

NEWS RELEASE

As tax filing deadline looms, Canadian families challenged by increasingly complex tax system

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VANCOUVER—Canadians are forced to navigate an increasingly complex tax system, finds a new study by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Over the past several decades, Canada’s personal tax system has become more and more complicated, with Canadians spending significant time and incurring substantial costs for accountants, lawyers and software programs just to comply with the tax code,” said Charles Lammam, director of fiscal studies at the Fraser Institute and co-author of *Measuring Personal Income Tax Complexity in Canada*.

The study quantifies how complicated Canada’s personal tax system has become.

For example, between 2001 and 2014, the number of federal tax credits, deductions and other special treatments (known as tax expenditures) increased from 103 to 128—an increase of 24 per cent. The study notes that in 2013, the latest year of available data, the cost of the various tax credits, deductions and other measures was \$5,918 per tax-filer.

“Canada is in a unique position to simplify the tax code by reducing or eliminating most of these tax credits and other special treatments, making available resources that would allow the federal government to dramatically reduce personal income tax rates for Canadians,” commented Lammam.

An alternative measure of tax complexity calculated in the study is the number of standardized pages represented by the tax code itself. Between 1971 and 2014, the number of pages (standardized for size) in the federal tax code increased 355 percent, from 573 to 2,612 pages.

The study also noted the increasing complexity of provincial tax forms, which compounds the problems identified in the federal system. Between 2000 and 2015, the number of total lines in the tax forms of every province increased. For example, Ontario’s tax forms now have a total of 194 lines, up from 77.

The study explains how each new addition to the tax code, whether it’s a new tax credit, tax rate, or tax law, can add to the complexity of an already complicated tax system. And the more complex the system, the more difficult—and more costly—that system is to understand and comply with.

“Simplifying the tax code would reduce the time and costs incurred by Canadians in complying with the tax system, leaving more time and resources available for other, more important endeavors,” Lammam said.

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