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Paper Filed T2 Corporation Income Tax Returns Telephone Survey – Quantitative Research

Executive Summary

Prepared for the Canada Revenue Agency

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Canada

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Prepared for the Canada Revenue Agency by Forum Research Inc.
May 2019

The Canada Revenue Agency (CRA) commissioned Forum Research Inc. to conduct a research survey of corporations who filed their T2 Corporation Income Tax returns via a paper-based method. The aim of this research was to better understand the rationale for T2 paper-filing and to see what barriers to electronic filing – real or perceived – exist for these filers. In addition, the CRA wanted to investigate whether any improvements were needed to facilitate the switch to electronic filing. A total of 1,002 corporations who filed their 2016 and 2017 T2 income tax returns by mail were surveyed by telephone from January 15th to February 7th, 2019.

This publication reports on the findings of that research survey.

Cette publication est aussi disponible en français sous le titre : Sondage téléphonique sur les déclarations de revenus des sociétés T2 produites sur papier.

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Executive Summary

Background and Purpose

The Canada Revenue Agency (CRA) is encouraging the use of electronic services for taxpayers and registrants (such as electronic filing, direct deposit, and electronic submission of information and enquiries) with the ultimate goal of improving services to Canadians.

Several program enhancements were implemented in the last 17 years to support electronic filing of corporation T2 returns:

- Corporation Internet Filing (CIF) was introduced as a pilot in 2002, rolled out nationally in 2003, and expanded to include non-resident filers in 2008.
- Mandatory Electronic Filing (MEF) was introduced in 2009 for corporations with gross revenues in excess of \$1 million.
- In 2013, MEF was introduced for tax preparers who prepare more than 10 T2 returns in a calendar year.
- In 2014, corporations and tax preparers can also file amended returns electronically.
- In 2016, CIF was made available to insurance corporations and the Attach-a-doc feature was added to tax preparation software for this population.
- In 2017, the Attach-a-doc service was expanded for use by all corporations, and the T2 Auto-fill service was launched.

According to the latest CRA statistics, 90% of T2 returns are filed electronically. While the vast majority of corporations choose electronic filing because it is fast, secure, and convenient, the CRA has been unable to pinpoint the reasons and understand why the remaining 10% are not taking advantage of using this technology, particularly since over one-third of paper returns are prepared using tax preparation software that could file the return electronically.

Objectives

The CRA wanted to contact corporations who still file by mail in order to understand the motivations behind paper filing and to identify the barriers to electronic filing – either real or perceived.

Methodology

The CRA provided contact information for corporations who-filed their T2 return by mail in both 2016 and 2017. No personal information was shared with Forum Research.

Telephone surveying was conducted with 1,002 respondents and each survey took, on average, 10 minutes to complete. Fieldwork was completed from January 15, 2019 to February 7, 2019.

The target audience included incorporated businesses that paper-file their T2 returns and representatives of corporations that paper-file T2 returns. Targeted sub-groups included:

- Corporations (or their representatives) that downloaded the paper form from Canada.ca, filled it out, and mailed it in (referred throughout the report as “those who downloaded and mailed in their T2 paper forms”);
- Corporations (or their representatives) that prepared a return using commercial tax preparation software, printed the completed form with supporting documents and mailed it in (referred throughout the report as “those who paper-filed but used software to prepare their return”); and
- Corporations that prepared a return using commercial tax preparation software and mailed in just a barcoded version of their T2 return and supporting schedules (referred throughout the report as “those who mailed in a 2dBar-code”).

The filing method used in 2017 amongst the target audience determined the required number of responses per category within the total population. Respondent distribution, based on the sub-groups surveyed, is outlined below.

- 31 responses were collected from those who paper-filed but used software to prepare their returns.
- 396 responses were collected from those who mailed in a 2dBar-code.
- 575 responses were collected from those who downloaded and mailed in their T2 paper forms.

Summary of Key Findings

The majority of the corporations and representatives that filed their returns by mail in 2016 and 2017 (73%) were aware that T2 returns can be filed entirely online using commercially available software without having to mail in anything. However, among those aware, only 21% actually attempted to file their 2017 T2 return electronically. About one-third of respondents (31%) said that they would be very likely to file their T2 return electronically in the future.

The stated barriers to electronic filing that consistently emerged throughout the research were:

- The perceived high cost of the software;
- The complexity of electronic filing or the software / the familiarity, simplicity, speed and convenience of paper filing; and
- Technical problems with / limitations of the software or website.

A secondary barrier, cited consistently by a handful of respondents, was:

- Business reasons – small business / little activity or revenue / changes in the business.

The challenge of addressing cost is that almost one-half (48%) of those who downloaded and mailed in their T2 paper forms were not willing to pay any price for software and only 10% were willing to pay the standard minimal price of \$100. Perhaps promoting the benefits of electronic filing, offering training and addressing technical limitations may be more productive courses of action to alleviate barriers to electronic filing.

Benefits that could be promoted are:

- The faster speed of processing returns. Awareness that 95% of electronically filed returns are processed within 6 weeks is relatively low but generated a great deal of interest.
- CRA software certification. Trust in the CRA's online services was high, but only slightly more than 1-in-2 respondents (54%) across all target audiences were aware that the CRA certifies T2 tax preparation software.

The following should *not* be a focus of potential CRA marketing strategies, since they are not significant barriers or benefits to electronic filing:

- Increasing awareness that T2 returns can be filed entirely online using commercially available software
- The speed of completing a T2 tax return.

These findings are discussed in more detail in the Conclusions section of this report.

Contract Value

The total contract value for this project was \$49,983.45 (including HST).

Statement of Political Neutrality

I hereby certify as Senior Officer of Forum Research that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the [Policy on Communications and Federal Identity](#) and Procedures for Planning and Contracting Public Opinion Research. Specifically, the deliverables do not include information on electoral voting intentions, political party preferences and standings with the electorate or ratings of the performance of a political party or its leaders.

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