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# Expansion of SimpleFile by Phone and the implementation of an automatic tax filing system



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER  
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

The Parliamentary Budget Officer (PBO) supports Parliament by providing economic and financial analysis for the purposes of raising the quality of parliamentary debate and promoting greater budget transparency and accountability.

This report provides an analysis of the budgetary impact of expanding the SimpleFile by Phone service offered by CRA as well as a proposed new automatic tax filing service in response to a request from Senator Percy Downe.

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**Yves Giroux**

**Parliamentary Budget Officer**

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# Highlights

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In Budget 2023, the Government announced its intention to increase the number of Canadians eligible for SimpleFile by Phone to two million by 2025, as well as to introduce a new automatic income tax filing service.

PBO estimates that the cost of expanding the SimpleFile by Phone service will amount to \$2 million over the projection period.

Assuming that CRA deploys an automatic tax filing service through which it completes the tax return of all non-filers on whom it holds sufficient information, the amount of additional government benefits that could be paid to non-filers through the service is estimated to range from \$1.6 billion in 2024-25 to \$1.8 billion in 2028-29.

The total administrative cost of implementing and operating an automatic tax filing system is estimated to range from \$57 million in 2024-25 to \$65 million in 2028-29.

# Summary

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In response to a request from Senator Percy Downe, this report provides an analysis of the budgetary impact of expanding the SimpleFile by Phone service offered by the Canada Revenue Agency (CRA) as well as a proposed automatic tax filing service.

In Budget 2023, the Government announced that it will increase the number of invitations sent for SimpleFile by Phone to two million by 2025. The service allows selected low-income individuals to file their tax return over the phone by answering a short list of questions.

The Government also announced in Budget 2023 its intention to pilot a new automatic tax filing service in 2024. While the final phase of the automatic tax filing system has not yet been defined, the government announced in March 2024 that it will pilot a digital and paper version of its SimpleFile service in all provinces and territories starting in summer 2024.<sup>1</sup> The digital and paper options of the service are set to target lower-income individuals who do not file their tax return or who have gaps in their filing history. The CRA has indicated that it will continue to hold consultations with experts and various stakeholders to develop the next phase of the automatic tax filing system and will provide an update on its progress in fall 2024.

In addition to the administrative costs incurred by the CRA for its development, the implementation of an automatic tax filing service would generate costs related to the government benefits paid to individuals who otherwise would not have filed a tax return and foregone the benefits to which they were entitled. In this report, the Parliamentary Budget Officer (PBO) provides an estimate of the amount in Canada Child Benefit (CCB), Canada Workers Benefit (CWB) and Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit that could be distributed to non-filers by the CRA through an automatic tax filing service.

The PBO estimates that the cost of expanding the SimpleFile by Phone service will amount to \$2 million over the projection period. Assuming that CRA deploys an automatic tax filing service through which it completes the tax return of all non-filers on whom it holds sufficient information, the total administrative cost of implementing and operating the service is estimated to range from \$57 million in 2024-25 to \$65 million in 2028-29. In addition, the amount in government benefits that would be paid as a result of implementing the service is estimated at \$1.8 billion in 2028-29. The overall cost is projected to reach approximately \$9 billion over a 5-year period.

## Summary Table 1

Total cost of the expansion of SimpleFile by Phone and the automatic tax filing system, millions of dollars

Fiscal Year	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Administrative cost – SimpleFile by Phone	1	1	-	-	-	-	2
Administrative cost – Automatic tax filing system	-	57	59	61	63	65	306
Canada Child Benefit – Automatic tax filing system	-	675	697	720	743	767	3,602
Canada Worker Benefit – Automatic tax filing system	-	255	263	272	280	289	1,359
GST/HST credit – Automatic tax filing system	-	695	717	741	765	789	3,706
<b>Total cost</b>	<b>1</b>	<b>1,682</b>	<b>1,736</b>	<b>1,793</b>	<b>1,851</b>	<b>1,911</b>	<b>8,974</b>

Source:  
Office of the Parliamentary Budget Officer.

# Background

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Since 2018, the CRA has offered the automated phone service SimpleFile by Phone, previously named File My Return, allowing low-income Canadians to file their tax return over the phone by answering a short list of questions. In Budget 2023, the Government announced its intention to increase the number of Canadians eligible for SimpleFile by Phone to two million by 2025, as well as to introduce a new automatic income tax filing service.

The CRA does not legally require everyone to file a personal income T1 tax return. For example, individuals with no tax payable for the year are generally not required to file unless they have self-employment income, capital gains or some benefit repayment due.<sup>2</sup> However, many government benefits, including the Canada Child Benefit (CCB), Canada Workers Benefit (CWB), GST/HST credit and Canada Carbon Rebate (CCR), among others, are only distributed to individuals who file a tax return.

A study by Robson and Schwartz (2020) found that between 10 and 12 per cent of Canadians do not file a tax return annually and may consequently miss out on benefits to which they would otherwise have been entitled.<sup>3</sup> When measured two years past the filing due date, the non-filing rate is slightly lower according to internal research conducted by CRA.<sup>4</sup> The implementation of an automatic tax filing system would enhance CRA's capacity to deliver government benefits to some of the individuals who currently miss out by not filing.<sup>5</sup>

The CRA gathers a large amount of detailed data from third parties through income tax slips. This information can then be used to offer services like SimpleFile by Phone and Auto-Fill My Return<sup>6</sup> for example. There are, however, many sources of complexity<sup>7</sup> that can apply to a taxpayer that CRA cannot directly observe. This can pose a barrier for the agency in independently assessing the taxpayer's eligibility to different non-refundable tax credits, deductions, or their overall tax liability. Nevertheless, in the case of individuals in simple and non-taxable situations, the CRA is likely to hold sufficient information to be able to initiate and accurately complete their tax return.

Recent estimates from a study by Genest-Grégoire and al. (2023)<sup>8</sup> show that 42 percent of families with annual income under \$50,000 and about two thirds of social assistance benefits recipients in 2019 filed simple tax returns, that is a T1 return that does not include any source of complexity as defined by CRA. In principle, this finding implies that the CRA could independently complete the tax return of a significant share of low-

income Canadians through an automatic tax filing system with information collected by the Agency.

The next section provides an overview of the SimpleFile by Phone service as well as a cost estimate of its expansion. The following sections cover the potential design of an automatic tax filing system in the context of Canada, the data and methodology used for this analysis and estimates of the costs related to such a system.



# Expansion of SimpleFile by Phone

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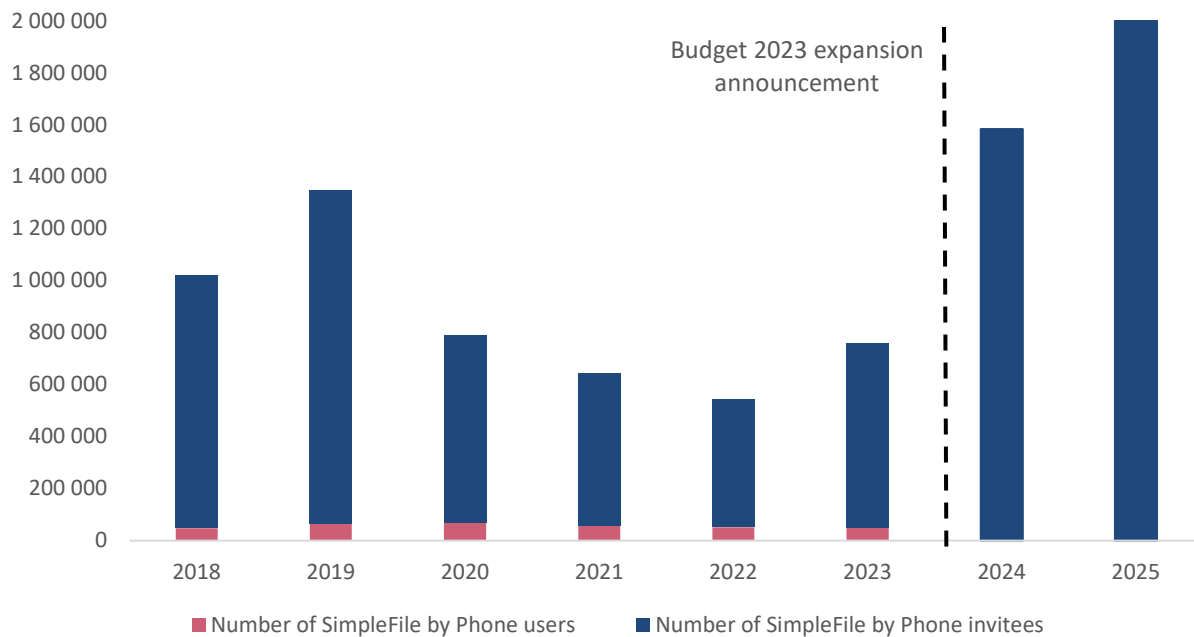
SimpleFile by Phone is an automated phone service operated by CRA that provides a simplified tax filing method to low-income Canadians. The phone interface allows eligible individuals to submit their tax return by answering a short list of questions that confirm the information held by the Agency.

The service is invitation-based, meaning that a certain number of individuals can use the service to complete their tax return, provided they have received an invitation from the CRA. In addition, invited individuals must initiate the process by following the instructions provided by the Agency. To be eligible to the service, individuals must have low or fixed earnings in the non-taxable range of income<sup>9</sup> and an established history of filing simple tax returns<sup>10</sup> from year to year.

Between the introduction of the program in 2018 and Budget 2023, the CRA has issued between 500 thousand and 1.3 million letters of invitation to use the service annually (Figure 1). In the 2024 filing season, the number of invitations sent by CRA increased to 1.6 million and is expected to reach 2 million in 2025 according to the Budget 2023 announcement.

**Figure 1**

Number of SimpleFile by Phone invitees and users, 2018 to 2025

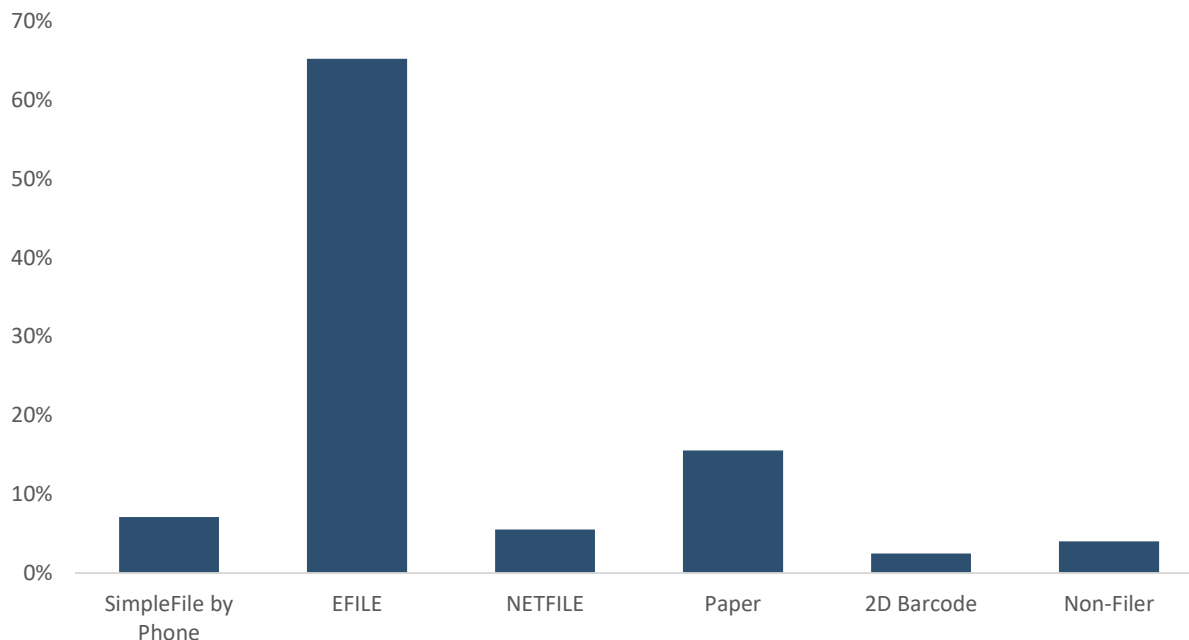


Source:  
Canada Revenue Agency.

The number of filers using the service peaked in 2020 at 69,620 users, decreasing to 50,450 users in the 2023 filing season. Between 2018 and 2023, the rate of invitees choosing SimpleFile by Phone as their filing method ranged from 5 to 10 per cent of total invitations sent.

In 2023, about 7 per cent of the individuals invited used the service, while 89 per cent of invitees chose another filing method (Figure 2).

**Figure 2**  
Method of filing chosen by individuals invited to SimpleFile by Phone, 2023 filing season



Source:  
Canada Revenue Agency.

The majority of invitees (65 per cent) in 2023 chose to enlist a registered EFILE service provider to file their return on their behalf. This suggests that some may have paid for the services of a professional to help them file despite being eligible to use SimpleFile by Phone free of charge. However, some of those filers may have filed their return with the help of the free tax clinics hosted through the Community Volunteer Income Tax Program (CVITP),<sup>11</sup> while others may have chosen to file due to a more complex tax situation than what is allowed under SimpleFile. Data limitations prevent us from determining the factors leading invitees to choose other, potentially more expensive, filing methods.

## Cost of the expansion of SimpleFile by Phone

The administrative cost to operate SimpleFile by Phone was projected using the average annual historical cost of invitations sent for the program provided by the CRA. This

includes the cost of the invitation letters sent to eligible taxpayers as well as the cost of program resources. The Agency specified that it was not able to separately track the cost of processing a tax return for SimpleFile by Phone users, and therefore costs related to the operation of the phone services could not be evaluated. Based on historical data from 2018 to 2023, the average annual administrative cost is estimated to be approximately \$1.19 per invitation sent.

As mentioned above, invitations to use SimpleFile by Phone are sent only to individuals with an established pattern of voluntarily filing a tax return. Therefore, the PBO does not expect additional costs related to benefits paid to individuals invited due to the service expansion. The underlying assumption is that newly invited individuals would have filed a tax return using another method if they had not received an invitation.

The PBO estimates that the cost of the SimpleFile by Phone expansion announced in Budget 2023 will amount to about \$1 million annually for both 2024-25 and 2025-26, totalling approximately \$2 million over the projection period.<sup>12</sup>

## Table 1

### Cost of the SimpleFile by Phone expansion, millions of dollars

Fiscal Year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Total cost	1	1	-	-	-	2

Source:

Office of the Parliamentary Budget Officer.

# Implementing an automatic tax filing system in Canada

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In Budget 2023, the Government announced its intention to implement a pilot project for automatic tax filing service specifically aimed at low-income individuals who do not file their tax return.

It has since been announced in Budget 2024 that the CRA will pilot a digital and paper version of its SimpleFile by Phone service intended for individuals who have gaps in their filing history or have never filed a tax return. In the same manner as SimpleFile by Phone, only individuals who receive an invitation from the CRA will be eligible to use the pilot service. Moreover, the invitees will need to initiate the process by following the guidelines provided by the CRA to have their tax return filed through the service.<sup>13</sup> Cost estimates for the digital and paper options of SimpleFile are not presented in this report as we interpret the initiative to be a limited first step towards the implementation of a broader automatic tax filing system over the coming years.

Currently, limited information pertaining to the intended design and reach of the final phase of the automatic tax filing system has been published by the CRA. The Agency has committed to holding consultations with experts and community organizations and, has stated, it will provide an update in fall 2024 on the development of the next phase of the project.

For the purpose of this analysis, the PBO refers to an automatic tax filing system as a service through which the CRA initiates and completes the tax returns of individuals who did not file in a given tax year and for whom the Agency holds sufficient information on file to do so. Given the uncertainty surrounding the design and reach of the service in its final phase of development, the cost estimates presented in this analysis reflect assumptions on the parameters of the service that may differ from what the Government ultimately implements.

## How do automatic tax filing systems work?

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There are many countries in which the tax system does not require most of its taxpayers to file a personal income tax return.<sup>14</sup> For example, tax authorities of nearly 30 countries provide a prefilled tax return including a preliminary tax liability assessment to their

resident, who can then review and modify the information on the tax return if needed before its submission. Some countries, like Sweden and New Zealand, will deem the preliminary tax liability assessment accepted if the tax filer does not submit any modification, while other countries, like Denmark and the UK, require taxpayers to confirm the prepopulated return to complete the filing process even if no corrections are needed. In the United States, the Internal Revenue Service (IRS) introduced the Direct File pilot service in the 2024 tax filing season, allowing eligible individuals in 12 states to electronically file their tax return using a free platform provided by the IRS.<sup>15</sup>

Furthermore, there are several countries in which the tax agency cumulatively adjusts throughout the year the amount of tax withheld on employment earnings to ensure that taxpayers in simple tax situations who only earn income from employment or pensions are not owed a tax refund. An exact-withholding system can provide some level of automation to the tax system if it allows a significant segment of the population, generally taxpayers in simple tax situations, to not file a tax return at the end of the year. However, this type of system often requires taxpayers who are not legally required to file to separately claim some of the tax credits and benefits to which they may be entitled.

## Methodology

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The implementation of an automatic tax filing system in Canada would result in two types of costs for the government. First, there would be the administrative costs that the CRA would incur to develop and deliver the program. Second, there would be costs related to government benefits delivered to individuals who would have otherwise not filed a tax return and would have foregone government benefits to which they were entitled.

The following sections cover the data and methodology used to estimate the amount in additional government benefits that could be paid as a result of implementing an automatic tax filing service. Our analysis focuses on the Canada Child Benefit (CCB), the Canada Workers Benefit (CWB) and the Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit, as there is insufficient data available (notably on qualifying criteria for other benefits) to estimate other benefits for which there could be additional payments. It is worth noting that payments under the Old Age Security and Guaranteed Income Supplement program are unlikely to be materially affected by an automatic tax filing system as Employment and Social Development Canada has adopted a proactive approach since 2018 to reach out to the eligible population of seniors.

## Data

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For this analysis, the PBO used aggregate data based on the 2021 Census linked to the T1 Family File (T1FF) provided by Statistics Canada. The data contains the total count of individual tax non-filers in the 2020 tax year who are linked to a CRA record, along with a breakdown by several sociodemographic characteristics. It also contains the counts of families in which no parent could be linked to a T1 return for the 2020 tax year, broken down by type of family. To supplement this information, the PBO also based some of its assumptions on estimates from two studies conducted by Statistics Canada.<sup>16</sup>

## Canada Child Benefit

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The PBO uses Statistics Canada's estimate of the number of non-filing individuals or couples with children under 18 linked to CRA records,<sup>17</sup> which is then projected forward using PBO's population indices. Using the 2021 Census data, we then estimate the CCB entitlement rates, that is the percentage of non-filing families who would be eligible to receive some amount of the benefit, broken down by the number of children under 18 in the family. The CCB entitlement rates are assumed to remain constant throughout the projection period. Average benefit amounts are estimated separately for families with one, two and three or more children aged under 18 using the 2021 Census data and are grown using internal PBO Consumer Price Index (CPI) projections. The total value of CCB paid through the automatic tax filing system to non-filing families is calculated by multiplying the number of non-filing families to the eligibility rate and average benefit amount for the corresponding number of children in the family.

It is important to mention that the CRA currently issues CCB payments retroactively for up to 10 years to families who apply late for the benefit. This represents a source of uncertainty in our estimate of the total CCB payments that would be paid as a result of implementing an automatic tax filing system.<sup>18</sup>

Statistics Canada has reported that 2.2 per cent of the children population in Canada is unknown to the CRA, likely because the parents did not apply to the CCB at the birth of the child or upon their arrival in the country. This subpopulation of families is not considered in our analysis. We assume that the CRA will only distribute the CCB through an automatic tax filing service to eligible families with children on whom it holds sufficient information.

**Table 2**

## Summary statistics for the Canada Child Benefit, 2024-25

	1 child	2 children	3+ children	Total
<b>Average benefit amount for non-filers (\$)</b>	4,749	6,854	11,356	6,943
<b>Entitlement rate</b>	50%	60%	64%	56%
<b>Number of non-filing families</b>	72,469	70,131	29,611	172,210
<b>Total cost of benefits (\$ millions)</b>	172	288	214	675

Source:

Office of the Parliamentary Budget Officer and Statistics Canada.

Based on the assumptions presented in Table 2, the PBO estimates that the total amount in CCB that would be paid to non-filing families under an automatic tax filing system amounts to \$675 million in 2024-25.

## Canada Workers Benefit

For the Canada Workers Benefit, we use Statistics Canada's estimate of the number of eligible T4 earners in 2021 who had not filed a return by the end of the year.<sup>19</sup> Eligibility to the benefit was determined by assessing T4 earnings, age, province of residence and student status of the individual. Statistics Canada estimates the benefit entitlement rate of eligible non-filers using the proportion of eligible T1 filers with similar sociodemographic characteristics who receive some amount of the benefit. The estimated number of non-filing T4 earners who are deemed eligible to the benefit, that is the number of non-filing T4 earners multiplied by the entitlement rate, is multiplied by the average CWB amount received by similar filers in 2021. The aggregate cost is then projected forward using PBO population and CPI growth rates.



**Table 3**

## Summary statistics for the Canada Workers Benefit, 2024-25

	All non-filers
Average benefit amount for non-filers (\$)	1,176
Entitlement rate	14%
Number of non-filing individuals T4 earners	1,525,728
Total cost of benefits (\$ millions)	255

Source:

Office of the Parliamentary Budget Officer and Statistics Canada.

The PBO estimates that an additional \$255 million in CWB payments would be paid to non-filers through an automatic tax filing system in 2024-25.<sup>20</sup>

## Goods and services tax/Harmonized sales tax credit

For the GST/HST credit, we begin with the number of non-filing individuals linked to CRA records provided in the Census 2021 data. Using Statistics Canada Social Policy Simulation Database and Model (SPSD/M) (version 30.1),<sup>21</sup> we calculate the average amount of GST/HST credit received by individuals in similar after-tax income groups, as defined by non-filers' after-tax income quartiles thresholds provided in the Census data. The amounts are calculated separately by marital status to capture its effect on the GST/HST credit amount the individual could receive. The total value of GST/HST credit paid through the automatic tax filing system to non-filing individuals is calculated by multiplying the number of non-filing individuals by the entitlement rate and average benefit amount corresponding to the marital status of the non-filers. The aggregate cost is calculated for the 2020 tax year and projected forward using PBO population and CPI growth rates.

Table 4 shows that the benefit entitlement rate assumption for the GST/HST credit varies substantially by marital status. This reflects in part that low-income individuals who are married or living in common law may have a substantially higher adjusted net family income due to their partner's income, making them ineligible to receive the GST/HST credit amounts.

**Table 4**

Summary statistics for the GST/HST credit, 2024-25

	Married or living common law	Not married and not living common law	Total
Average benefit amount for non-filers (\$)	628	449	503
Entitlement rate	14%	59%	42%
Number of non-filing individuals	982,564	2,299,670	3,282,234
Total cost of benefits (\$ millions)	87	607	695

Source:

Office of the Parliamentary Budget Officer and Statistics Canada.

The PBO estimates that the total cost related to additional GST/HST credit amounts that would be paid to non-filers under an automatic tax filing system would amount to \$695 million in 2024-25.

## Canada Carbon Rebate

In all provinces, with the exception of Quebec and British Columbia, 93 per cent of federal fuel charge proceeds collected are returned to households through the Canada Carbon Rebate (CCR). Non-filing households in these jurisdictions would also receive the CCR by having the CRA independently file their tax return.

An increase in the number of CCR recipients caused by the implementation of an automatic tax filing system would not result in a net cost to the government but could slightly reduce the amount received by each household since more households would share the same envelope.

## Administrative costs

The administrative cost for an automatic tax filing system is estimated based on recent IRS cost estimates of the Direct File system in the United States.<sup>22</sup> The cost estimate includes the expenses related to the development and maintenance of the new technology as well as for the additional customer support required as a result of the new system. The cost by return estimated by the IRS was scaled to reflect the lower number of taxpayers expected to use the system in Canada.<sup>23</sup> The overall cost calculated

for 2024-25 was then projected using PBO's assumptions of CPI inflation and population growth. In 2024 dollars, the average cost per return is about \$19.

The CRA awarded grants amounting to \$5.2 million in 2023 to organizations that participated in the CVITP.<sup>24</sup> Based on the number of returns filed through the CVITP in 2023, this represents an average cost of \$6 per return. It is likely that the need for CVITP free tax clinics will decrease with the introduction of an automatic tax filing system, which could partially offset some of the administrative costs of the system.<sup>25</sup>

The PBO assumes that the cost related to the additional customer support required as a result of introducing the new service represents about two third of the overall administrative cost, reflecting the IRS's assumption. There is substantial uncertainty surrounding the extent of the development and maintenance of a new technology solution needed by CRA to deliver an automatic tax filing service. Other IT projects undertaken by CRA, for example, to support its storage of third-party data or to modernize its infrastructure to facilitate the delivery of benefit payments and services, have widely varying budgets that often get revised over time.<sup>26</sup>

The estimated administrative cost presented below should not be interpreted as a definitive cost assessment, but rather as an approximation given the absence of detailed information on the exact parameters of the service. As previously mentioned, our cost estimates reflect a scenario in which the CRA initiates and completes the tax return of non-filing individuals.<sup>27</sup>

## Results

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Table 5 provides the total cost estimate of an automatic tax filing system in Canada from 2024-25 to 2028-29. It includes an estimate of the administrative costs as well as the additional amounts of selected benefits that would be paid to individuals.

PBO estimates that the overall annual cost of an automatic tax filing system would range from \$1.7 billion in 2024-25 to \$1.9 billion in 2028-29, totalling about \$9 billion over a 5-year period. This cost estimate assumes that CRA will implement an automatic tax filing service through which it will complete the tax return of all non-filers on whom it holds sufficient information in the final phase of the service development.

**Table 5**

Total cost of the automatic tax filing system, millions of dollars

Fiscal Year	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Canada Child Benefit	675	697	720	743	767	3,602
Canada Workers Benefit	255	263	272	280	289	1,359
GST/HST credit	695	717	741	765	789	3,706
Administrative cost	57	59	61	63	65	306
<b>Total cost</b>	<b>1,682</b>	<b>1,737</b>	<b>1,793</b>	<b>1,851</b>	<b>1,911</b>	<b>8,974</b>

Source:

Office of the Parliamentary Budget Officer.

The cost estimates presented above reflect a scenario in which an automatic tax filing system would be implemented starting in 2024-25. However, CRA has not yet publicly announced a definitive timeline for the implementation of the system.

## Limitations

The costs presented above may significantly vary depending on the design and the reach of the automatic tax filing system once implemented. There remains significant uncertainty surrounding the number of returns the CRA would complete independently, as well as the eligibility criteria for non-filers to have their return processed through the system. The cost estimates presented in this report reflect a scenario in which the CRA would independently file the return of all non-filers who can be linked to a CRA administrative record, which likely represents an upper bound estimate.

While our cost estimate includes the key benefits that are typically foregone by non-filers, it does not include the full array of federally administered benefits that non-filers stand to receive from CRA filing their tax return, most notably the provincial income-tested benefits delivered through the tax system.

The aggregate nature of the data used for this analysis inherently limits the precision of estimated benefit amounts to which non-filers may be entitled.

Many assumptions used to produce the cost estimate are based on 2020 tax year data. This constitutes another limitation of the results as typical earnings and filing patterns during the COVID-19 pandemic may differ from what could be expected over the projection period. Additionally, the number of non-filers included in this analysis does

Expansion of SimpleFile by Phone and the implementation of an automatic tax filing system

not account for those who filed a late tax return for the 2020 tax year after the end of the calendar year.

# Notes

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<sup>1</sup> [The Government of Canada is helping lower-income individuals more easily access the benefit and credit payments they are entitled to.](#)

<sup>2</sup> [Who has to file an income tax and benefit return.](#)

<sup>3</sup> [Robson, J. and Schwartz, S. \(2020\). "Who Doesn't File a Tax Return? A Portrait of Non-Filers", UTP Journals Volume 46, Issue 3, September 2020; University of Toronto Press.](#)

<sup>4</sup> This finding is reported in confidential internal research obtained through IR0681. The CRA reported in its 2022-23 Departmental Results Report that 93.3 per cent of Canadians participated in the tax system in 2022-23, which would imply a non-filing rate of about 7%. Late filing patterns are also documented in the following study: Messacar, D. (2018). ["Big Tax Data and Economic Analysis: Effects of Personal Income Tax Reassessments and Delayed Tax Filing."](#) Canadian Public Policy/Analyse de politiques 43 (3): 261–83.

<sup>5</sup> For studies that explore the characteristics of tax non-filers in the context of Canada, see: Robson, J. and Schwartz, S. (2020). ["Who Doesn't File a Tax Return? A Portrait of Non-Filers"](#), UTP Journals Volume 46, Issue 3, September 2020, University of Toronto Press.

Green, D. A., Gutierrez, P., Milligan, K., & Snowberg, E. (2020). ["Basic Income: Characteristics related to presence in and absence from the tax system"](#). Research paper commissioned by the Expert Panel on Basic Income, British Columbia.

<sup>6</sup> [Auto-Fill My Return.](#)

<sup>7</sup> [CRA definition of complexity of T1 return.](#)

<sup>8</sup> [Genest-Grégoire, A., Dadjo, J., Robson, J., & Schwartz, S. \(2023\). "What Proportion of Tax Returns Could the Canada Revenue Agency Complete?" SSRN Scholarly Paper 4428147.](#)

<sup>9</sup> In the 2024 filing season, the service was offered to working age individuals earning up to \$15,000 annually and to seniors with annual earnings up to \$23,396. The maximum income threshold rises to \$24,428 for disabled working age individuals, and up to

\$32,824 for seniors with a disability. In some provinces, the income thresholds are lower to reflect the lower provincial basic personal amount.

<sup>10</sup> For CRA's definition of a sources of complexity in tax situations, see note 7.

<sup>11</sup> [Free tax clinics offered through the Community Volunteer Income Tax Program.](#)

According to [CRA statistics](#) on the usage of free tax clinics, 758,540 individuals were helped in 2023, 649,420 in 2022 and 574,330 in 2021. Unfortunately, these statistics do not allow us to determine how many of the SimpleFile by Phone invitees that filed using the EFILE method did it through a free tax clinic.

<sup>12</sup> As will be demonstrated in the next section, the largest costs incurred by an automatic tax filing solution relate to the value of unpaid benefits to individuals who would not have filed otherwise. The value of such unpaid benefits was not estimated for the SimpleFile by Phone expansion because the PBO had no data on the specific individuals that would be newly invited to the service. Furthermore, as the invitation is only sent to individuals who filed a tax return in the previous year, and since most of those invited use another method of filing nonetheless, the possible cost relating to unpaid benefits is likely to be low.

<sup>13</sup> Based on the description of the SimpleFile pilot service presented in [Budget 2024](#).

For the purposes of this report, the use of the term "automatic tax filing system" refers to a system through which the tax agency initiates and completes the tax return of the taxpayers eligible to use the service. The pilot SimpleFile digital and paper initiative represents a different type of service as it will require its users to initiate the filing process.

<sup>14</sup> For an extensive review of different automatic tax filing systems around the world, see: Laurin, A., & Dahir, N. (2022). "[Automatic Tax Filing: A Challenging Idea for Canada](#)", (Commentary No. 616). C.D. Howe Institute.

<sup>15</sup> [It was reported by the U.S. Department of the Treasury that approximately 140,000 taxpayers in the 12 eligible states used the pilot service to file their tax return in 2024. It was also stated that Treasury and the IRS will decide on the future of Direct File in the coming weeks after further analysis of results from the pilot.](#)

<sup>16</sup> Miller, A. and Olson, E. (2023). Exploring the reach of the Canada Child Benefit, Two coverage rate monitoring strategies. Statistics Canada, Centre for Income and Socioeconomic Well-being Statistics.

Miller, A. and Zheng, C. (2023). The filing patterns of wage earners and receipt of the Canada Worker Benefit. Statistics Canada, Centre for Income and Socioeconomic Well-being Statistics.

<sup>17</sup> The number of children eligible to the CCB estimated by Statistics Canada relies on CCB administrative data. More details on the underlying methodology can be accessed in this paper:

Miller, A. and Olson, E. (2023). Exploring the reach of the Canada Child Benefit, Two coverage rate monitoring strategies. Statistics Canada, Centre for Income and Socioeconomic Well-being Statistics.

<sup>18</sup> It is possible that some of the non-filing families included in our analysis receive payments equivalent to more than 12 months of CCB for the reference tax year if they had not filed their tax return for several years. Conversely, there is also a possibility that some families who are considered non-filers in our analysis would have applied to the benefit several years later even in the absence of an automatic tax filing system. In that case, they would have received the benefit retroactively for up to ten years.

<sup>19</sup> In the context of the CWB, eligible non-filing T4 earners refer to residents of Canada aged 19 or older who worked as paid employees throughout the tax year and did not file a tax return for that year. Non-filers enrolled as full-time students for more than 13 weeks are excluded as they are not eligible to receive the CWB. For more information, see:

Miller, A. and Zheng, C. (2023). The filing patterns of wage earners and receipt of the Canada Worker Benefit. Statistics Canada, Centre for Income and Socioeconomic Well-being Statistics.

<sup>20</sup> In comparison, Statistics Canada estimates that the aggregate amount of unclaimed CWB for non-filers with eligible T4 earnings was \$212 million in 2021 (Miller and Zheng, 2023) (see note 16 for reference).



<sup>21</sup> The assumptions and calculations underlying the SPSD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (OPBO), and the responsibility for the use and interpretation of these data is entirely that of the PBO.

<sup>22</sup> In the 2024 tax-filing season, the United States introduced the Direct File service, allowing eligible individuals in 12 states to electronically file their tax return using a free platform provided by the Internal Revenue Service (IRS).

In a 2023 report, the IRS estimated the cost of developing and running Direct File. The annual cost estimate of providing the service to tax filers with simple tax situations ranged from 8 to 13 USD per return filed through the platform. This includes expenses related to the development and maintenance of the technology as well as the cost of providing customer support to the service users. For more information, see:

Internal Revenue Service. (2023). IRS-run Direct e-File Tax Return System. [Publication 5788 \(5 2023\), Catalog Number 93968P, Department of the Treasury.](#)

<sup>23</sup> The IRS by-return cost estimate for Direct File was scaled to reflect a system that would process the returns of 3 million taxpayers.

<sup>24</sup> The [Minister of national revenue announced](#) the grants would be increased to \$5.9 million in 2024.

<sup>25</sup> Organizations participating in the CVITP can also receive provincial, municipal, and territorial funding for the purpose of hosting a free tax clinic. An automatic tax filing system could allow subnational governments to reallocate some of these resources to other uses.

<sup>26</sup> [Large Government of Canada IT Projects.](#)

<sup>27</sup> For example, if the Agency were to expand the service to all taxpayers with simple tax situations, the administrative cost would be substantially higher than the estimate presented in this analysis. Genest-Grégoire et al. (2023) (see note 8) found that 29 per cent of all tax filing families in 2019 had no source of complexity in their T1 tax return. Using that assumption, we can infer that the CRA could potentially offer an automatic tax filing service to around 11 million individuals in 2025, which would include all tax filers with a simple tax situation and non-filers. In that scenario, the administrative cost of delivering an automatic tax filing system could reach up to \$162 million in 2025-26.

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