

Minister
of National Revenue



Ministre
du Revenu national

Ottawa, Canada K1A 0A6

AUG 22 2017

The Honourable Kevin Sorenson
Chair of the Standing Committee on Public Accounts
House of Commons
Ottawa ON, K1A 0A6

Dear Colleague:

The following information is further to the Government's Response (tabled in the House of Commons on June 21, 2017, pursuant to Standing Order 109) to the Twenty-Fifth Report of the Standing Committee on Public Accounts entitled: *Report 2, Income Tax Objections – Canada Revenue Agency, of the Fall 2016 Reports of the Auditor General of Canada*.

I am pleased to provide a report on progress in response to recommendation 2 of the Twenty-Fifth Report.

The Government thanks the members of the Committee for their continued interest and attention to the Canada Revenue Agency's (CRA's) efforts to address the issues identified in the Auditor General's audit and become a more client-focused organization.

Please find enclosed the CRA's report on progress.

Sincerely,

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

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

**REPORT ON PROGRESS: COMMITMENTS MADE IN THE GOVERNMENT'S RESPONSE
TO THE TWENTY-FIFTH REPORT OF THE STANDING COMMITTEE ON PUBLIC
ACCOUNTS (RESPONSE TO RECOMMENDATION 2)**

INTRODUCTION

On behalf of the Government of Canada, on June 21, 2017, the Minister of National Revenue tabled the Government's Response to all 9 recommendations contained in the Twenty-Fifth Report of the Standing Committee on Public Accounts entitled: *Report 2, Income Tax Objections – Canada Revenue Agency, of the Fall 2016 Reports of the Auditor General of Canada*.

As requested, the CRA is pleased to provide a report on progress related to recommendation 2.

Additionally, regarding the Committee's request for a report on progress before 1 September 2017 with respect to recommendation 5, please note that this was already provided in the Government's Response of June 21, 2017. As noted in the Government's Response, the Agency has revised the methodology used in the calculation of its results pertaining to objections by taking into account the entire time an objection is within the Government of Canada's control. As well, the CRA has published a service standard to resolve low-complexity objections within 180 days, 80% of the time, and has committed to a service standard for the resolution of medium-complexity objections, to be published April 2018.

Recommendation 2: *“That, by 1 September 2017, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a clear target for the planned reduction of its inventory of outstanding objections over the period of 31 March 2016 to 31 March 2018, and report the actual reduction achieved by 30 April 2018.”*

Government Response (as tabled on June 21, 2017): *“The Government of Canada supports this recommendation. As requested, by September 1, 2017, the CRA will provide the Committee with a clear target for the planned reduction of its inventory of outstanding objections and by April 30, 2018, the CRA will issue a report to the Committee confirming the actual reduction achieved.”*

Report on Progress:

The Canada Revenue Agency has already begun reducing the backlog of outstanding objections. The CRA has allocated additional funding to address the backlog through an internal re-allocation of funds.

In 2016-2017, the CRA allocated funds to resolve 60,089 regular income tax objections. In fact, the CRA exceeded its targets by resolving 67,064 objections, 12% above the target and 18% above the previous fiscal year's production, using this funding.

As part of its commitment to reduce the backlog and provide better service to Canadians, the CRA re-allocated an additional sum over and above the previous year's funding. In 2017-2018, the CRA has set a target of 82,991 regular income tax objections to be resolved, 22,902 above the 2016-2017 target. Of the 82,991 cases projected to be resolved, approximately 21,000 will be low-complexity objections.

These targets are achievable, as long as factors influencing the CRA's ability to resolve objections (including the volume and composition of its annual intake, the number of full time equivalent employees and the disposals planned based on the level of complexity) remain stable, as currently projected.

As long as there is no significant change in these factors, the resolution of the 21,000 low-complexity files included as part of the 2017-2018 results target will reduce the low-complexity inventory to a level that can be managed within existing funding to meet the new 180-day service standard for low-complexity objections. The CRA will issue a report to the Committee by April 30, 2018 to confirm the actual reduction achieved.

In addition to increasing the number of staff to resolve the inventory of outstanding objections, the CRA has undertaken a number of initiatives aimed at reducing intake through better communication with taxpayers, and improving the productivity and efficiency of internal processes.