

Explanatory notes for overall tax gap report tables

Confidentiality procedures

To ensure taxpayer information is protected, data has been suppressed where warranted. As well, counts are rounded to the nearest multiple of 10. For example, 104 is rounded to 100 and 105 is rounded to 110. Dollar amounts are rounded to the nearest million in all tables. Totals may not add up because of rounding or suppression.

Data sources

Gross reporting tax gap components were estimated using the following key data sources:

Personal income tax (PIT) reporting gap, underground economy

- Statistics Canada: underground economy estimates (2018)
- Finance Canada, marginal effective tax rates

Personal income tax (PIT) reporting gap, offshore investment income

- Global financial statistics:
 - Total Portfolio Investments, coordinated portfolio investment survey
 - Boston Consulting Group, global wealth 2014-2018
 - Bank of Canada exchange rate
 - World Bank, GDP data
- International banking data:
 - Federal Reserve Economic Data
 - World Bank deposit interest rate
 - Dividends and capital gains data

Corporation income tax (CIT) reporting gap, small and medium enterprises (SMEs)

- CRA 2013-15 stratified random audit results
- CRA assessment data based on T2 Corporation Income Tax Returns as of May 2021
- Statistics Canada's underground economy estimates

Corporation income tax (CIT) reporting gap, large corporations

- CRA assessing data based on T2 Corporation Income Tax Returns as of May 2021
- CRA Business Number Registration System as of May 2021
- CRA risk-based audit data for large corporations completed for relevant tax years

Goods and services tax/harmonized sales tax (GST/HST) reporting gap

- Finance Canada data from the HST Revenue Allocation Framework
- Statistics Canada Provincial Economic Accounts and Provincial Supply and Use Tables and Underground economy estimates
- CRA GST Returns data and GST Audit data
- Canada Border Services Agency (CBSA) declared GST/HST revenue

Excise reporting gap

- Statistics Canada Canadian Community Health Survey (CCHS)
- CRA administrative data on legal domestic tobacco product production and CRA excise duty rates
- CBSA administrative data on legal commercial tobacco product importations
- Health Canada Wholesale sales data: cigarettes and fine-cut sales in Canada

Payment gap estimates were calculated using CRA Accounting data as of June 2021.

Net tax gaps (tax gaps after accounting for CRA compliance and collection actions) estimates were produced using:

- CRA Accounting data as of June 2021
- CRA Assessing data as of July 2021 based on T1 Income and Benefit Return, T2 Corporation Income Tax Return, Goods and Services Tax / Harmonized Sales Tax (GST/HST) Return
- CRA audit data for GST/HST, corporations and individuals

Percentages of tax revenue were calculated using the revenue amounts from Public Accounts of Canada.

Description of table items

Excise duty or tax: A levy on production and importation of certain goods. The most common goods subject to excise duty or tax are tobacco products, alcoholic drinks, and fuel products (e.g., gasoline). For more details, please see [Excise taxes, duties, and levies - Canada.ca](https://www.cra.ca/Excise%20taxes%20duties%20and%20levies).

Gross tax gap: Tax gap estimate before accounting for compliance and collection actions. The total gross tax gap is estimated by combining all previously published tax gap components before accounting for the CRA actions.

Impact of CRA compliance and collections: Percentage of gross tax gap reduction due to compliance and collection activities. The impact of compliance activities mainly includes adjustments to taxes found by audits. The impact of collections includes all the changes related to the payment gap starting from the payment due date to 10 years after a given tax year. This 10-year period was selected based on CRA's internal assessment on the evolution of the payment gap. This also helped account for certain compliance activities that may impact the payment gap.

Large corporation: For the purpose of this report, large corporations are incorporated businesses with gross revenues of more than \$20 million, except those in certain designated industries where the limit is more than \$50 million (i.e., manufacturing, transportation and allied services, wholesale trade, and retail and services).

Net tax gap: Tax gap estimate after subtracting compliance and collection results from the gross tax gap. The total net tax gap is estimated by combining all previously published tax gap components, after accounting for compliance and collection actions.

Offshore investment income: Income earned from investments located outside Canada. Canadian residents must report investment from both Canadian and foreign sources.

Payment gap: Tax gap resulting from assessed taxes that are not fully paid by the payment deadline. A tax filer can have a payment gap for multiple taxation years.

Reporting gap: Tax gap resulting from when taxpayers fail to provide complete or accurate information on their tax returns by under-reporting income or claiming deductions or credits to which they are not entitled. In some cases, reporting non-compliance can include over-claiming credits and deductions.

Small and medium-size enterprises (SME): SMEs are incorporated businesses with gross revenues of less than \$20 million, except those in certain designated industries where the limit is less than \$50 million (i.e., manufacturing, transportation and allied services, wholesale trade, and retail and services).

Tax gap: The tax gap represents the difference between the taxes that would be paid if all obligations were fully met in all instances, and the tax actually paid and collected.

Underground economy (UE): The UE is commonly understood as economic activity or income that is purposely hidden from public authorities, which can include working under the table or skimming (when revenues are under-reported or costs over-reported to understate net income). A variety of definitions for the UE exist – depending on the context, it may include activities that are officially measured and unmeasured, taxable and non-taxable, legal and illegal, or even very small-scale economic activities that

generate income. From the CRA's perspective, the UE includes any activity that is unreported or under-reported for tax purposes.

Description of tables

These tables were published in the overall tax gap report on [Canada.ca](https://www.canada.ca) in June 2022, and they contain federal tax gap estimates for the 2014 to 2018 tax years. Certain estimates are presented using ranges representing lower- and upper-bounds. The total gross tax gap is estimated by combining the following tax gap components: personal income tax (PIT), corporation income tax (CIT), goods and services tax/harmonized sales tax (GST/HST) and excise revenue.

Each table presents key figures from each tax gap component including reporting and payment gaps, the gross and net tax gaps, and key Canada Revenue Agency (CRA) compliance and collection activities. All amounts are in constant 2018 dollars, unless otherwise specified, and totals of the actual figures in the table may not match the total shown due to rounding for confidentiality purposes. More details are available on the [tax gap webpage](#) on Canada.ca.

Tables in CSV format

These tables can be found in the CRA's overall federal tax gap report available on [Canada.ca](https://www.canada.ca).

Table 1: PIT gap estimates for tax years 2014 to 2018, in \$billions*

This table presents the PIT gap estimates for tax years 2014 to 2018. Estimates are shown for the PIT reporting (domestic and international) and payment gaps in addition to the PIT gross and net gaps. Estimates are also provided for the PIT net gap as a percentage of PIT revenue. All estimates except for domestic underground economy and payment gap are displayed with lower- and upper-bounds.

Notes:

* All amounts are in constant 2018 dollars. Totals may not add due to rounding. Does not include non-residents.

** Percentages of PIT revenue are based on the Public Accounts of Canada. See Table A4 for federal tax revenue amounts.

Table 2: Potential federal tax loss for selected activities of the underground economy, tax year 2018*

This table presents the potential federal tax loss for selected activities of the domestic underground economy for tax year 2018 that was used to estimate the PIT reporting gap. The estimated federal tax loss is shown for employees and self-employed individuals.

Notes:

* All amounts are in constant 2018 dollars. Totals may not add due to rounding.

Table 3: CIT gap estimates for tax years 2014 to 2018, in \$billions*

This table presents the CIT gap estimates for tax years 2014 to 2018. Estimates are shown for the CIT reporting (small and medium enterprises and large corporations) and payment gaps in addition to the CIT gross and net gaps. Estimates are also provided for the CIT net gap as a percentage of CIT revenue. All estimates except for payment gap are displayed with lower- and upper-bounds.

Notes:

* All amounts are in constant 2018 dollars. Totals may not add due to rounding. Does not include non-residents.

** Percentages of CIT revenue are based on the Public Accounts of Canada. See Table A4 for federal tax revenue amounts.

Table 4: GST/HST gap estimates for tax years 2014 to 2018, in \$billions*

This table presents the GST/HST gap estimates for tax years 2014 to 2018. Estimates are shown for the reporting and payment gaps in addition to the GST/HST gross and net gaps. Estimates are also provided for the GST/HST net gap as a percentage of GST/HST revenue.

Notes:

* All amounts are in constant 2018 dollars. Totals may not add due to rounding.

** Percentages of GST/HST revenue are based on the Public Accounts of Canada. See Table A4 for federal tax revenue amounts.

Table 5: Excise gap estimates for tax years 2014 to 2018, in \$billions**

This table presents the excise gap estimates for tax years 2014 to 2018. Estimates are shown for the reporting and payment gaps of cigarettes in addition to the excise gross and net gaps. Estimates are also provided for the excise net gap as a percentage of excise revenue.

Notes:

* The excise payment gaps for tax years 2014 to 2016 were negligible due to high levels of regulation and compliance. The exact tax gap amount is not reported to maintain taxpayer confidentiality.

**All amounts are in constant 2018 dollars. Totals may not add due to rounding.

*** Percentages of excise revenue are based on the Public Accounts of Canada. See Table A4 for federal tax revenue amounts.

Table A1: Tax gap estimates in nominal dollars for tax years 2014 to 2018, in \$billions*

This table presents the tax gap estimates in nominal dollars for tax years 2014 to 2018 for all major tax gap components (PIT, CIT, GST/HST and excise). Reporting gaps are presented for PIT (domestic and international), CIT (SMEs and large corporations), GST/HST and excise as well as the payment gaps for these components. Total gross and net tax gaps are also presented in addition to the impact of CRA compliance and collection activities.

Notes:

* Totals may not add due to rounding.

** The excise payment gaps for tax years 2014 to 2016 were negligible due to high levels of regulation and compliance. The exact tax gap amount is not reported to maintain taxpayer confidentiality.

Table A2: Tax gap estimates in constant 2018 dollars for tax years 2014 to 2018, in \$billions*

This table presents the tax gap estimates in constant 2018 dollars for tax years 2014 to 2018 for all major tax gap components (PIT, CIT, GST/HST and excise). Reporting gaps are presented for PIT (domestic and international), CIT (SMEs and large corporations), GST/HST and excise as well as the payment gaps for these components. Total gross and net tax gaps are also presented in addition to the impact of CRA compliance and collection activities.

Notes:

* Totals may not add due to rounding.

** The excise payment gaps for tax years 2014 to 2016 were negligible due to high levels of regulation and compliance. The exact tax gap amount is not reported to maintain taxpayer confidentiality.

Table A3: Tax gap estimates as percentage of corresponding federal tax revenue for tax years 2014 to 2018*

This table presents the major tax gap components estimates as a percentage of their corresponding federal tax revenue for tax years 2014 to 2018. Reporting gaps are presented for PIT (domestic and international), CIT (SMEs and large corporations), GST/HST and excise in addition to the payment gaps for these components. Total gross and net tax gaps are also presented.

Notes:

* Percentages of corresponding federal tax revenues for the net tax gap are based on the Public Accounts of Canada. See Table A4 for federal tax revenue amounts.

** The excise payment gaps for tax years 2014 to 2016 were negligible due to high levels of regulation and compliance. The exact tax gap percentage is not reported to maintain taxpayer confidentiality.

Table A4: Federal tax revenue for fiscal years from 2014-15 to 2018-19, in \$billions*

This table presents the federal tax revenue of each the major tax gap components for fiscal years 2014-15 to 2018-19 in constant 2018 dollars. A total federal tax revenue for each of these fiscal years is also presented.

Notes:

* All amounts are in constant 2018 dollars. The amounts were retrieved from the Public Accounts of Canada. A fiscal year was approximated to a tax year (for example, 2014-15 was used to calculate percentages for 2014 tax year)