THE INVESTMENT FUNDS INSTITUTE OF CANADA | L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

October 9, 2024

Delivered By Email : Robert.Demeter@fin.gc.ca

Mr. Robert Demeter
Director General,Tax Legislation, Tax Policy Branch
Department of Finance
90 Elgin
Ottawa, Ontario K1A 0G5

Dear Mr. Demeter:

RE: Letter Requesting the Expansion of the List of Tax Slips Not Requiring Express Consent

The Investment Funds Institute of Canada ("IFIC") is writing to request that the Department of Finance ("**Finance**") make further amendments to Section 209(5) of the *Income Tax Regulations* ("**Tax Regulations**") to expand the list of tax slips that issuers may send electronically without express consent to include the T4RSP, T4RIF, T3, T5008, T5013, and NR4.

By enacting our proposed amendments, the government would improve customers service for Canadian taxpayers through a measure that is both environmentally and business friendly.

IFIC is the voice of Canada's investment funds industry. IFIC brings together 150 organizations, including fund managers, distributors, and industry service organizations, to foster a strong, stable investment sector where investors can realize their financial goals. IFIC operates on a governance framework that gathers member input through working committees. The recommendations of the working committees are submitted to the IFIC Board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction of a broad range of IFIC members.

Background

IFIC members that are investment fund managers and dealers (collectively referred to as the "**Issuers**") are required to deliver documents to investors under Canadian securities and tax laws and regulations.

The recent amendments to allow T4, T4A, T5 tax slips and T4FHSA information returns to be distributed electronically using a secure portal without obtaining express consent were welcomed by both taxpayers and the industry.

Every year taxpayers tell our members that they want to get their tax slips faster. A significant obstacle to doing this is the requirement to print and mail the tax slips to taxpayers – and for those taxpayers to receive the slip in the mail.

If Issuers are allowed to provide the tax slips previously mentioned without express consent, taxpayers will be able to receive their tax slips electronically at least a week earlier. That week can be critical for trusts that have a deadline of March 31 to file their tax returns (especially if they hold securities that are reported on T3's and T5013's that have the same March 31 deadline). Individual taxpayers who hold securities with T3's and T5013's will also appreciate getting their tax slips sooner and not having to rely on the mail to provide them with what they need to complete their annual tax return.

As you are aware, mailing tax slips to taxpayers does not guarantee prompt delivery, or sometimes even delivery. Mailing times can vary widely and there is always the risk that the tax slips get delivered to the wrong address or get lost and the taxpayer does not receive it. Delivery to the wrong address or being delivered to a mailbox that is susceptible to physical theft can lead to serious privacy issues – especially given that the taxpayer's SINs are required to be populated on the tax slips. Unfortunately, there are also many examples of taxpayers not receiving their tax slips because they changed their address and did not inform their financial institution. A taxpayer's physical address may change, but an email address given to a financial institution will always belongs to the taxpayer and is less likely to change.

Canadian securities laws do not prescribe the method of delivering documents (i.e., paper vs. electronic) and do not require express consent for the electronic delivery of documents. Practically, this has meant that Issuers have been able to deliver various regulatory documents to investors electronically (including account statements) but have had to simultaneously mail paper tax slips to the same investors because of the impracticality and difficulty of obtaining express consent. Taxpayers have noticed the difference.

The existing Tax Regulations were appropriate when taxpayers were filing paper tax returns. Currently, almost 93% of taxpayers file their tax returns online and this number has been increasing over the years[1]. In addition, an increasing number of taxpayers are using the Canada Revenue Agency's ("**CRA**") "auto-fill" my return service, which use the information that financial institutions have submitted to the agency to the CRA to populate their tax returns – these taxpayers are not even using the tax slips that Issuers send them.

As a result of these changes and technological improvements and prevalence, the Tax Regulations were amended[2] to allow Issuers of T4, T4A, T4, T5 or T4FHSA tax slips to distribute them by using a secure electronic portal without obtaining express consent (the "**Amendments**").

In a news release[3] to announce these Amendments, the CRA specifically acknowledges the benefits of sending tax slips without receiving express consent and specifically notes that:

"*Tracking the consent of every recipient requires systems and processes which can be costly and time consuming. Since consent is not expressly needed, issuers will be able to simplify their processes and distribute these slips in a faster and more convenient electronic format.*

This change will immediately ease the administrative and financial burden on organizations. Issuers distributing these slips will be able to fully digitize their processes. This will ensure that recipients will receive their slips on time, even with printing and mail challenges, and any future events that may cause service disruptions."

The same logic applies to tax slips that are not exempted from the express consent requirement. In fact, the tax slips that do not require express consent (T4's and T5's) are the most common for the entire investment industry.

[1] According to information published by the CRA under Individual Income Tax Return Statistics for the 2024 Tax-Filing Season, 92.8% of individuals filed electronically for the 2024 tax filing season. https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/individual-income-tax-return-statistics.html
[2] Amended in June 2023 to allow T4, T4A and T5 tax slips to be distributed electronically using a secure portal without obtaining express consent and further in June 2024 to extend the same to T4 FHSA information returns.
[3] https://www.canada.ca/en/revenue-agency/news/newsroom/tax-tips/tax-tips-2023/issuers-can-now-distribute-t4-t4a-t5-slips-conveniently-efficiently.html

As previously stated, IFIC requests that Finance further expands the list of documents under Section 209(5) of the Tax Regulations that may be issued electronically without express consent to include T4RSP, T4RIF, T3, T5008, T5013, and NR4.

We also request that the changes be communicated to the Government of Quebec well in advance to ensure the harmonization of the tax slips that may be delivered without express consent and to ensure that the implementation date for both tax regimes is for the same year.

This harmonized approach will ensure that Issuers can use the same approach for all documents they are required to deliver under Canadian securities and Canadian and Quebec tax laws and regulations.

Financial institutions are unlikely to feel comfortable implementing express consent until it is available for all tax slips and Relevés. A partial implementation for only some of the tax streams would cause significant service issues and confusion for their clients – as they would inevitably struggle to understand which tax slips they receive electronically and which they receive physically (even if their financial institution sends them a notification beforehand).

Our members understand that there is still an obligation to ensure that taxpayers receive their tax slips in a manner that is accessible to them. Tax reporting is of the utmost sensitivity to our members' clients and refusing to provide clients with physical copies of their tax slip, when they request them, is not a viable option for our members. Taxpayers who prefer to receive their tax slips in paper format will be able to avail themselves of this option by contacting their Issuers and requesting that their tax slips to be sent by mail.

Conclusion

The current paper approach is outdated, administratively burdensome, costly, environmentally unfriendly, and a hindrance to Issuers who are trying to promote a consistent approach to electronic delivery. It is also inconsistent with the current taxpayers' practice of filing tax returns online – where they have no need to submit the physical tax slips.

As noted above, taxpayers who move without notifying their financial institution or whose tax slips get lost in the mail are more likely to not report the income on those tax slips. Moving to electronic delivery would likely result in more Canadian taxpayers being aware of and reporting their full investment income to the agency.

We believe that not requiring express consent for the electronic delivery of regulatory tax documents, while protecting the choice for mail and paper for those who want or need it, will also improve customer service for taxpayers. This initiative would further demonstrate how the government is cutting red tape to protect the environment and reduce regulatory burden for the industry.

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We thank the Department of Finance for considering our submission and we are available to meet with you at your convenience should you wish to discuss any aspect of the above further.

Please feel free to contact me by email at jbaillargeon@ific.ca or, by phone (416) 309-2323.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA

By: Josée Baillargeon
Senior Policy Advisor, Taxation

cc: Andrew Donnelle, Senior Director, Deferred Income Plans, Tax Legislation Division, Department of Finance (andrew.donelle@fin.gc.ca)

Patrick Egit, Acting Director Financial Institutions and Instruments, Tax Legislation Division, Department of Finance (Patrick.Egit@fin.gc.ca)

Michael McGonnell, Tax Legislation Specialist, Tax Legislation Division, Department of Finance (michael.mcgonnell@fin.gc.ca)

Mohammed Benchaouche, Director, Third Party Reporting Division, Individual Returns Directorate, Canada Revenue Agency (Mohamed.Benchaouche@cra-arc.gc.ca)