple return using a free service provided by the CRA. Background information on the project noted that recent and significant expansion of the CVITP program had not translated into a significant increase in returns filed in the low-income target population, for whom access to income benefits is likely to be quite important.<sup>27</sup>

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21 This figure includes returns for two years for the same taxpayer, so it cannot be used to estimate the response rate.

22 Snaauw, *supra* note 20, at 3.

23 Saul Schwartz and Jennifer Robson, “Dear Canada Revenue Agency, Please File My Taxes for Me!” *First Policy Response*, April 22, 2020 (<http://policyresponse.ca/dear-canada-revenue-agency-please-file-my-taxes-for-me>).

24 Canada Revenue Agency, “Auto-Fill My Return” ([www.canada.ca/en/revenue-agency/services/e-services/about-auto-fill-return.html](http://www.canada.ca/en/revenue-agency/services/e-services/about-auto-fill-return.html)).

25 Intuit Inc., United States Securities and Exchange Commission Form 10-K, For the Fiscal Year Ended July 31, 2019, at 9. See also Tax-Filer Empowerment Canada, “Advocacy” (<http://tfec-acdr.ca/advocacy>), which notes that the umbrella organization is seeking to maintain “clear separation between tax preparation and tax collection within Canada’s tax-filing system.”

26 For a description of the project’s purpose and background, see Canadian Digital Service “Claim Tax Benefits” (<https://github.com/cds-snc/cra-claim-tax-benefits>).

27 Canadian Digital Service, *Claim Tax Benefits*, CRA Minister Briefing (Ottawa: CDS, March 2020) (<https://github.com/cds-snc/claim-tax-benefits-documentation/blob/master/assets/pdf/cra-minister-briefing.pdf>).

This supports our conclusion, based on the pilot project using letters to encourage filing, as well as the “File My Return” and “Auto-Fill My Return” projects, that the CRA’s extant efforts to simplify and increase filing so that Canadians can access benefits have had only modest impacts. Development of the CDS software included successful preliminary testing but, according to materials prepared for the minister of national revenue, had not, as of March 2020, been given the authorization to proceed to a pilot test with low-income Canadians.<sup>28</sup> Perhaps the 2020 throne speech will result in an acceleration of those plans.

It may be that simplifying a return in this way and reframing the exercise in terms of access to cash benefits will yield a better result than previous efforts by the CRA. As we have written elsewhere,<sup>29</sup> we think that a fundamental shift toward tax-agency reconciliation (TAR) is needed. Systems that use TAR and related measures are common across Europe and around the world.<sup>30</sup> In those systems, the tax agency uses third-party information (such as the T4 slips already issued by employers) to determine a taxpayer’s tax liability and credits. Here we take particular note of the use of the word “automatic” in the government’s stated plans in the speech from the throne. Starting with lower- and modest-income Canadians who depend most on a tax return to access benefits, and building on the growing body of third-party information provided directly to the CRA, a TAR system would ensure that the benefits are not lost simply because a return was not filed, particularly when the CRA already has the information it needs on hand.

## **TWO OTHER POTENTIAL WEAKNESSES OF THE CRA AS A BENEFIT ADMINISTRATOR**

We have discussed two major weaknesses in the CRA’s efforts at benefit administration: (1) the practice of requesting only aggregated rather than detailed information in existing and regular within-year reporting systems; and (2) the fact that too many Canadians miss out on benefits because they do not file annual returns. To this list we add two more weaknesses that we think bear consideration in any debate over the best scope for the CRA in administering income benefits for Canadians.

### **The Potential Influence of For-Profit Tax Preparers**

We are concerned about the potential influence of the for-profit tax-filing industry on the CRA. Reducing the number of Canadians who do not file taxes and who

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28 Ibid. The penultimate slide in the presentation refers to unspecified obstacles in the partnership between the CDS and the CRA for this new application.

29 Schwartz and Robson, *supra* note 23.

30 A pay-as-you-earn (PAYE) system that aims to withhold the correct amount during the tax year is also a key feature. Canada’s withholding system takes a PAYE approach for those without self-employment income and with simple returns. For a discussion of TAR and PAYE, see William G. Gale and Janet Holtzblatt, “On the Possibility of a No-Return Tax System” (1997) 50:3 *National Tax Journal* 475-85.

would benefit by filing means moving further toward TAR. The seasonal flurry of annual filing underpins a multi-billion-dollar tax-filing industry in North America,<sup>31</sup> in which out-of-pocket costs to consumers have been steadily rising.<sup>32</sup> As one of the industry's largest firms recently warned its shareholders, policy changes that would provide free filing services to taxpayers create "competitive challenges," and government efforts to "replace the voluntary compliance tax system" could risk serious "harm [to] our Consumer business."<sup>33</sup> Unsurprisingly, the Canadian tax-filing industry has taken steps to protect its business interests by forming a national umbrella organization that is closely affiliated with its American counterpart<sup>34</sup> and by staying in close contact with the CRA.<sup>35</sup>

Whether these industry efforts have resulted in particular policy outcomes in Canada is impossible to know from public information. The tax-filing industry has made clear its opposition to shifting Canada toward a TAR rather than a voluntary compliance system. Government bodies can be prone to regulatory capture when well-resourced industries, with unique information assets, are able to use incentives, lobbying efforts, and cross-over of personnel between government and industry to help shape a regulator's conduct.<sup>36</sup> We see this as an important risk in the current context.

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31 H&R Block, "Investor Presentation—July 2020" (<https://investors.hrblock.com>).

32 An estimate of consumer costs for tax preparation services (for individuals, including unincorporated self-employed Canadians) is available from table 18-10-0021-01 (formerly CANSIM table 326-0030), "Accounting Services Price Index, Annual" in Statistics Canada's online data collection, and shows a substantial annual increase in prices (indexed to 2010) between 2010 and 2018.

33 Intuit Inc., *supra* note 25.

34 Tax-Filer Empowerment Canada (TFEC), "About Us," under the heading "Our Members" (<http://tfec-acdr.ca/about-us>). The US counterpart, the American Coalition for Taxpayers' Rights, is a founding member of TFEC and, owing to North American integration of the industry, several individual firms are members of both the Canadian and US organizations.

35 Using lobbying report information published by the Office of the Lobbying Commissioner for Canada (see Office of the Lobbying Commissioner for Canada, "Reports and Publications" (<https://lobbycanada.gc.ca/en/reports-and-publications>)), we note a pattern of significant and regular meetings between very senior industry representatives and senior government officials at the CRA. For example, the chief executive officer of H&R Block Canada met with senior executives of the CRA or political aides for the minister seven times, or roughly once every eight weeks, in 2019. TFEC also benefits from its engagement of a former commissioner of the CRA (2013-2016) as an executive adviser, reported in a news release issued January 17, 2020: "Andrew Treusch Named Executive Advisor to Tax-Filer Empowerment Canada/Association canadienne des déclarants de revenus," *Tax-Filer Empowerment Canada*, January 17, 2020 (<http://tfec-acdr.ca/andrew-treusch-named-executive-advisor-to-tax-filer-empowerment-canada-association-canadienne-des-declarants-de-revenus>).

36 Ernesto Dal Bó, "Regulatory Capture: A Review" (2006) 22:2 *Oxford Review of Economic Policy* 203-25 (<https://doi.org/10.1093/oxrep/grj013>).

## Public-Facing Services

The CRA is not currently structured to handle large volumes of complex benefit caseloads where review of exceptional files and handling appeals may be required. Another large federal body in charge of benefits is ESDC and its Service Canada arm. Comparisons of these agencies and the CRA with respect to several important features are illuminating.

One way to understand how an agency sets and fulfills priorities is to consider how it is resourced. In ESDC, fully 54 percent of the departmental workforce is working on benefit programs administered by the department.<sup>37</sup> By contrast, the CRA uses just 3.4 percent of its workforce on benefits, while 82 percent of its workforce is focused on tax compliance and collection.<sup>38</sup> While the CRA has some regional offices performing various functions, Canadians must primarily interact with the agency through call centres and online services. This may serve as an important obstacle for those Canadians who do not have the literacy, digital access, or confidence to navigate government services at a distance. By contrast, ESDC maintains a network of 611 local offices where Canadians can receive in-person help with a government program, including income benefit applications.

When Canadians want to dispute a decision on benefits administered by ESDC, they have recourse to an appeals process that includes internal reviews, and an arm's-length tribunal, the Social Security Tribunal (SST), before recourse to the courts.<sup>39</sup> For claimants who turn to the SST if they are dissatisfied with the internal review, the tribunal makes available a navigator service, through which appellants can speak with an adviser (a "navigator") who explains the process and answers questions, an important aspect of procedural fairness for clients who cannot find or afford a paid representative.<sup>40</sup> ESDC also publishes the administrative guidelines and principles that it applies when discretion might be needed to evaluate a claim for benefits.<sup>41</sup> This transparency and personalized guidance reduce the information asymmetries between benefit applicants and administrators, increasing the fairness of the process and supporting the accountability of the decision makers.

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37 Authors' calculations using full-time equivalent figures for 2020-21 for the following programs: EI, OAS and GIS, Canada Pension Plan, disability, and the total departmental workforce. Data published at Government of Canada, "GC InfoBase" ([www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html](http://www.tbs-sct.gc.ca/ems-sgd/edb-bdd/index-eng.html)).

38 Authors' calculations using full-time equivalent figures for 2020-21 for the "benefits" and "tax" areas of operations. Data published at "GC InfoBase," supra note 37.

39 Government of Canada, "Request for Reconsideration of an Employment Insurance Decision" ([www.canada.ca/en/services/benefits/ei/ei-reconsideration.html](http://www.canada.ca/en/services/benefits/ei/ei-reconsideration.html)).

40 Social Security Tribunal of Canada, "Navigator Service" ([www1.canada.ca/en/sst/innovation/nav.html](http://www1.canada.ca/en/sst/innovation/nav.html)).

41 Employment and Social Development Canada, "Digest of Benefits Entitlement Principles" ([www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/digest.html](http://www.canada.ca/en/employment-social-development/programs/ei/ei-list/reports/digest.html)).

The CRA has an appeals process that begins, like ESDC's, with an internal review, but those dissatisfied with the internal review must use the court system.<sup>42</sup> The CRA's public information on appeals is written primarily for an audience that wants to appeal the amount of tax they must pay, rather than an audience appealing decisions on income benefits. The CRA appeals process does include, like the EI process, an opportunity to informally present additional information in support of a claim, followed by a time-limited formal objection. However, as reports by the taxpayers' ombudsman have documented, the CRA has not always been clear and transparent in communicating acceptable forms of evidence when appealing eligibility for benefits.<sup>43</sup>

In the Tax Court of Canada, appellants can face a costly litigation process in which the direct and indirect costs may be much larger than the dollar value of the benefits involved. Although the Tax Court offers informal proceedings designed for self-represented litigants, there is no CRA equivalent of the personalized navigation service provided by the SST. Furthermore, self-represented litigants face a significant information asymmetry in the Tax Court when it comes to appealing a benefit decision. The CRA does not make the full text of its internal guidelines publicly available,<sup>44</sup> whereas Service Canada does publish a detailed digest of benefit principles.<sup>45</sup> To be able to complete its mandate on tax compliance, the CRA has an organizational incentive to maximize information asymmetries, so as to discourage tax avoidance. But those imperatives on tax compliance are not compatible with a citizen-oriented approach to appeals on income benefits.

## CONCLUSION

We believe that the CRA has an important role to play in delivering benefits to Canadians. But the CRA has important weaknesses. It is not well equipped to provide

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42 Canada Revenue Agency, "P148 Resolving Your Dispute: Objection and Appeal Rights Under the Income Tax Act" ([www.canada.ca/en/revenue-agency/services/forms-publications/publications/p148.html](http://www.canada.ca/en/revenue-agency/services/forms-publications/publications/p148.html)).

43 J. Paul Dubé, *Proving Your Status: Establishing Eligibility for the Canada Child Tax Benefit, Ombudsman Special Report* (Ottawa: Office of the Taxpayers' Ombudsman, October 2010); and Sherra Profit, "Review of the Impact of the Administration of the Canada Child Benefit," August 7, 2019 ([www.canada.ca/en/taxpayers-ombudsperson/programs/reports-publications/memoranda-minister/review-of-the-impact-of-the-administration-of-the-canada-child-benefit.html](http://www.canada.ca/en/taxpayers-ombudsperson/programs/reports-publications/memoranda-minister/review-of-the-impact-of-the-administration-of-the-canada-child-benefit.html)).

44 The CRA does publish technical information on a range of tax topics such as excise duties and GST. However, after reviewing the current information circulars and tax folios on the CRA's website, Canada Revenue Agency, "Current Publications" ([www.canada.ca/en/revenue-agency/services/tax/technical-information/income-tax/current-publications.html](http://www.canada.ca/en/revenue-agency/services/tax/technical-information/income-tax/current-publications.html)), we were only able to locate technical information on the disability tax credit and medical expenses tax credit as items that may be of relevance to lower-income filers who rely on refundable credits and income-tested benefits.

45 *Supra* note 41.

“soft services” to help with complex needs or to provide transparent benefit review. When these features are important, the CRA’s best role might be providing information to another government body, rather than taking on a direct role in delivery. Other agencies can staff local offices to help resolve problems or answer questions, as well as operate well-governed and transparent mechanisms of appeal. In addition to these in-person government services, we also see a need for non-government and community-based organizations to provide more intensive services, particularly for those Canadians who face multiple barriers or have complex needs.

Even without expanding its current role, the CRA can move forward by improving the collection of real-time information and moving more quickly toward a TAR system. Given the CRA’s expertise and proven capacity to issue large volumes of individual payments, it has an important role as the agency that issues cash payments, even if another body determines the amount of those payments.

Improving the CRA’s role in benefit administration would substantially enhance the ability of governments to deliver benefits more responsively.