



Canada Revenue  
Agency

Agence du revenu  
du Canada

# Joint filing of tax declarations

Canada Revenue Agency



# Legal authority to impose taxes

- The *Constitution Act of 1867* gives both the federal and provincial governments the right to tax
  - The federal government has unlimited taxing powers enshrined in subsection 91(3) of the Constitution
  - Subsections 92(2) and 92(3) give a more limited power of direct taxation to the thirteen provincial and territorial governments
  - Municipal governments do not have a Constitutional right to tax their residents but receive taxation powers from the province
- These powers allow:
  - Federal, provincial and territorial governments to levy personal and corporate taxes, among many others.
  - Municipalities to levy direct taxes (e.g., property tax)

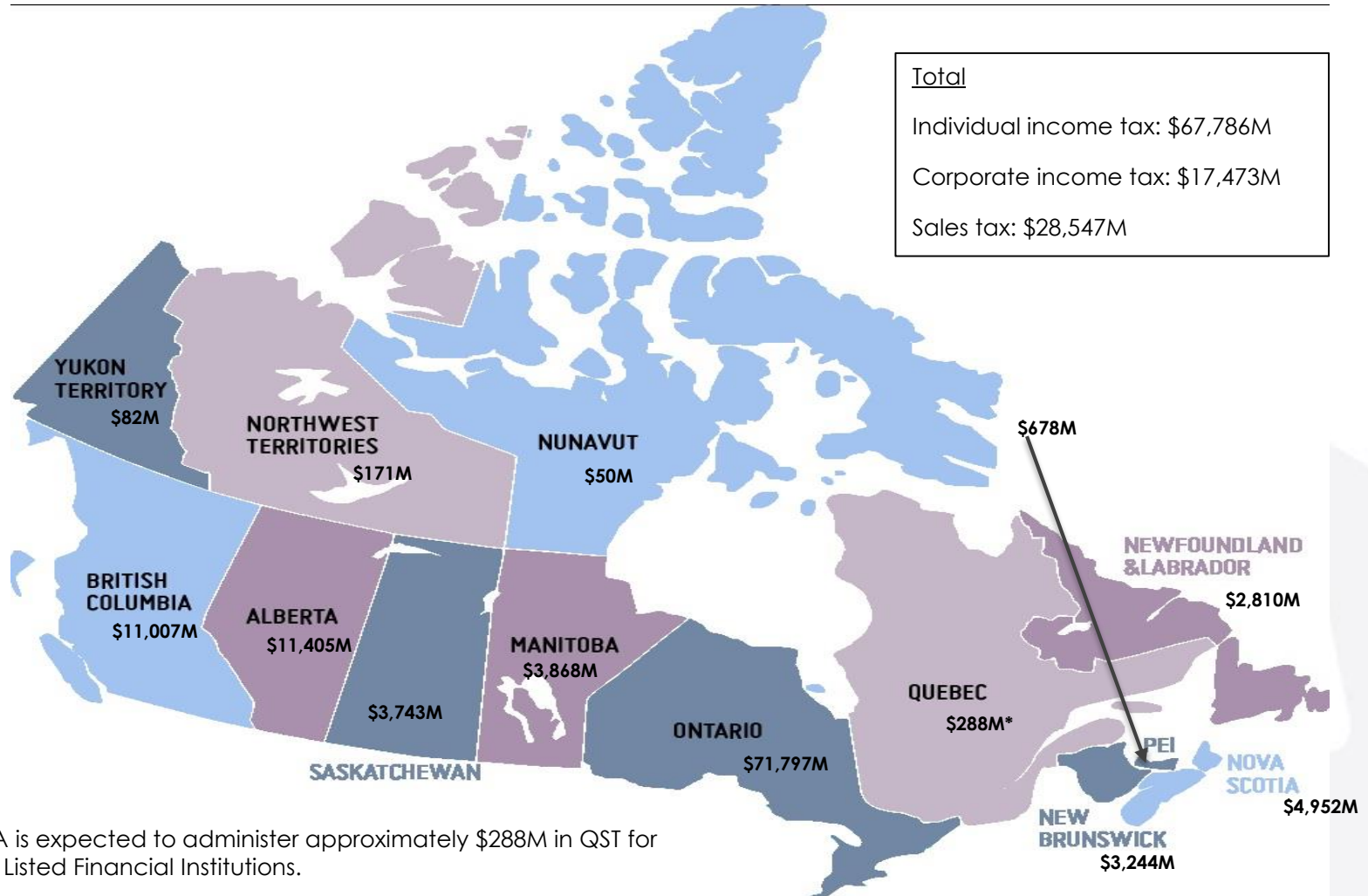
# Administration for provincial governments

- A consolidated approach to tax administration improves efficiency, provides better service, and reduces opportunities for non-compliance
- The federal government has agreements with most provinces and territories\* to administer provincial income tax and with 5 jurisdictions to administer a harmonized sales tax
- The CRA collects and remits taxes to the provinces
- The CRA is able to collect and share information with provincial and territorial governments to aid in the administration of their taxes or duties
- The administration of provincial taxes is done at no cost as long as they adopt the same tax base as the federal government

---

\*Throughout the remainder of this presentation, reference to the provinces will also include the territories

# CRA tax administration



# Benefits of harmonization

- In most provinces:
  - **individuals** file one tax return
  - **businesses** file one tax return
  - **registrants** file one harmonized sales tax return
  - **taxpayers** remit payment of taxes owing to the CRA
  - **provinces** receive payments, data, services at little or no additional cost
- Efficiencies gained in harmonization passed on to the taxpayers and the provinces through lower compliance burden, lower cost of administration

Provinces	Individual Income Tax	Corporate Income Tax	PST/QST, HST, or GST	Benefits*
Atlantic (4 provinces) and Ontario	CRA	CRA	CRA (HST)	CRA
British Columbia, Saskatchewan and Manitoba	CRA	CRA	CRA (GST) Province (PST)	CRA
Alberta	CRA	Alberta Finance	CRA (GST) No provincial sales tax	CRA
Québec	Revenu Québec	Revenu Québec	Revenu Québec (QST+GST) CRA (QST+GST for Selected Listed Financial Institutions)	Revenu Québec

\* Some provincial benefit programs are administered by the provinces. In such cases the CRA shares taxpayer information to assist with the determination of eligibility.

# CRA administration

- In 2016 the CRA processed nearly 39M payments from individuals, businesses, and GST/HST registrants, totaling over \$498B (gross) for income, sales, and excise taxes and duties
- This included the assessment of over \$113B of taxes for the provinces and territories:
  - \$66.5B in individual and trust income tax;
  - \$21.5B in corporate and trust income tax; and
  - \$28.5B in sales (value added) tax
- The CRA also administers 33 provincial benefit programs worth over \$5B

# Harmonized administration in practice

- Paid on an assessment basis (federal government bears risk of non-collectible tax debt)
- Administrative fees only applied when tax bases are not aligned with federal bases
- Same degree of federal administrative diligence for provincial measures
- Province can purchase enhanced services on cost-recovery basis
- Accountability through Commissioner's Annual Report to the Provinces and Territories, scheduled Senior Management Meetings, regular dialogue at various levels



# Key characteristics of tax system

- Protection of taxpayer information is paramount:
  - Self-assessment tax system requires that taxpayers have trust in the overall system and fairness in its administration
  - Taxpayers provide large amounts of sensitive personal and financial information to the CRA
  - Tax Acts govern how it is shared or released, and contain confidentiality provisions
  - Contraventions of the confidentiality provisions may result in criminal prosecution
- Provinces still require data for fiscal planning purposes, as well as tax policy
  - Provisions in legislation allow them access to tax data

# Sharing tax data

- Provinces can use data for administration, or fiscal or policy analysis
- Data provided to province at no cost in a number of reports based on their needs
  - Basic data offering is reviewed annually to ensure efficient data sharing
- The CRA has memoranda of understanding with each province to share tax information collected on their behalf
- Some provinces provide additional data to assist the CRA in its tax administration (liquor sales, vehicle registration, land registry)