

Extending the Tax Filing Deadline for T3, T5013 and Similar Tax Forms

Most personal tax returns are due on April 30th each year. Returns that are not filed on time incur an automatic penalty of 5% on the balance owing. The ability to meet this tax filing deadline has become more difficult due to the popularity of income trusts and the extended deadline trusts have to provide information about their income allocations and designations.

The majority of slips required to prepare personal returns like the Statement of Remuneration Paid (T4), Statement of Investment Income (T5) and Statement of Pension, Retirement, Annuity and Other Income (T4A), all have a filing deadline of February 28th. The RRSP deadline is set 60 days after year-end (February 29th or March 1st) as well. These deadlines ensure that personal tax filers receive the information to complete their personal tax return by early March and provide roughly 7-8 weeks to prepare and file the tax return.

The Statement of Trust Income Allocations and Designations (T3) form, for example, has a filing deadline of March 31. Our understanding is that, logistically, this deadline cannot be pushed to February 28th because issuers need much of the information provided from other slips before determining their allocations.

This deadline results in personal tax filers receiving the information to complete their personal tax return in early April, and generally provides three weeks for the return to be filed.

With the growing popularity of income trusts over the last decade, many more individuals are receiving at least one T3 slip forcing them to wait to receive this information to complete their tax return.

This has created an unnecessary burden on the system because tax preparers and the Canada Revenue Agency have to process the majority of tax returns during this three-week period to avoid the penalty. In 2008, the CRA extended the filing deadline to May 6th for online filing because the system was getting overloaded with the volume of filers.

Currently self-employed individuals and their spouses have a “tax filing due date” of June 15th reflecting the extra time required to gather the information to prepare the return. The “balance due date” continues to be April 30th for these individuals. Similar treatment would resolve the T3 filing challenge.

Extending the tax filing deadline for T3, T5013 and similar tax forms would reduce tax compliance costs as the number of assessments and adjustments from the slip matching process that is performed by the Canada Revenue Agency is reduced.

Recommendation

That the federal government extend the tax filing due date for individuals to June 15th, while keeping the balance due date at April 30th.