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Legislative Summary

BILL S-217: AN ACT TO AMEND THE CANADA REVENUE AGENCY ACT (REPORTING ON UNPAID INCOME TAX)

45-1-S217-E

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LEGISLATIVE SUMMARY OF BILL S-217: AN ACT TO AMEND THE CANADA REVENUE AGENCY ACT (REPORTING ON UNPAID INCOME TAX)

1 BACKGROUND

Bill S-217, An Act to amend the Canada Revenue Agency Act (reporting on unpaid income tax),[1] was introduced in the Senate on 28 May 2025 by the Honourable Senator Percy E. Downe. It received third reading in the Senate on 12 March 2026 and first reading in the House of Commons on 26 March 2026.

Bill S-217 amends the *Canada Revenue Agency Act* (CRA Act)[2] to require the Canada Revenue Agency (CRA) to include a list of all convictions for tax evasion in the annual report it submits each year to the Minister of National Revenue (the Minister). It also provides that, every three years, the CRA must include statistics on the tax gap in its report. The bill further provides that the Minister is required to provide the tax gap data to the Parliamentary Budget Officer.

Two similar bills were presented in previous parliaments: Bill S-258, An Act to amend the Canada Revenue Agency Act (reporting on unpaid income tax)[3] during the 1st Session of the 44th Parliament, and Bill S-243, An Act to amend the Canada Revenue Agency Act (reporting on unpaid income tax)[4] during the 1st Session of the 42nd Parliament. Both bills received third reading in the Senate. Bill S-258 died on the *Order Paper* following the prorogation of Parliament in January 2025, and Bill S-243 was defeated at second reading in the House of Commons on 29 May 2019.

In April 2016, the federal government[5] committed to estimating the tax gap and to establishing a dedicated unit at the CRA to examine the issue and publish a series of reports analyzing different components of the tax gap.

The CRA defines the tax gap as "the difference between the taxes that would be paid if all obligations were fully met in all instances, and taxes that are actually paid and collected."[6] It notes that the tax gap is partly due to tax evasion or fraud, but is also attributable to factors such as ignorance of filing obligations, mistakes made in good faith and bankruptcies resulting in unpaid tax debt.

Between 2016 and 2022, the CRA released a series of reports[7] on the tax gap, including the most recent, which was on the overall federal tax gap for tax years 2014–2018. According to this report, the gross tax gap for 2018 was estimated to be between $35.1 billion and $40.4 billion, representing 13% to 15% of total federal

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tax revenues. The net tax gap, which accounts for CRA compliance and collection activities, was estimated to be $18.1 billion to $23.4 billion, representing 7% to 9% of federal tax revenue.[8] Since the most recent 2022 report on the overall tax gap, the CRA has not released any updated tax gap estimates.

In 2012, further to a request by the Honourable Senator Percy E. Downe, the Parliamentary Budget Officer attempted to estimate the tax gap, requesting information from the CRA under the *Parliament of Canada Act*.[9] However, the CRA refused to provide him the relevant tax data, citing privacy concerns relating to individual taxpayer information.[10]

2 DESCRIPTION AND ANALYSIS

Section 88(2) of the CRA Act states what must be included in the CRA's annual report to Parliament. Clause 2(1) of Bill S-217 adds that a detailed list must be provided of all convictions for tax evasion, including a separate list for international tax evasion. Furthermore, clause 2(2) adds new section 88(3) to the CRA Act, which provides that once every three years, the annual report must include statistics on the tax gap.

Clause 3 specifies the type of tax gap data to be included in the report, adding new section 88.1 to the CRA Act.

New section 88.1(1) first defines the term "tax gap" as

> the sum of the amount of taxes that should have been assessed under the *Income Tax Act* on undeclared income plus the difference between the amount of taxes assessed under that Act and the amount of taxes collected.

It then outlines that the calculation of the tax gap must be based on an estimate of

- the value of reassessments as a result of the audits of income tax returns;
- the possibility of collecting additional revenue resulting from such reassessments;
- the rate of incorrect income tax returns that were not detected; and
- uncollected tax resulting from the non-compliance of a reporting entity with the requirement to report specified foreign property under section 233.3 of the *Income Tax Act*.

New section 88.1(2) states that the Minister must collect, compile, analyze and abstract statistics on the tax gap in respect of each category of taxpayers, including individuals, corporations – segmented by size – and trusts resident in Canada.

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Lastly, under new section 88.1(3), the Minister must provide the Parliamentary Budget Officer with the tax gap data and any additional data that the Parliamentary Budget Officer considers relevant to conducting a further analysis of the tax gap. New section 88.1(4) stipulates that the provisions of the *Parliament of Canada Act* (PCA) regarding access to and the confidentiality of information requested by the Parliamentary Budget Officer (sections 79.4(2) and sections 79.41 to 79.5 of the PCA) apply to the data mentioned in new section 88.1(3), with any necessary modifications.

NOTES

1. Bill S-217, An Act to amend the Canada Revenue Agency Act (reporting on unpaid income tax), 45th Parliament, 1st Session.
2. *Canada Revenue Agency Act*, S.C. 1999, c. 17.
3. Bill S-258, An Act to amend the Canada Revenue Agency Act (reporting on unpaid income tax), 44th Parliament, 1st Session.
4. Bill S-243, An Act to amend the Canada Revenue Agency Act (reporting on unpaid income tax), 42nd Parliament, 1st Session.
5. Canada Revenue Agency, *Tax Gap: A brief overview*.
6. Ibid.
7. Canada Revenue Agency, *CRA's previous tax gap reports*.
8. Canada Revenue Agency, *Overall federal tax gap report: Estimates and key findings for non-compliance, tax years 2014–2018*, 2022.
9. *Parliament of Canada Act*, R.S.C. 1985, c. P-1.
10. Office of the Parliamentary Budget Officer, *Preliminary Findings on International Taxation*, 20 June 2019, p. 4.