

**CANADA REVENUE AGENCY DETAILED ACTION PLAN**  
to the recommendations of the Taxation of E-Commerce Report of the Spring 2019 Report of the Auditor General of Canada

Report Ref. No.	OAG Recommendation	Departmental Response	Description of Final Expected Outcome/Result	Expected Final Completion Date	Key Interim Milestones (Description/Dates)	Responsible Organization/ Point of Contact (Name, Position, Tel #)	Indicator of Achievement (For Committee Use Only)
3.54	Within its legislative authority, the Canada Revenue Agency should expand its compliance activities and leverage available third-party data to enhance its ability to detect and deter non-compliance for the GST/HST in e-commerce, including accommodation sharing.	Agreed. On the basis of the current legislation, the Canada Revenue Agency's compliance actions to date have been fully satisfactory. The Agency has already identified the e-commerce sector as a risk. Its efforts to address non-compliance in this sector, as supported by educating taxpayers on their GST/HST obligations and conducting test audits, is commensurate with the level of risk of non-compliance and the tax dollars at risk. These efforts allow the Agency to ensure that focus remains on files with the highest risk of non-compliance while promoting a fair tax system for all Canadians. The Office of the Auditor General of Canada estimated losses of \$169 million in the GST on foreign digital products and services sold in Canada in 2017. This represents a small fraction of the \$4.9 billion in the GST/HST gap that was estimated in 2014 (see the " <a href="#">Tax Gap: A Brief Overview</a> " page on the Agency's website). Since the Agency expects the scale of e-commerce to continue to grow, the Agency will develop a dedicated compliance strategy to better detect and address non-compliance for the GST/HST in e-commerce and will continue to expand its compliance actions, including the better leveraging of third-party data. The strategy will further support and complement existing compliance efforts undertaken by the Agency to address the non-compliance within the sector.	The CRA will develop a dedicated compliance strategy to better detect and address non-compliance for GST/HST in e-commerce. The strategy will include the Agency's plan to expand its compliance actions including better leveraging third party data to detect and address non-compliance within the sector.	December 2020	<p><b>By March 2020:</b> Complete review of current compliance results, including compliance risks within the sector</p> <p><b>Status: Complete</b></p> <p>The CRA Corporate Risk Profile was updated in 2019-2020 to include a risk specific to the platform economy, i.e. There is a risk that income earned by individuals and businesses through online platforms will not be identifiable using conventional techniques.</p> <p>To address this risk, various initiatives have been undertaken by the CRA:</p> <ul style="list-style-type: none"> <li>• A dedicated unit (Platform Economy Section) was created in April 2019 to provide functional leadership and program direction in respect of the Platform economy for both the goods and services tax/harmonized sales tax (GST/HST) and income tax.</li> <li>• The new section conducted a study to assess data sources and analyze relevant data related to reporting compliance activities of platform participants in order to develop risk models to address non-compliance issues.</li> <li>• The section also reviewed existing studies and available statistics to better understand reporting compliance implications and non-compliance risks within the Platform Economy.</li> <li>• Engagement sessions within the Agency were conducted to gain insight into regional and local risk areas within the Platform Economy, and determine compliance risks within each area.</li> <li>• Based on the research and engagement sessions, non-compliance risks emerging from the Platform Economy were identified. These include: <ul style="list-style-type: none"> <li>- Anonymity of users/sellers,</li> <li>- Income can be difficult to track,</li> <li>- Lack of education on reporting requirements,</li> <li>- Place of Supply, and</li> <li>- Various payment methods including non fiat currencies.</li> </ul> </li> </ul>	<p><b>GST/HST Directorate, Compliance Programs Branch, Canada Revenue Agency</b></p> <p><b>Jennifer Ryan</b> Director General, GST/HST Directorate Tel: 613-282-6695</p>	

					<p><b>By December 2020:</b> Prepare the final compliance strategy</p> <p><b>Status: <i>Nearing completion; on track</i></b></p> <p>The strategy has been drafted and is currently pending senior management approval.</p> <p>In order to develop the CRA horizontal Platform Economy Compliance Strategy, we have drawn on the Office of the Auditor General (OAG) report, audit results and research conducted to date including what other tax jurisdictions have done to address the tax challenges posed by the platform economy. This compliance strategy addresses the following compliance gaps:</p> <ul style="list-style-type: none"> <li>• Compliance Interventions: The CRA has not had a dedicated compliance footprint in the platform economy that specifically targets risks posed by platforms as such audits were part of the regular audit workload.</li> <li>• Tracking and Monitoring: There was no dedicated methodology for tracking, monitoring and reporting participants' involvement in the platform economy and the associated compliance interventions undertaken by the CRA.</li> <li>• Legislative Framework: The current legislative framework requires consumers instead of non-resident platforms to self-assess and remit the GST/HST on cross-border transactions. This places a significant burden on consumers who typically are not aware of this responsibility. A review of alternative legislative frameworks will form a critical part of the strategy.</li> </ul> <p>This compliance strategy is based on four themes:</p> <ul style="list-style-type: none"> <li>• the use of business intelligence to identify and target high risk areas of the platform economy</li> <li>• the provision of service through education and outreach to inform taxpayers in the platform economy of their tax obligations</li> <li>• compliance interventions to address non-compliance</li> <li>• the review of policy and legislative alternatives that could facilitate compliance.</li> </ul> <p>Feedback from various impacted programs within the CRA has been incorporated into the strategy.</p> <p>The comprehensive compliance strategy will be finalized by December 2020.</p>		
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3.55	The Canada Revenue Agency should implement mechanisms to track, monitor, and report the number of compliance activities it conducts to manage the risk of non-compliance in e-commerce.	Agreed. The Canada Revenue Agency will analyze its tracking and monitoring methodology with respect to the compliance activities it conducts to manage the risk of non-compliance in e-commerce. As similar recommendations were made in the <a href="#">2018 Fall Reports of the Auditor General of Canada, Report 7—Compliance Activities—Canada Revenue Agency</a> , initiatives being implemented as part of the Agency's response to those recommendations will align with this current recommendation.	The CRA will analyze its tracking and monitoring methodology, and will implement feasible changes to improve the CRA's ability to monitor and track e-commerce activities.	June 2021	<p><b>By December 2019:</b> Complete analysis of current tracking and monitoring methodology and prepare recommendations for improvements and related system changes.</p> <p><b>Status: Complete</b></p> <p>In December 2019, the CRA completed an analysis of the current tracking and monitoring methodology with respect to the e-commerce compliance activities it conducts. The analysis was informed by internal discussions with Headquarter (HQ) and regional workload development areas to gather data on how e-commerce compliance activities are being tracked.</p> <p><b>By June 2021:</b> Implement system changes to improve tracking and monitoring of e-commerce activities.</p> <p><b>Status: On track; nearing completion</b></p> <p>While the CRA has been performing audits on files linked to e-commerce, these cases were not being tracked separately; results from these compliance actions were included in regular audit program results. Following an analysis of the tracking and monitoring system, it was determined that compliance actions specific to e-commerce were not being tracked separately.</p> <p>To allow for dedicated tracking and monitoring, project codes have been created within the Agency Case management system. These project codes ensure compliance actions are tracked and reported in relation to both the Income Tax Act (ITA) and Excise Tax Act (ETA).</p> <p>By early 2021, specific instructions will be issued to field offices outlining the requirement for staff to use project codes for audits with a platform economy element thereby ensuring tracking of those audits</p> <p>Tracking platform economy files will allow the CRA to report on the compliance risks identified within the platform economy space, as well as to work with business intelligence to adjust risk algorithms, if required.</p> <p>Results will be analyzed and risk areas identified. Further changes to the tracking system will be considered to allow increased monitoring of these sectors.</p>	<p>GST/HST Directorate, Compliance Programs Branch, Canada Revenue Agency</p> <p><b>Jennifer Ryan</b> Director General, GST/HST Directorate Tel: 613-282-6695</p>	
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