

**GOVERNMENT RESPONSE TO THE 35<sup>th</sup> REPORT OF THE STANDING  
COMMITTEE ON PUBLIC ACCOUNTS, ENTITLED: “SPECIFIC COVID-19  
BENEFITS”**

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**Recommendation 3 – On real-time business revenue data**

***That, by 31 March 2024, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report on the value of implementing a real-time business revenue data requirement in Canada.***

The Government of Canada agrees with this recommendation. The information in the following paragraphs represents the 31 March 2024 report requested by the Committee.

The CRA continuously strives to enhance its program administration through the review of international best practices, including assessing options to support program administration and increase business efficiencies through the receipt of real-time, or near real-time, business revenue data, given that Canada does not currently have a national standard for exchanging of invoices between businesses.

Within its legislative authority, the CRA has assessed the value of implementing electronic invoicing (e-invoicing) that would provide the CRA with access to close to real-time sales transactional data. As part of this undertaking, the CRA conducted a feasibility study and drafted a report including the necessary infrastructure analysis, completion of a cost benefit analysis, and necessary policy and legislative changes to implement such a requirement.

E-invoicing encompasses the automated transmission of structured data from a supplier in a manner that can be integrated into the buyer's accounts payable system without requiring manual data entry and other error-prone and costly interventions. E-invoicing also allows governments to embrace modernization and digitization goals, increase tax revenue and compliance levels, lower the Goods and services Tax (GST) /Harmonized Sales Tax (HST) gap through access to real-time business revenue data. As such, the CRA has researched e-invoicing to better understand the opportunities it presents in addressing both tax compliance concerns and increasing business efficiencies.

While still in the exploratory stages, the CRA began looking at e-invoicing in 2019, forming a dedicated E-invoicing for Sales Tax Section within the Compliance Programs Branch to lead the e-invoicing initiative and evaluate how e-invoicing may be leveraged to enhance sales tax compliance within the Canadian context.

Phase 2 of the project has recently concluded, where the CRA identified the impacts of e-invoicing data on internal programs and business processes, defined critical requirements for an e-invoicing mandate including legislative requirements, and explored tangible tax and service benefits for e-invoicing adoption.

As the e-invoicing landscape is complex and ever-evolving internationally, the CRA will

continue to assess the feasibility of e-invoicing adoption through continued research and stakeholder engagement to ensure the success of not only a technological shift but a cultural shift in how businesses and the tax administration interact with each other and what the long-term vision is for ensuring the CRA maintains its people-first approach while addressing emerging compliance risks and helping to secure tax revenues for key public investments.

#### **Recommendation 4 – On real-time payroll data**

***That, by 31 March 2024, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a progress report on the development of a real-time payroll system and its collaboration with Employment and Social Development Canada in this regard. A final report on the implementation of the system should also be provided by 31 March 2025.***

The Government of Canada agrees with this recommendation. The information in the following paragraphs represents the initial 31 March 2024 report requested by the Committee. As requested, the CRA will submit a final report to the Committee by 31 March 2025.

The CRA, as the project lead and in collaboration with ESDC and the Treasury Board Secretariat – Office of the Chief Information Officer (TBS-OCIO), is on track to submit the fully costed ePayroll implementation plan for Phase II (the implementation phase) which consists of three main deliverables: a business case, a transformation blueprint, and a project management framework, by March 31<sup>st</sup>, 2024.

The ePayroll information service is dependant on continued government support and related funding in order to proceed to the implementation stage. Should the Government decide to move forward with Phase II, the implementation of this initiative would be comprised of three components:

1. CRA as the host and administrator of the ePayroll information service.
2. CRA as an authorized user of ePayroll data to enhance the generation of the T4 Statement of Remuneration Paid (T4); and
3. ESDC as an authorized user of ePayroll data to enhance the administration of EI replacing the need for employers to issue a Record of Employment (ROE).

The ePayroll information service is expected to be a valuable data source from which business intelligence can be leveraged by the Government of Canada to improve policy development, program integrity, and the design and delivery of services to Canadians, while reducing administrative burden on employers.