



Canada Revenue
Agency

Agence du revenu
du Canada

Managing SME Compliance through Tax Simplification – Canada experience

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Electronic Filing

- Electronic filing for GST/HST (VAT) returns and for Corporation Income Tax (T2) returns were both implemented in 2002.
- We have three primary user segments, namely individual taxpayers/benefit recipients, business owners and authorized representatives. Our online services have been developed and tailored to meet their specific needs.
 - **My Account** for individual taxpayers and benefit recipients was launched in 2003.
 - **Represent a Client** was launched in 2006 to meet the needs of the authorized representative community who manage the tax affairs of other individual and business taxpayers.
 - **My Business Account** was launched in 2006 and is a secure online portal that provides an opportunity to interact electronically with the CRA on various business accounts.

Electronic Filing Cont'd

Service standard goals for electronic filing

- By the end of fiscal year 2020-2021, 94% of **Corporation Income Tax (T2)** filers and 95% of **GST/HST (VAT)** filers submitted their returns **electronically**.
- A large part of this is because our e-filing service is user-friendly, fast and secure.

Processing goal for electronic returns

Processing
time for
electronic
returns

GST/HST (VAT):
4 weeks

Corporation Income Tax (T2):
6 weeks

- The CRA aims to meet these standards 95% of the time.

Electronic Filing Cont'd

Percentage of returns filed electronically – 2012 through 2021

Corporation Income Tax (T2)

70%



90%



94%



2012-2013

2017-2018

2020-2021

64%



89%



95%



Total GST/HST (VAT)

Electronic Filing Cont'd

CRA Online Journey Continues

- Over the years, the CRA has steadily added new services such as:
 - Electronic payment options;
 - The ability to submit documents electronically;
 - The option to receive email notifications from CRA informing clients that they can view their Notice of assessment online; and
 - Mobile apps to allow Canadians to manage their tax affairs in the palm of their hand.
- To ensure our online services continue to evolve to meet the needs of Canadians, the CRA works closely with stakeholders, including the software developer community to certify tax preparation software packages, and consults regularly, including formal public opinion research.

Red Tape Reduction Commission (RTRC)

- The Government of Canada initiated the RTRC in January 2011 to **reduce the compliance burden**.
- Its mandate was to identify irritants to small businesses that resulted from federal government rules and regulations.
- **Tax irritants included:** complexity of tax laws, costly and complicated tax filing, lack of clarity and lack of services.
- **Challenges included:** taxpayers' limited resources, lack of income tax or GST/HST (VAT) expertise, right to privacy and confidentiality, language barriers, fear of audit and lack of awareness.

CRA's Red Tape Reduction Commitments

- CRA RTRC Commitments included:
 - Professionalism as a part of the audit culture.
 - Refining the audit selection process.
 - Enhancing consistency of the audit process.
 - Ensuring communication with the taxpayer.
 - Updating communication products and training materials.
 - Updating the audit manuals to reflect the Taxpayer Bill of Rights.

Serving You Better – Focus on SMEs

- In 2016, the CRA committed to delivering **first-class federal government services** to small and medium businesses.
- The CRA launched the 2016-2019 *Serving You Better* initiative for **modernizing and simplifying services**.
- Consultations with SMEs to improve programs and services were held between 2016 and 2018.
 - Over 1,500 comments and suggestions received from SMEs

Serving you better – Current Status

- Action plan developed by the CRA:
 - Continue to **modernize** and **raise awareness** of the CRA's digital services.
 - Continue to make tax information **easier to access, understand, and use.**
 - Continue to **clarify** information about payment options.
 - Continue to **improve services** related to the audit, collections, and appeals processes.

Liaison Officer Program

- The Liaison Officer (LO) Program offers a **free** service to owners of small businesses and self-employed individuals.
- The goal is to **help them understand their tax obligations, and avoid common errors that could end up costing time and money.**
- It has been a permanent program since 2015 and was extended to incorporated businesses as part of the 2018 *Serving You Better* commitment.
- During the pandemic, the Liaison Officer service pivoted to **virtual support and guidance** through videoconference or by phone.

Desk Audit Program

- The desk audit program in GST/HST small business audit, introduced in 2018, allows the CRA to **conduct limited reviews** on businesses where the identified risk is limited to a small number of issues.
- The process is **much simpler** and **less invasive** than typical audits as:
 - these limited reviews are conducted **remotely**,
 - they take significantly **less time** to complete, and
 - they require registrants to provide **less information**.

People First philosophy

- Adoption of the *People First* philosophy in 2019, whose purpose to transform the Agency into a **people-focused organization** and to promote a culture of **empathetic service**.
- This approach includes:
 - A new vision and mission
 - A set of guiding principles
 - Revised wording of values
 - A new service identity

People First philosophy

Service in Compliance

- Service in Compliance (SiC) translates the *People First* philosophy into **realistic and relatable objectives** for the compliance community:
 - Timeliness
 - Technical accuracy/expertise
 - Transparency
 - Tailored interventions
- SiC initiative aims to support **long-term and sustainable compliance** outcomes through an increased focus on service

Leveraging Technology in Risk Assessment

- The CRA uses **several analytics tools** and statistical techniques for risk assessment which include:
 - the use of algorithms to quantify tax at risk and specific tax issues;
 - the analysis of revenue risks based on statistical and demographic breakdowns.
- Looking ahead, the CRA will continue to:
 - make sure its tools are **continuously enhanced** to increase accuracy and improve matching with external sources of information, and;
 - increase the use of **data analytics** and **artificial intelligence** to narrow in on non-compliers, further reducing compliance burden for compliant SMEs.

Thank you

“The CRA operates on the basic belief that taxpayers are more likely to comply with the law if they have the information, advice, and other services they need to meet their obligations.” - Income Tax Audit Manual

“We believe that we can help reduce the costs small businesses incur to pay their taxes by simplifying and reducing the frequency of their interactions with us, and by improving our communications with them.” - Income Tax Audit Manual