

# PRE-COMPLETED PERSONAL INCOME TAX RETURNS IN BELGIUM AND QUÉBEC: THE PROGRAMS AND THE OPINIONS OF USERS AND NON USERS<sup>1</sup>

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## INTRODUCTION

**T**HE PURPOSE OF THIS PAPER IS TO SUMMARIZE recent findings on the use of prefilled personal income tax returns in both Belgium (Verdonck, 2011) and Québec (Vaillancourt, 2011). These are two of the five cases examined in a recent monograph. We begin by presenting the programs in place in both tax administrations. We then turn to the results of user surveys.

## THE PROGRAMS

### Belgium

In 1995, prefilled tax returns were introduced only for pensioners, using paper returns. This experiment was abandoned in 1996 since the complexity of the Belgian tax system and the unavailability of some data when pre-filing the tax return (income of the spouse, foreign pensions...) made it too difficult to establish a correct prefilled tax return.

In 2003, the electronic tax returns program was introduced, which made it possible to pre-complete items on the 2005 returns. Thus, the main objective of the Belgian tax administration is not pre-filing but rather electronic filing; pre-filing is an incen-

tive for tax filers to use electronic filing. Table 1 shows the use of e-filing and prefilled returns. The increase in e-filing from 2003 is explained by both a widening of access from wage earners to self employed and from self filers to civil servants and tax preparing accountants. The civil servant category reflects the fact that taxpayers can go to tax offices and ask civil servants to file the return for them.

The number of pre-completed tax returns introduced by taxpayers has been increasing steadily, from 575,005 in 2005 to 1,712,916 in 2008; that is 27.4 percent of the total number of individual tax returns in Belgium in 2008.

The high growth of the numbers for civil servants reflects both the fact they must use e-filing and changes in the paper form since 2003 (introduction of codes...) in order to make it easily scanned, that resulted in it being less easily understood by individuals who then turn to civil servants for help.

Parallel to this evolution, the number of pre-completed items is increasing as data, especially those provided by private companies, become electronically available. In 2005, only the personal data (address, marital status...) and the anticipated income tax payments were pre-completed. In 2006, this was extended to the incomes of civil

*Table 1*  
**Number of e-filled and Pre Completed Returns**

	<i>Belgium 2003-2009</i>						
<i>Tax filers</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Taxpayers directly	58	93	130	160	213	303	683
Civil servants	/	27	193	440	580	726	950
Tax preparing accountants	/	49	252	422	565	684	788
All e-filed returns	58	169	575	1,022	1,358	1,713	2,420
TOTAL returns*	5,142		5,744	5 858	5,991	6,078	6,143

\*Source : <http://statbel.fgov.be/fr/statistiques/chiffres/travailvie/fisc/index.jsp>

servants and pensioners. Since 2007, all information provided electronically by administrations, employers, or financial institutions, is included in the prefilled return. Since 2009, electronic information exchange is compulsory for most incomes.

Because prefilled income tax returns were part of a larger project (Copernicus reform), no cost-benefit analysis has been carried out for this activity. Electronic tax returns reduce postal expenses and storage space.

### Québec

In December 2007 Revenu Québec announced that a target group of 100,000 tax filers in 2008 would receive a prefilled 2007 personal income tax form; 80 percent of these tax filers were aged 65 and over. This initiative was presented as a partial response to the request by older Québec residents for simplified relations with the government.

Tax filers selected to be offered a prefilled return had the following main characteristics: they used a paper form, had no children for tax purposes, had no spouses or spouses similar to them (again for tax purposes), did not transfer income between members of a couple, and had transfer income in their 2006 return, for which Revenu Québec was certain that it would have the relevant information to include in the prefilled return, and did not use complex tax deductions.

Once the tax filer has received the prefilled form, various steps must be followed to ensure it could be used:

1. Confirm that they have the same marital status in 2007 as in 2006, receive only pension, welfare, and interest income, and do not use seven specific deductions or credit.
2. Check the prefilled amounts. If they are incorrect, one must use the regular form.
3. Add information on the back of the prefilled form on specific items added.

The launch of this program was accompanied by meetings with private providers of tax preparation programs and tax preparing services. Both groups expressed concerns about the impact of this initiative on their markets but the first group also saw an opportunity for making their product more attractive, if they could be meshed with electronically provided information.

Of the 100,000 selected tax filers, 92,982 received a prefilled tax return; the remaining 7,018 did not, either because they declined to participate

when first contacted in January 2008, or because their personal situation had changed; 33.3 percent of recipients used the prefilled return.

Users of prefilled forms tend to be younger within the target group, which is mainly 65+, than those who chose not to do so; this may indicate some conservatism in choices associated with age. There is no difference by marital status.

As of June 1, 2009, 88,009 prefilled or regular tax returns out of the 92,982 targeted individuals had been received. There were important differences between the expected tax outcomes and the realized ones. For example, it was expected based on information available to Revenu Québec that only 4.7 percent of the prefilled sample would be entitled to an income tax refund; this percent was based on 100 percent use of prefilled returns. It was revised downwards to 2.6 percent when the actual use of prefilled returns was known. But once income tax liability was established, it was 16.8 percent of users of prefilled returns that were entitled to a refund. That said, 81 percent of users of prefilled returns had a match between their expected tax outcome and their realized tax outcome. This percent of matches was 62.4 percent for potential pre-fillers that used the standard form.

These differences are explained by differences between the information available to Revenu Québec and the one used by the tax filer. In 60 percent of the cases, they added no information to the back of their form; 22 percent added one item, 8 percent two, and 9 percent three or more.

In addition to the lines at the back of the prefilled form, the assessment process identified line items for users of the prefilled forms that should have been used and were not. This was the case for 5.5 percent of the prefilled users. That said, we note that 94.5 percent of users of the prefilled returns did not need to enter any additional information; this indicates a good self selection of such users amongst those targeted by Revenu Québec. What is perhaps more intriguing is that 85.8 percent of the recipients of a prefilled return that chose to use the standard tax form need not have done so; the prefilled return was adequate.

## THE OPINIONS OF USERS AND NON USERS

### Belgium

Two surveys were carried out. The first one, in 2005, was administered to 820 accountants.

Respondents indicated that 92 percent intended to make a larger use of the electronic tax returns in 2005 while 83 percent would advise their colleagues to use the electronic tax returns. The main (10 percent+) advantages of Tax-on-web were: the longer time period to file the tax returns (22 percent), the proof of submission of a return sent by the administration (18 percent), the availability of the system 24 hours a day and 7 days a week (16 percent), and less amendments and meetings with the administration afterward (11 percent). Respondents believed that their colleagues do not use the electronic pre-completed tax returns because they have insufficient knowledge of the advantages of the online filing (53 percent), distrust the confidentiality of the data on the Internet (36 percent), face unclear identification procedure (34 percent), and have not been well informed by the tax administration (28 percent). In 2009, 95 percent of the tax-preparing accountants filed electronically.

The second survey in 2008 was administered by phone to 1,000 tax filers with an Internet connection at home, drawn from a sample of 8,500.

The main results of the survey are the following:

- 11 percent had already used Tax-on-web, 6 percent had tried to use it but had given up, 39 percent had not used it, and the remaining 44 percent did not file their tax return themselves;
- among tax filers that never used Tax-on-web before, 35 percent intended to use Tax-on-web for their next tax return, with rates that decrease with increasing age (from 46 percent to 23 percent);
- the users of Tax-on-web evaluate their satisfaction with the program at a level of 8.4/10, with marks increasing with age;
- 94 percent of the users of Tax-on-web would advise acquaintances to use it.

About the motivations to use Tax-on-web, the main advantages cited by the taxpayers were that it is easier (for 67 percent of the users) or faster (23 percent) than a paper return, and that it calculated the amount to pay or to be refunded (20 percent). Only 6 percent of the users mention the fact that Tax-on-web enables the taxpayers to choose the best formula in order to reduce the taxes to pay (shifting the tax exemptions between spouses for instance).

Many reasons are given not to use Tax-on-web, but the main answers (10 percent+) are that the paper tax return is easier to use (21 percent), that

taxpayers are used to the paper return (14 percent), and that they are afraid to make mistakes (13 percent).

The users of Tax-on-web were asked what should be improved in the program. Four items were mentioned by about 30 percent of respondents: simplifying the electronic signature and the conditions to open a tax-on web account, pre-testing tax-on-web before committing to using it, and having a more accessible site. Three items were mentioned by about 25 percent of respondents: seeing a demo, reducing network saturation and improving the receipt.

The non-users of Tax-on-web were asked what would encourage them to turn to the electronic tax returns. More than two-thirds mentioned being reassured as to data protection, receiving a user guide by mail, a simpler process, and receiving a tax reduction for using tax-on-web. The last item was at that time offered to taxpayers in France using a similar system.

An important observation is that once a taxpayer has filed a tax return online, he/she does not go back to the paper form the following years because of the advantages offered by the online application.

### Québec

Individuals who received a prefilled return also received a short questionnaire to evaluate it. A total of 10,661 answers were received as of May 31, 2008. Of those, 9,923 contained usable answers and were analyzed. Of the 9,923, 8,615 were from users of the prefilled tax return and 1,308 from non-users. Thus, the answers from users can be seen as fairly representative of the overall opinion of this group while for non-users one should proceed with caution given the small sample size. One also finds that 53.4 percent users of the prefilled return used it themselves while 44.4 percent had someone else prepare it for them.<sup>2</sup>

Non users of the prefilled returns provided reasons as to why they did not use it, either by phone when they declined, or when they sent in answers to the survey.

A total of 13,748 phone calls were received from selected possible participants. Of those 6,143 phone calls indicated a refusal to use the prefilled return. The main reasons given were<sup>3</sup>:

- Offer received too late: 52.2 percent
- Prefer the usual form: 46.1 percent
- Helped by someone else: 4.1 percent

Table 2

**Opinions of Users of Prefilled Tax Forms, Written Survey, Prefilled Sample, Québec, 2007 Tax Year**

<i>% of respondents who said yes</i>	<i>Users</i>	<i>Non-users</i>
The prefilled return was easy to understand	98.9%	70.9%
The information in the explanatory document are clear	98.5%	73.2%
The use of the prefilled return facilitated filing your tax return	98.3%	NA
Prefilled returns should be offered next year	98.4%	35.4%

Source Table 6, p.35, *Déclaration de revenus préremplie Bilan du projet pilote 2007*, Août 2008 Revenu Québec mimeo

- Amount owed/due not known immediately: 4.0 percent
- Does not trust this new form/approach: 3.5 percent
- Other answers (10 possibilities): 15.2 percent
- \* The sum of these percents is 125.1 percent as more than one reason could be given.

Other calls raised questions as to the invitation letter, the prefilled form and the associated brochure, or asked for guidance in using the prefilled form. In this case, questions were asked mainly as to what amounts should be written in. Interestingly, 545 calls were received by non selected individuals who were interested by this possibility and wanted to know how to access such a form.<sup>4</sup>

In the answers to the written survey,<sup>5</sup> the top five answers for not participating are:

- Prefer using the same form as last year: 50.5 percent
- Filled in reasons (not stated): 48.5 percent
- Amount owed/due not known immediately: 35.3 percent
- Had to modify amounts or write some in: 28.3 percent
- Was not sure would benefit from all appropriate credits using that form: 25.2 percent
- Others (3) accounted for 10.9 percent of the multiple answers that sum to 198.7 percent

Following this experiment, the decision was taken to keep offering the prefilled form to those who had received it for 2007 and to abandon the plans to generalize prefilled forms to other tax filers.

### CONCLUSION

Both tax jurisdictions first offered prefilled paper personal income tax forms to older tax filers. In

both cases, this was followed by a decision to cease offering the service. Eight years later, Belgium reintroduced it; it remains to see what Québec will do in 2015. It is interesting to note that surveys of e-filers in Belgium and prefilled users in Québec show a high degree of satisfaction with these government initiatives.

### Notes

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<sup>2</sup> Source: table 3, annex 5, p. 34 *Déclaration de revenus préremplie Bilan du projet pilote 2007*, Août 2008 Revenu Québec mimeo.

<sup>3</sup> Annex 6, table 2, p. 39, *Déclaration de revenus préremplie Bilan du projet pilote 2007*, Août 2008 Revenu Québec mimeo.

<sup>4</sup> Annex 6, table 1, p. 39 *Déclaration de revenus préremplie Bilan du projet pilote 2007*, Août 2008 Revenu Québec mimeo.

<sup>5</sup> Annex 5, table 4, p. 34, *Déclaration de revenus préremplie Bilan du projet pilote 2007*, Août 2008 Revenu Québec mimeo.

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