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CANADA

REPORT 7, COMPLIANCE ACTIVITIES— CANADA REVENUE AGENCY, OF THE 2018 FALL REPORTS OF THE AUDITOR GENERAL OF CANADA

Report of the Standing Committee on Public Accounts

The Honourable Kevin Sorenson, Chair

**FEBRUARY 2019
42nd PARLIAMENT, 1st SESSION**

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**Hon. Kevin Sorenson
Chair**

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Reports from committee presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

has the honour to present its

FIFTY-NINTH REPORT

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied Report 7, Compliance Activities—Canada Revenue Agency, of the 2018 Fall Reports of the Auditor General of Canada and has agreed to report the following:



REPORT 7, COMPLIANCE ACTIVITIES—CANADA REVENUE AGENCY, OF THE 2018 FALL REPORTS OF THE AUDITOR GENERAL OF CANADA

INTRODUCTION

Purpose of the Audit

The Office of the Auditor General (OAG) conducted a performance audit, which it released in the fall of 2018, to determine whether the Canada Revenue Agency (the Agency or the CRA) “applied the *Income Tax Act* consistently during compliance activities and accurately reported the results of its compliance activities.” To do this, the OAG examined:

- “how consistently the Agency applied its compliance activities for various types of taxpayers across Canada;
- the performance indicators for compliance activities and how they were measured, monitored, and reported to Parliament.”¹

Basic Concepts

The Canada Revenue Agency administers federal taxes, as well as provincial taxes in most provinces. It is up to taxpayers to “submit income tax returns to report their annual income, and they can claim deductions or credits that apply to their situations.”² The CRA must “ensure that taxpayers comply with the income reporting requirements of the *Income Tax Act*. The Agency aims to protect the integrity of the tax system by identifying and deterring those who do not comply.”³

1 Office of the Auditor General of Canada [OAG], “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.12.

2 Ibid., paras. 7.1 and 7.2.

3 Ibid., para. 7.3.



Compliance Activities

To ensure that taxpayers comply with their tax obligations, the CRA offers information to taxpayers so they can avoid filing inaccurate information, either deliberately or unknowingly. As a result, the Agency “develops strategies to identify which taxpayers are more likely to breach the *Income Tax Act*. Those taxpayers may then be subject to the Agency’s compliance activities.”⁴ To this end, the CRA may:

- audit taxpayers’ records to ensure that the correct amounts were reported;
- verify a specific item, such as an income amount;
- compare information from third parties;
- review the information provided and complete a reassessment (if a taxpayer requests an adjustment to a previous filing).⁵

To assess its compliance activities, the CRA measures and reports on their fiscal impact. The first component of the fiscal impact is the additional revenues generated by compliance activities, referred to by the CRA as “tax earned by audit” (TEBA). The second component includes interest and penalties. In the OAG report and this report, the term “additional revenues” means the “estimated additional revenues generated from compliance activities.”⁶

After conducting compliance activities, “the Agency may carry out other processes, such as objections, appeals and collections.”⁷ In Budgets 2016 and 2017, the federal government provided the CRA with an additional \$1 billion over five years for compliance activities, with expectations of generating additional revenues of \$5 billion within five years.⁸

Additionally, the CRA has a Taxpayer Bill of Rights,⁹ which “describes and defines 16 taxpayer rights” and “the treatment taxpayers are entitled to when they interact with

4 Ibid., para. 7.6.

5 Ibid., para. 7.7.

6 Ibid., para. 7.8.

7 Ibid., para. 7.9.

8 Ibid., para. 7.11.

9 Canada Revenue Agency [CRA], [Taxpayer Bill of Rights Guide: Understanding your rights as a taxpayer](#).

the Agency. It is intended to protect taxpayers from inappropriate treatment and to protect the integrity of the tax system.”¹⁰

Taxpayers may be entitled to relief (the CRA may waive the interest and penalties owed), for example, in the following cases:

- under the Voluntary Disclosures Program, taxpayers may correct a previously filed return;¹¹
- extraordinary circumstances, such as illness or financial hardship;
- proactively, without the taxpayer requesting it, when the CRA was responsible for delays such as:
 - o processing delays, which prevent the taxpayer from being informed within a reasonable time of an amount owing,
 - o errors in publicly available income tax guidance, which cause a taxpayer to file a return or make a payment on the basis of incorrect information,
 - o incorrect information provided to a taxpayer,
 - o data processing errors, which prevent a taxpayer from making the appropriate instalment or arrears payments, and
 - o a lengthy time to resolve an objection or an appeal, or to complete an audit.¹²

In addition, the CRA has defined four major categories of taxpayer:

- international and large businesses with revenues over \$250 million;
- taxpayers with offshore investments or assets in another country;
- small and medium-sized enterprises with revenues under \$250 million;

10 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.10.

11 Ibid., para. 7.26.

12 Ibid., para. 7.37.



- individuals.¹³

According to the OAG, “[compliance] activities are only one step in ensuring that all taxpayers pay the right amount of income taxes. Once a file is assessed and the taxes owing are calculated, other factors influence whether the taxes reassessed through compliance activities are paid,”¹⁴ such as an objection by the taxpayer to the new assessment, or a write-off of the additional amount owing when the CRA determines that it is not collectible.¹⁵

On 10 December 2018, the House of Commons Standing Committee on Public Accounts (the Committee) held a hearing on this audit. In attendance from the OAG were Jerome Berthelette, Assistant Auditor General, and Martin Dompierre, Principal; from the CRA were Bob Hamilton, Commissioner of Revenue and Chief Executive Officer, and Ted Gallivan, Assistant Commissioner, International, Large Business and Investigations Branch.¹⁶

FINDINGS AND RECOMMENDATIONS

Conducting Compliance Activities

Inconsistent Time Given to Respond to Requests for Information

The OAG observed that “the length of time the Canada Revenue Agency gave taxpayers to respond to its requests for information was inconsistent, depending on how the Agency categorized the taxpayer.” Of the four above-mentioned categories, the CRA requested information from individuals “more quickly,” and gave them “less time to respond.”¹⁷

13 Ibid., para. 7.27.

14 Ibid., para. 7.63.

15 Ibid., para. 7.64.

16 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 10 December 2018, [Meeting 123](#).

17 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.30.

Furthermore, as noted in the 2013 Spring Report of the OAG,¹⁸ “the longer it took the Agency to enforce compliance, the less likely it could collect the taxes due. This was especially true for taxpayers with offshore assets, who may have been inclined to liquidate assets or transfer funds to make it more difficult for the Agency to obtain information and collect taxes due. On the other hand, for individuals and domestic businesses, the Agency had a better likelihood of collection by garnishing wages and seizing assets.”¹⁹

The OAG, therefore, made the following recommendation:

The Canada Revenue Agency should set time limits for all audit workloads to provide information requested and should consistently enforce the provisions of the [Income Tax Act](#) to compel taxpayers to produce information once those time limits have passed.²⁰

Bob Hamilton, Commissioner of Revenue and Chief Executive Officer of the CRA, indicated that the environment in which the CRA is operating “becomes even more complex when tax schemes cross borders. In fact, a significant compliance challenge for tax authorities around the world has been addressing the effects of base erosion and profit sharing.”²¹ He added that CRA had “built some flexibility into the [Agency’s] system to be able to accommodate when more time is required so that [it] can get to the right result,” but the CRA is also taking a look, “based on this audit, to see whether there’s some room for improvement or something that [the Agency] can do better to get a better result for the taxpayers.”²²

In its Detailed Action Plan, the CRA indicated it would “[review] and analyze current policies and consult with key stakeholders for opportunities to revise criteria and guidelines for granting extensions and for when to make use of legislative provisions.”²³

18 OAG, [“Status Report on Collecting Tax Debts – Canada Revenue Agency,”](#) Chapter 3 of the 2013 Spring Report of the Auditor General of Canada.

19 OAG, [“Compliance Activities – Canada Revenue Agency,”](#) Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.34.

20 Ibid., para. 7.35.

21 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 10 December 2018, [Meeting 123](#), 1540.

22 Ibid., 1555.

23 CRA, [CRA Detailed Action Plan](#), p. 1.



However, the OAG specifically recommended that the CRA “consistently enforce the provisions of the *Income Tax Act* to compel taxpayers to produce information once those time limits have passed,”²⁴ not seek OPPORTUNITIES to revise its criteria.

Therefore, the Committee recommends:

Recommendation 1—Regarding the time given to respond to requests for information

That the *Canada Revenue Agency* provide the House of Commons Standing Committee on Public Accounts with: (1) a status report on the revisions undertaken on time limits for taxpayers, by 30 May 2019; and (2) a final report outlining its revised policy with a set timeline for all taxpayers to provide information to the Agency in response to compliance activities, by 31 March 2020.

Inconsistent Offering of Proactive Relief to Taxpayers

The OAG found that “the Agency did not proactively consider waiving penalties and interest consistently for all taxpayers. The Agency’s compliance activity for individuals was typically to review specific items and request receipts and other documentation to support their income tax returns. For them, the Agency did not proactively offer relief from interest and penalties—even when the Agency had caused the delays.”²⁵ For other taxpayer categories, however, “the Agency required its auditors to consider offering relief without taxpayer requests.”²⁶

Additionally, “some taxpayers experienced delays of over 120 days during compliance activities because of Agency information technology issues. These taxpayers were not proactively offered relief.”²⁷ Ted Gallivan, Assistant Commissioner, CRA, explained that the Agency had not offered proactive relief “on the low-touch interactions” but “had done it on the high-touch interactions.”²⁸

The OAG also found that the CRA did not “define the period of time considered to be an undue delay. The Agency left this to the auditors’ discretion. This may have resulted in

24 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.35.

25 Ibid., para. 7.38.

26 Ibid., para. 7.39.

27 Ibid., para. 7.40.

28 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 10 December 2018, [Meeting 123](#), 1705.

inconsistent application of relief, contradicting the Taxpayer Bill of Rights.”²⁹ According to CRA officials, proactively offering relief to all taxpayers would impose an administrative burden on the Agency, but would have “minimal impact on the interest and penalties waived or cancelled.” According to the OAG, however, “the administrative burden could be lessened by placing a dollar threshold and time limit on relief procedures, similar to the Agency’s current policy of not charging or refunding amounts less than \$2 for income tax returns.”³⁰

The OAG, therefore, made the following recommendation:

The Canada Revenue Agency should:

- review its criteria and procedures and consider proactive relief for taxpayers in all types of compliance activities;
- provide further guidance to staff to establish what it considers to be an “undue delay” in various compliance activities, on the basis of factors such as time, complexity, and taxpayer actions.³¹

In its Detailed Action Plan, the CRA agreed to the OAG’s recommendation. With regard to the proactive relief procedures, the Agency stated that, following an internal audit, it had begun a review of this matter, which would be completed by April 2019.³²

As regards the definition of “undue delay,” Bob Hamilton indicated that the CRA could be “much clearer with [its] employees about what [its] expectations are and what the guidelines are.”³³ The action plan also stated that the Agency would “where reasonable define the appropriate criteria to determine what it considers to be an ‘undue delay.’”³⁴ The OAG’s recommendation was that the CRA should “provide further guidance to staff to establish what it considers to be an ‘undue delay’ in various compliance activities,” in

29 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.41.

30 Ibid., para. 7.42.

31 Ibid., para. 7.43.

32 CRA, [CRA Detailed Action Plan](#), p. 1.

33 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 10 December 2018, [Meeting 123](#), 1710.

34 CRA, [CRA Detailed Action Plan](#), p. 1.



all circumstances, but that these definitions could vary “on the basis of factors such as time, complexity, and taxpayer actions.”³⁵

Therefore, the Committee recommends:

Recommendation 2—Regarding the offer of proactive relief to taxpayers

That the *Canada Revenue Agency* provide the House of Commons Standing Committee on Public Accounts with: (1) a report on the review of the proactive relief criteria and procedures, by 30 May 2019; and (2) a report on the new guidelines regarding the definition of undue delay, by 30 June 2020.

Inconsistent Waiving of Penalties and Interest

The OAG “found that waiving or cancelling interest and penalties was inconsistent.” For instance, there could be delays in the “time it took them to get information from taxpayers’ banks.” In such cases, some auditors waived interest and penalties for this period, while others did not.³⁶ This could vary depending on where the file was processed, according to both the OAG audit and an internal CRA audit completed in March 2018.

The OAG also analyzed 86,000 records of applications under the Voluntary Disclosures Program that were closed in 2013–2014. In 140 cases, “the taxpayers were under audit when submitting their applications, yet the applications were still accepted,” which represented “about \$17 million in interest and penalties waived.” According to the OAG, “the Agency should have delayed processing the application for relief until it completed the audit.”³⁷ The OAG nevertheless observed that, “effective 1 March 2018, the Agency revised its Voluntary Disclosures Program to narrow the eligibility criteria, including the conditions for an application to be considered.”³⁸

The OAG, therefore, made the following recommendation:

The Canada Revenue Agency should ensure that taxpayers are treated consistently by:

35 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.43.

36 Ibid., para. 7.44.

37 Ibid., para. 7.48.

38 Ibid., para. 7.49.

- clarifying its guidance and procedures to determine whether the Agency or the taxpayer is responsible for delays in completing compliance activities;
- ensuring that eligibility criteria are fully met before approving applications for all relief programs.³⁹

In its Detailed Action Plan, the Agency committed to consulting “with CRA stakeholder branches to ensure harmonization of the application and administration of the taxpayer relief provisions, to ensure accuracy of information and consistency across the Agency, including the determination of responsibility for delays.” Reports would then be prepared “to support the application and administration of the taxpayer relief provisions including the usage of the delegated authority,” and “existing guidelines and procedures to assist officers in the determination of responsibility for delays” would be revised.⁴⁰

Therefore, the Committee recommends:

Recommendation 3—Regarding the waiving of penalties and interest

That the *Canada Revenue Agency* provide the House of Commons Standing Committee on Public Accounts with: (1) a status report on the consultations with the Agency’s stakeholder regarding (a) harmonization of the application and administration of the taxpayer relief provisions; and (b) determination of responsibility for delays (falling to either the Agency or the taxpayer), by 31 October 2019; and (2) a final report on these two matters, by 30 May 2020.

Different Audit Completion Times Across Canada

The OAG “found differences in the time it took these regional offices to complete audits.” For example, “for the offshore and aggressive tax planning compliance program, audited taxpayers in one region of Canada waited an average of 541 days. For that same program, taxpayers in another region waited 323 days and were served 218 days faster.”⁴¹

The OAG, therefore, made the following recommendation:

39 Ibid., para. 7.50.

40 CRA, [CRA Detailed Action Plan](#), p. 2.

41 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.51.



The Canada Revenue Agency should determine the reasons for regional variations in the time to complete compliance activities and should implement a plan to reduce those differences.⁴²

In its Detailed Action Plan, the Agency confirmed that it planned to identify the causal factors of the variances by September 2019 and finalize “an action plan to address any problematic issues.” However, it added the caveat that this work would “need to take into account that workloads vary across regions in terms of their complexity and sector composition.”⁴³ Bob Hamilton made a similar point:

To the extent that one region is doing a particular national workload for the whole agency, or that one has very complex sectors operating within their region, you can see some regional variations. I put that as a caveat on this whole thing.⁴⁴

The Committee understands that the workload can vary from one processing centre to another, as some centres process more complex requests or requests from across Canada, while others process requests only for a certain region. However, each processing centre should have the resources to ensure that taxpayers in the same category, with files of similar complexity, are assessed within a similar time frame no matter where they reside—or where their activities take place, in the case of a business—as recommended by the OAG. Therefore, the Committee recommends:

Recommendation 4—Regarding the standardization of audit completion times

That the *Canada Revenue Agency* provide the House of Commons Standing Committee on Public Accounts with: (1) a report describing the reasons for regional variations in the time required to complete its compliance activities, by 30 September 2019; and (2) a report outlining the measures in place to reduce or eliminate these variations, including a reallocation of resources, so that two taxpayers with a similar profile and files of similar complexity are dealt with in the same manner by the *Canada Revenue Agency*, no matter where their files are processed, by 30 April 2020.

Untimely and Incomplete Processing of Results of Compliance Activities

According to the OAG, when the CRA conducts compliance activities, “the auditor determines the amount of income or expenses to adjust. Then, the file is sent to another

42 Ibid., para. 7.53.

43 CRA, [CRA Detailed Action Plan](#), p. 2-3.

44 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 10 December 2018, [Meeting 123](#), 1600.

section of the Agency, where taxes owing are calculated and adjusted.”⁴⁵ The OAG found that the CRA “did not always calculate and adjust taxes owing on a timely basis” and that the processing of requests for adjustments varied from 12 to 41 weeks, depending on which tax centre was involved.”⁴⁶ Furthermore, the CRA “did not follow through with taxpayers who had used the Voluntary Disclosures Program to ensure that they continued to comply.”⁴⁷

The OAG, therefore, made the following recommendation:

The Canada Revenue Agency should:

- develop a formal tracking process to monitor the time to process assessments;
- take necessary steps to improve timeliness and complete files;
- have a plan to follow up with taxpayers who have used the Voluntary Disclosures Program to verify their future compliance.⁴⁸

In its Detailed Action Plan, the Agency gave a two-part response, with one part addressing the time to process assessments, and the other addressing the follow-up to the Voluntary Disclosures Program.

As regards processing times, the Agency has stated it will “develop a formal tracking process to monitor the time to process assessments resulting from compliance actions,” and will also “where necessary improve [the] timeliness of reassessment processes.”⁴⁹ Again, the OAG had already identified a need in this area, determining that, “after the Agency completed its compliance activities, it did not always calculate and adjust taxes owing on a timely basis.” The time it took to process requests also varied widely from one tax centre to another.⁵⁰ The OAG recommended that the CRA “take necessary steps to improve timeliness and complete files.”⁵¹

45 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.54.

46 Ibid., para. 7.55.

47 Ibid., para. 7.57.

48 Ibid., para. 7.58.

49 CRA, [CRA Detailed Action Plan](#), p. 3.

50 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.55.

51 Ibid., para. 7.58.



Therefore, the Committee recommends:

Recommendation 5—Regarding processing times for the results of compliance activities

That the *Canada Revenue Agency* provide the House of Commons Standing Committee on Public Accounts with: (1) a report establishing targets for average and maximum processing times for assessments resulting from compliance actions, by 31 December 2019; and (2) a first monthly follow-up report on processing times for assessments resulting from compliance actions, by 31 March 2020.

With regard to following up with taxpayers who have used the Voluntary Disclosures Program to verify their future compliance, the CRA intends to “factor past disclosures into its risk assessment processes.”⁵² Therefore, the Committee recommends:

Recommendation 6—Regarding following up with taxpayers who have used the Voluntary Disclosures Program

That, by 30 April 2020, the *Canada Revenue Agency*, after determining the impact of past disclosures made under the Voluntary Disclosures Program, provide the House of Commons Standing Committee on Public Accounts with a report detailing the results and recommendations to enhance its risk assessment processes.

Managing and Reporting on Results

Unclear Methodology to Establish Targets for Additional Revenues

According to the OAG, the CRA “was unable to clearly demonstrate how it set its targets for additional revenues each year.”⁵³ The OAG found that, between 2013–2014 and 2017–2018, “the targets for additional revenues from the Agency’s audit activities for all programs were almost always met or exceeded.”⁵⁴ The OAG noted that “targets for additional revenues that are increased and are then met, or exceeded, may not be sufficiently challenging.”⁵⁵ Jerome Berthelette added that, at some point, “targets should be harder to achieve and should start to decrease if the Agency’s compliance activities

52 CRA, [CRA Detailed Action Plan](#), p. 3.

53 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.68.

54 *Ibid.*, para. 7.70.

55 *Ibid.*, para. 7.72.

effectively promote taxpayer compliance. Yet the Agency could not explain why its targets continued to rise and were always met or exceeded.”⁵⁶

The OAG, therefore, made the following recommendation:

The Canada Revenue Agency should clearly document how it sets its targets for additional revenues, also known as tax earned by audit. The targets should be supported by an analysis of trends in its targets and results.⁵⁷

In its Detailed Action Plan, the CRA stated that it would examine its methodology for establishing its targets and would “refine if necessary and clearly document the process,”⁵⁸ in keeping with the OAG’s recommendation.

Therefore, the Committee recommends:

Recommendation 7—Regarding the targets for additional revenues earned by audit

That, by 31 December 2019, the *Canada Revenue Agency* provide the House of Commons Standing Committee on Public Accounts with a report that reviews and clearly documents its methodology to set targets for tax earned by audit.

Closure of Most Audit Files Near Year-end

The OAG “found a trend to close files and assess additional taxes toward year-end.” This period coincides with the CRA’s deadline to meet its annual targets.⁵⁹ According to the OAG, “targets may have pushed auditors to close files early,” and the CRA was unable to provide the OAG with “the amount of additional revenues reported that were actually collected from year to year.”⁶⁰

Additionally, the OAG found that the CRA “had limited feedback mechanisms to allow auditors to learn from their assessment work.” However, the OAG noted that, since its 2016 audit, there was “some improved feedback on objection results for compliance

56 House of Commons Standing Committee on Public Accounts, *Evidence*, 1st Session, 42nd Parliament, 10 December 2018, [Meeting 123](#), 1535.

57 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.74.

58 CRA, [CRA Detailed Action Plan](#), p. 3.

59 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.75.

60 *Ibid.*, para. 7.76.



programs.”⁶¹ Nevertheless, “many internal reports shared with the assessing and audit areas were not detailed enough for the reader to understand the reasons for any changes.”⁶²

The OAG’s report stated that, according to “the Agency’s detailed action plan to the House of Commons Standing Committee on Public Accounts, the work on sharing information on objections was still ongoing, and no specific completion date was indicated.”⁶³ However, the Detailed Action Plan the Committee received did not provide any such information.

Therefore, the Committee recommends:

Recommendation 8—Regarding sharing information on objections

That, by 31 December 2019, the *Canada Revenue Agency* provide the House of Commons Standing Committee on Public Accounts with a report on the work it has undertaken to share information on objections and the associated results with taxpayers.

Aggregated Tracking of the Use of Budgetary Funding

As reported by the Auditor General to the Committee, the issue of inadequate data collection and use is a persistent problem facing federal organizations. Given the significance of sound data in the delivery and accurate assessment of program effectiveness, the Committee has made this issue one of its core priorities.

According to the OAG, the CRA “could not track the exact amount of additional revenues resulting” from the additional funding it had received in 2016 and 2017 to “generate more than \$5 billion over five years.”⁶⁴ The CRA indicated to the OAG that “tracking detailed results would be overly cumbersome because of its cost and complexity.” However, the OAG noted that “a greater degree of precision in tracking the spending of budget funding would provide additional assurances that the Agency was meeting its commitments to increase tax revenues.”⁶⁵

61 Ibid., para. 7.77.

62 Ibid., para. 7.79.

63 Ibid., para. 7.80.

64 Ibid., paras. 7.82 and 7.83.

65 Ibid., para. 7.83.

The OAG, therefore, made the following recommendation:

The Canada Revenue Agency should analyze whether there are more accurate measures to track additional revenue generated from budgetary funding.⁶⁶

Bob Hamilton said that the Agency did “agree with the [Auditor General] when they say it’s incomplete and that there’s something that happens after that.” In its Detailed Action Plan, the CRA noted that it would “[research] and evaluate if there are more accurate measures to track additional revenue generation [and], if so, include these changes in the performance measurement framework.”⁶⁷

Therefore, the Committee recommends:

Recommendation 9—Regarding the tracking of the use of budgetary funding

That, by 30 April 2020, the *Canada Revenue Agency* provide the House of Commons Standing Committee on Public Accounts with a report on the results of its research and evaluation of measures to track additional tax revenue generated from increased budgetary funding; and a final report by 31 October 2022.

Incomplete Reporting

The OAG found that, to calculate additional revenue, the CRA “measured results partway through the revenue cycle” and did not take all factors into account.⁶⁸ Furthermore, the OAG was unable to obtain from the CRA the value of write-offs from compliance activities.⁶⁹

The OAG, therefore, made the following recommendation:

The Canada Revenue Agency should enhance its performance indicators so that it can fully measure and report on compliance activities’ results and actual collected tax revenues.⁷⁰

66 Ibid., para. 7.86.

67 CRA, [CRA Detailed Action Plan](#), p. 4.

68 OAG, “[Compliance Activities – Canada Revenue Agency](#),” Report 7 of the 2018 Fall Reports of the Auditor General of Canada, para. 7.87.

69 Ibid., para. 7.89.

70 Ibid., para. 7.91.



In its Detailed Action Plan, the Agency agreed to “develop additional strategic measures that will estimate the impact of litigation, collections and deterrence.”⁷¹

Therefore, the Committee recommends:

Recommendation 10—Regarding performance indicators and their reporting

That, by 30 April 2020, the *Canada Revenue Agency* provide the House of Commons Standing Committee on Public Accounts with a report on its new performance measurement framework for compliance activities and the actual collected tax revenues.

CONCLUSION

The Committee concludes that the Canada Revenue Agency did not consistently apply tax rules when it audited or reviewed taxpayers’ files, even though the Taxpayer Bill of Rights includes the right to have the law applied consistently. Furthermore, the Agency did not provide an exact accounting of the results of its compliance activities, and its reports were incomplete.

To address these concerns, the Committee has made 10 recommendations to the Canada Revenue Agency to help ensure that its tax compliance activities meet objectives.

71 CRA, [CRA Detailed Action Plan](#), p. 4.

SUMMARY OF RECOMMENDED ACTIONS AND ASSOCIATED DEADLINES

Table 1—Summary of Recommendations and Deadlines

Recommendation	Recommended action	Deadline
Recommendation 1	The <i>Canada Revenue Agency</i> should provide the House of Commons Standing Committee on Public Accounts with: (1) a status report on the revisions undertaken on time limits for taxpayers; and (2) a final report outlining its revised policy with a set timeline for all taxpayers to provide information to the Agency in response to compliance activities.	30 May 2019 and 31 March 2020
Recommendation 2	CRA should provide the Committee with: (1) a report on the review of the proactive relief criteria and procedures; and (2) a report on the new guidelines regarding the definition of undue delay.	30 May 2019 and 31 June 2020
Recommendation 3	CRA should provide the Committee with: (1) a status report on the consultations with the Agency’s stakeholder regarding (a) harmonization of the application and administration of the taxpayer relief provisions; and (b) determination of responsibility for delays (falling to either the Agency or the taxpayer); and (2) a final report on these two matters.	31 October 2019 and 30 May 2020



Recommendation	Recommended action	Deadline
Recommendation 4	CRA should provide the Committee with: (1) a report describing the reasons for regional variations in the time required to complete its compliance activities; and (2) a report outlining the measures in place to reduce or eliminate these variations, including a reallocation of resources, so that two taxpayers with a similar profile and files of similar complexity are dealt with in the same manner by the Agency, no matter where their files are processed.	30 September 2019 and 30 April 2020
Recommendation 5	CRA should provide the Committee with: (1) a report establishing targets for average and maximum processing times for assessments resulting from compliance actions; and (2) a first monthly follow-up report on processing times for assessments resulting from compliance actions.	31 December 2019 and 31 March 2020
Recommendation 6	CRA, after determining the impact of past disclosures made under the Voluntary Disclosures Program, should provide the Committee with a report detailing the results and recommendations to enhance its risk assessment processes.	30 April 2020
Recommendation 7	CRA should provide the Committee with a report that reviews and clearly documents its methodology to set targets for tax earned by audit.	31 December 2019
Recommendation 8	CRA should provide the Committee with a report on the work it has undertaken to share information on objections and the associated results with taxpayers.	31 December 2019

Recommendation	Recommended action	Deadline
Recommendation 9	CRA should provide the Committee with a report on the results of its research and evaluation of measures to track additional tax revenue generated from increased budgetary funding, along with a final report.	30 April 2020 and 31 October 2022
Recommendation 10	CRA should provide the Committee with a report on its new performance measurement framework for compliance activities and the actual collected tax revenues.	30 April 2020

APPENDIX A LIST OF WITNESSES

The following table lists the witnesses who appeared before the Committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the Committee's [webpage for this study](#).

Organizations and Individuals	Date	Meeting
Canada Revenue Agency Bob Hamilton, Commissioner of Revenue and Chief Executive Officer Ted Gallivan, Assistant Commissioner, International, Large Business and Investigations Branch	2018/12/10	123
Office of the Auditor General Jerome Berthelette, Assistant Auditor General Martin Dompierre, Principal	2018/12/10	123

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 123 and 126](#)) is tabled.

Respectfully submitted,

Hon. Kevin Sorenson, P.C., M.P.
Chair

