

Ministre
du Revenu national



Minister
of National Revenue

Ottawa, Canada K1A 0A6

MAR 16 2020

Chair
Standing Committee on Public Accounts
House of Commons
Ottawa ON K1A 0A6

Dear Colleague:

Further to the Government of Canada's response, which was tabled in the House of Commons on May 29, 2019, pursuant to Standing Order 109, to the 59th Report of the Standing Committee on Public Accounts, entitled Report 7, Compliance Activities – Canada Revenue Agency, of the Fall 2018 Reports of the Auditor General of Canada, I am pleased to provide a report on progress in response to Recommendations 3, 4, 5, and 8 of the 59th Report.

The Government thanks the members of the Committee for their continued interest and attention to the Canada Revenue Agency's efforts to address the issues identified by the Office of the Auditor General.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Diane Lebouthillier'.

The Honourable Diane Lebouthillier, P.C., M.P.

Enclosure

**REPORT ON PROGRESS: COMMITMENTS MADE IN THE GOVERNMENT'S RESPONSE
59th REPORT OF THE STANDING COMMITTEE ON
PUBLIC ACCOUNTS (RECOMMENDATIONS 3, 4, 5 and 8)**

INTRODUCTION

On behalf of the Government of Canada, on May 29, 2019, the Minister of National Revenue tabled the Government's Response to all ten recommendations contained in the Fifty-Ninth Report of the Standing Committee on Public Accounts entitled: *Report 7, Compliance Activities – Canada Revenue Agency, Of The Fall 2018 Reports Of The Auditor General Of Canada*.

As requested, the CRA is pleased to provide a report on progress related to Recommendations 3, 4, 5 and 8.

Recommendation 3: *“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.”*

Government Response (as tabled on May 29th 2019): *“The Government of Canada agrees with this recommendation. With respect to the first part of the recommendation, the CRA is committed to providing fair relief and to not rewarding non compliance. In order to mitigate any inconsistent application or administration of the taxpayer relief provisions, the Agency will ensure to harmonize policies, procedures, guidelines, and training materials as committed in the publicly available internal audit report entitled Internal Audit – Application of the Taxpayer Relief Provisions. The CRA will clarify what is considered to be delays attributed to the Agency (within the Agency’s control) and delays attributed to the taxpayer (within the taxpayer’s control) in the conduct of the various compliance activities by the end of March 2020, considering the discretionary nature of the provision. The Agency will provide the Committee with a status report on its consultations with the Agency’s stakeholder branches by December 31, 2019. The additional time will allow the Agency to complete the necessary consultations, allowing for a more robust analysis of this issue. With respect to the second part of the recommendation, the CRA will provide the Committee with a final report on these two matters by June 30, 2020. As the Agency will be reporting on other matters on this date, it will provide the Committee with a more complete picture of where the Agency stands regarding its analysis and implementation of recommendations.*

Report on Progress: The CRA finalized a new governance framework which came into effect on July 31, 2019.

This framework supports a consistent application of the taxpayer relief provisions throughout the CRA, including the consideration of proactive relief, and addresses the:

- enhancement of communication with internal partners;
- harmonization of policies, procedures, and guidelines;
- alignment of national training materials;
- development and implementation of a national monitoring framework;
- development of common service standards for taxpayer relief decisions; and
- implementation of reporting controls.

The CRA is currently developing guidelines, in consultation with the CRA’s internal stakeholders, to assist officers in the determination of delays attributed to the CRA and delays attributed to the taxpayer. These guidelines aim to improve consistency in the application of proactive relief by clarifying when the CRA will grant proactive relief, what the CRA considers to be an “undue delay”, and how to establish responsibility for delays.

The CRA will provide the Committee with a final report on these two matters by June 30, 2020.

Recommendation 4: *“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.”*

Government Response (as tabled on May 29th 2019): *“The Government of Canada agrees with this recommendation. With respect to the first part of the recommendation, the CRA is committed to treating taxpayers fairly and in adherence to the Taxpayer Bill of Rights and completing audits within the legislated timelines. The sectors of activity and structure of the business communities vary across the country and CRA’s tax service offices are modeled according to the differences in industries found in different regions. There may be a perceived regional difference in the audit completion. However, these differences can often be found because different tax centres in different regions have different expertise and process files of specific sectors of the economy. The extent and nature of non-compliance can vary considerably due to variations in schemes used by taxpayers to pay less or no taxes. Nonetheless, the CRA recognizes that there may be factors within its control to fix, so it is conducting a review to identify the main reasons for regional variations and will create a plan to address any problematic issues identified by the review. The Agency will provide the Committee a status report with the reasons for regional variations by December 31, 2019. With respect to the second part of the recommendation, the Agency will provide the Committee a final report on the measures in place to reduce variations by June 30, 2020. As the Agency will be reporting on other matters on this date, it will provide the Committee with a more complete picture of where the Agency stands regarding its analysis and implementation of its plan.”*

Report on Progress: A working group was created in March 2019 and was tasked with addressing a similar OAG recommendation and identifying the main reasons for regional variations in audit completion, specifically looking at the timeframes at each stage of the audit life cycle.

The working group developed and sent a questionnaire to all of the audit programs identified in the OAG report. Auditors were also asked to complete a standard template asking them to provide guidance as to appropriate timelines in today’s audit environment. Over 2,000 completed questionnaires were received from auditors across the country.

A preliminary analysis of the results has shown that there are differences in all regions, however the degree of significance varies from program to program and region to region. Among the probable reasons for timeframe variations in audit programs would be the number of days outstanding in the screening phase and during the audit. The CRA is currently analyzing the data received to identify the causes of these regional differences.

Following the completion of the analysis by February 1, 2020, the working group will need to validate the probable reasons with various stakeholders, and to determine which ones are within the CRA's control to fix.

Recommendation 5: “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.”

Government Response (as tabled on May 29th 2019): “The Government of Canada agrees with this recommendation. With respect to this recommendation, the CRA is developing service level agreements to establish and track the time it takes to process assessments resulting from audit programs which will enable the CRA to improve the timeliness of the reassessment processes. The Agency will provide the Committee with a status report by December 31, 2019 and a final report on its efforts to establish and track service levels for (re) assessments arising from its audit programs by June 30, 2020.

This additional time will allow the CRA to conduct its ongoing internal quality assurance activities on the data that will go into the report following the end of the fiscal year.”

Report on Progress: In October 2019, the CRA established an agreement with its Assessment Program to process adjustments resulting from compliance actions. The agreement stipulates that adjustments will be processed within eight weeks of receiving the adjustment requests.

This timeframe is the CRA standard processing time for paper returns (i.e., returns filed by mail) as published in the Service Standards in the CRA web page (<https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/service-standards-cra/service-standards-2019-20.html>).

The CRA has committed to tracking the processing times and providing a monthly internal report of the results by March 31, 2020.

Recommendation 8: *“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.”*

Government Response (as tabled on May 29th 2019): *“The Government of Canada agrees with this recommendation. The CRA agrees to provide the Committee a report on the work it has undertaken to share information on objections and the associated results with taxpayers by December 31, 2019. Information on objections is currently available on the CRA website. There are three levels of complexity for objections – low, medium, and high. Every month, the CRA updates how many days it will take on average to assign and resolve objections of low and medium complexity.”*

Report on Progress: Information on objections is now available on the CRA web page, where taxpayers may review the current assignment and processing timeframes (<https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/complaints-disputes/complexity-level-processing-time.html>).

As noted previously, the CRA will continue to update the web page monthly stating how many days it will take on average to assign and resolve objections of low and medium complexity. The web page will also continue to provide information on the number of days it will take on average to resolve objections of high complexity.