



Canada Revenue
Agency

Agence du revenu
du Canada

departmental **performance** report **2012-13**



The Honourable Kerry-Lynne D. Findlay, P.C., Q.C., M.P.
Minister of National Revenue

Canada

[table of contents]

[minister's message]	4
[a message from the commissioner of revenue and chief executive officer]	6
[section 1: organizational overview]	9
[raison d'être]	9
[responsibilities]	9
[strategic outcomes and program alignment architecture]	10
[organizational priorities]	11
[risk analysis]	12
[summary of performance]	15
[expenditure profile]	18
[estimates by vote]	19
[contribution to the federal sustainable development strategy]	19
[section 2: our programs]	21
[assessment of returns and payment processing]	21
[taxpayer and business assistance]	29
[accounts receivable and returns compliance]	37
[reporting compliance]	45
[appeals]	59
[benefit programs]	67
[internal services]	75
[section 3: supplementary information]	81
[financial statements highlights]	81
[list of supplementary information tables]	83
[tax expenditures and evaluations report]	83
[section 4: other items of interest]	85
[Benefit programs and benefit-related services delivered by the Canada Revenue Agency]	86
[service standards]	87
[end notes]	93
[organizational contact information]	93

[minister's message]

The Canada Revenue Agency (CRA) is responsible for administering our tax system. Our government is committed to maintaining public confidence in the fairness and integrity of the tax system.

Since being appointed Minister of National Revenue, I have had the chance to travel across the country to meet CRA employees and taxpayers. I have been very impressed with the level of professionalism and dedication that the CRA invests in all aspects of its work with individuals, businesses, and government clients. I am proud to be Minister of an organization that plays such an important role in the lives of millions of Canadians.

Our government is committed to providing Canadians with more ways to save on taxes. The federal tax burden is now the lowest it has been in 50 years. Tax reduction measures like the Tax-Free Savings Account, the Family Caregiver Tax Credit, and the new First Time Donor's Super Credit help support families and communities across Canada.

Our government wants to make the public service more affordable, efficient, and sustainable. The CRA is making real progress in modernizing the way it delivers services to Canadians. In 2012-2013, the CRA has implemented reforms with a view to making filing and paying taxes easier and to ease the burden for businesses and government. Last year, the CRA introduced the My Business Account Enquiries Service, which allows businesses to ask tax questions and receive responses online. In addition, the CRA launched the Submit Documents service, a secure online method for taxpayers and their representatives to submit supporting documentation and receipts to the CRA.

We remain steadfast in our commitment to improve Canada's competitiveness by cutting red tape for small and medium-sized enterprises. Earlier this year, my predecessor received the Golden Scissors Award for cutting red tape and improving service for small businesses. Our efforts to maintain the CRA's reputation as a world-class tax administration are paying off. According to PricewaterhouseCoopers' Paying Taxes 2013 report, Canada is still the easiest place to pay taxes in the G7 countries.



“Tax evasion, tax avoidance, and the use of tax havens hurt all Canadians, particularly those responsible citizens who meet their tax obligations and contribute their share. The CRA takes these issues very seriously.”

— **Kerry-Lynne D. Findlay**

Tax evasion, aggressive tax avoidance, and the use of tax havens hurt all Canadians, particularly the responsible citizens who meet their tax obligations and contribute their share. Our government takes these issues very seriously. Budget 2013 contained a series of landmark measures to combat international tax evasion and aggressive tax planning, including an initiative to allow the CRA to pay individuals who have knowledge of major international tax non-compliance. In addition, Canadian taxpayers with foreign income or properties will have to report more detailed information to the CRA. These initiatives will increase the ability of the CRA to protect the integrity of Canada's tax system and pursue those who place an unfair burden on law-abiding Canadians.

2012-2013 was a landmark year for the CRA. More Canadians filed their taxes electronically than ever before. While more Canadians enjoyed the benefits of our fast and convenient online services, they were still able to file in the traditional fashion – on paper. I am proud to say that Canadians have more choice than before when it comes to filing taxes and receiving their benefits and tax refunds, and that our government is continuing to audit, investigate, and pursue cases of aggressive tax avoidance and international tax evasion.

As Minister of National Revenue, I am pleased to present the CRA's 2012-2013 Departmental Performance Report for tabling.

The Honourable Kerry-Lynne D. Findlay, P.C., Q.C., M.P.

Minister of National Revenue

[a message from the **commissioner of revenue and chief executive officer]**

As Commissioner and Chief Executive Officer (CEO) of the CRA, I am pleased to present this year's Departmental Performance Report. In my role as Commissioner I am accountable to the Minister of National Revenue for the performance of our tax and benefit programs and to our Board of Management for the administration of the CRA. I would like to take this opportunity to thank both the Minister and the Board for the generous support they have provided since my appointment in January.

As you read this report you will note the themes of service, compliance, integrity and innovation appear throughout the document. Together, these four themes speak to the essence of our approach to tax and benefits administration and represent the foundation upon which we are constructing our road map for future change at the CRA.

The performance results found in this report demonstrate the CRA's reputation for excellence. This year's results also confirm that the way the CRA provides service to businesses and individuals is continuing to evolve. This filing season 76% of the tax and benefit returns received by the CRA were filed electronically. Our CRA Web site received over 100 million visits, representing a 21% increase over the previous year. Each year, a growing number of individuals and businesses are embracing CRA e-services and electronic information products. Our e-service strategy is allowing us to address the service expectations and needs of the people and businesses that we serve and reduce the cost of service delivery. As we move forward, we will also take care to ensure that we continue to address the service needs of all of our clients.

The CRA is in the midst of transformative changes that are driven by technological advancements, societal change and our strategic vision. In addition, business transformation at the CRA is propelled by a need to support the priorities of government. The CRA continued its leadership role in support of government wide initiatives. In 2012-2013, we played a major role in the implementation of several important whole of government initiatives such as Red Tape Reduction and the launch of Shared Services Canada. As well, we moved to streamline our backroom operations to reduce administrative cost in order to meet the deficit reduction commitments announced in the 2013 Federal Budget. These spending reductions were achieved without impacting the CRA's frontline compliance or service delivery capacity.



“I strongly believe that we must remain vigilant in our efforts to ensure that the CRA administers our tax and benefits regime in a way that is fair, impartial, transparent and beyond reproach.”

— **Andrew Treusch**

I would like to highlight the importance of integrity and compliance. One of my first actions as Commissioner was to implement changes to strengthen the CRA's integrity framework. I strongly believe that we must remain vigilant in our efforts to ensure that the CRA administers our tax and benefits regime in a way that is fair, impartial, transparent and beyond reproach. The trust that Canadians place in the integrity of our tax and benefits administration is the bedrock that supports our self-assessment system. Trust in our system is also built and preserved by ensuring that everyone pays their share. This is why the Underground Economy and Aggressive Tax Planning schemes are of special concern to us as tax administrators. They erode the tax base and they undermine the trust that Canadians place in the fairness and equity of our tax system. The CRA is aggressively tackling these difficult issues through greater international cooperation and the implementation of legislative initiatives to strengthen our administrative and enforcement tools. We view non-compliance as a direct and real threat to the integrity of our self-assessment system and we will continue to focus resources on addressing and mitigating its impact.

As the Commissioner of the CRA, I am proud of the results we have achieved this past year. In submitting this report, I would like to extend my sincere gratitude to all of our employees. The true strength of our organization is our capable and dedicated staff. The perseverance and hard work demonstrated everyday by our employees and management has made these successful results possible.

Andrew Treusch

Commissioner of Revenue and
Chief Executive Officer of the CRA



In 2012-2013

we processed
\$436 billion
in taxes and duties

we issued
123 million
benefit and credit payments

our audits generated a fiscal impact of
\$9.4 billion

we resolved
\$37 billion
in outstanding tax debt

[section 1: organizational overview]

[raison d'être]

The Canada Revenue Agency (CRA) is responsible for administering, assessing, and collecting hundreds of billions of dollars in tax revenues annually. The money the CRA collects is used by federal, provincial, territorial and First Nations governments to fund important social programs, provide essential services and build and maintain the infrastructure needed for continued economic prosperity. The CRA also directly delivers billions of dollars in benefits and tax credits that contribute to the well-being of Canadian families, children, seniors, and persons with disabilities.

In carrying out its mandate, the CRA strives to ensure that Canadians:

- pay their required share of taxes;
- receive their rightful entitlements; and
- are provided with an impartial and responsive review of contested decisions.

Our approach

Providing exceptional service to make compliance easier – we believe that providing the best possible service and easing the compliance burden is the best way to empower taxpayers and optimize compliance.

Ensuring compliance to safeguard our self-assessment system – the CRA is committed to ensuring that everyone pays their share and meets their obligations.

Acting with integrity to maintain the trust of Canadians – we believe that our absolute commitment to integrity preserves the trust that Canadians place in our administration.

Leading change through innovation – our goal is to remain among the world's top tax administrations by embracing innovation and leading change.

[responsibilities]

The CRA has a broad range of responsibilities. In addition to the *Income Tax Act* and the *Excise Tax Act*, the CRA administers legislation for the Canada Pension Plan, the Employment Insurance Program, and softwood lumber. We are responsible for enforcing legislation governing charities, collecting tobacco taxes and duties, administering registered plans, and collecting non-tax debts for the federal government.

We believe that providing exceptional service is one of the best ways to maximize compliance and ensure that recipients receive their full benefit entitlements. We are working with taxpayers and other important players in the tax system to identify service gaps, reduce the compliance burden, and develop innovative ways to deliver services and information. As the guardians of the integrity of our tax and benefits system, we are also tasked with enforcing compliance. In this role, we identify, deter, and correct non-compliant behaviour.

The CRA delivers a number of benefit and tax credit programs on behalf of the federal government. In addition, we act as the service provider of a number of on-going and one-time tax credits and benefit programs on behalf of provincial, and territorial governments. As a central service provider for these other levels of government, we help to reduce the cost of government by providing cost-effective services and programs that prevent unnecessary administrative duplication. Having one point of service delivery also helps to reduce the compliance burden placed on benefit recipients and taxpayers.

Finally, the CRA ensures the fairness and transparency of our tax and benefits system by offering recourse for those who do not agree with our decisions, a formal service complaints process for those who are not satisfied with our service, and relief to taxpayers who, through no fault of their own, find themselves unable to fully comply with their obligations.

[strategic outcomes and program alignment architecture]



[organizational priorities]

Leading change through innovation

Our approach to innovation is driven by our desire to remain a world-class tax and benefits administration. From the delivery of tax information through social media to the re-engineering of internal processes, we are demonstrating our ability to innovate and find better ways to meet the evolving needs and expectations of taxpayers, benefit recipients, and governments. As an organization, we are not satisfied by simply reacting to change, we are embracing innovation and leading change.

Priority	Type ¹	Strategic outcome
Service – Providing exceptional service to make it easier to comply.	Ongoing	<ul style="list-style-type: none"> Taxpayers meet their obligations and Canada's revenue base is protected Eligible families and individuals receive timely and correct benefit payments.
Summary of progress		
<ul style="list-style-type: none"> During the 2012-2013 tax-filing season, 76% of Canadians chose to file their taxes electronically, a new record. We issued 123 million payments to 12 million individuals and families on behalf of federal, provincial, and territorial governments. 99.99% of these payments were issued on time. We continued to offer convenient, secure online services and tailored help for those who need it. We received nearly 106 million visits to our Web site, a 21% increase over the previous year, and our agents and automated services answered over 23 million enquiries. Businesses can now ask tax questions online and receive information in writing from the CRA. We expanded our use of Webinars, YouTube, and Twitter to provide an integrated, multi-channel approach to service delivery. We added the provinces of Alberta and Newfoundland and Labrador to the automated benefit system to make it easier for recipients to receive their entitled benefits. 		

Priority	Type ¹	Strategic outcome
Compliance – Ensuring that all taxpayers pay their share.	Ongoing	<ul style="list-style-type: none"> Taxpayers meet their obligations and Canada's revenue base is protected.
Summary of progress		
<ul style="list-style-type: none"> We implemented many recommendations from the Red Tape Reduction Commission Report and continued to reduce the compliance burden for taxpayers and businesses. We improved our Web site to make it easier for Canadians to voluntarily comply. 95% of individuals who owed taxes paid them on time. We resolved over \$37 billion in tax debt. We focused more resources on resolving older tax debt. We improved our risk-based approach to auditing files. We focused on addressing non-compliance as early as possible with the least intrusive involvement. We maintained our focus on the underground economy and aggressive tax planning. 		

Priority	Type ¹	Strategic outcomes
Integrity in our core business operations – Maintaining Canadians' trust.	Ongoing	<ul style="list-style-type: none"> Taxpayers meet their obligations and Canada's revenue base is protected.
Summary of progress		
<ul style="list-style-type: none"> We updated our Strategic Workforce Plan to respond to current workforce requirements and future business needs. We created a new leadership development program to ensure we have the right leaders in place to meet our current and future needs. We implemented a new Integrity framework. We modernized our internal services and IT infrastructure to maintain the sustainability of our tax and benefits administration. We completed the chief executive officer and chief financial officer certification process to ensure a strong system of controls over financial management and reporting. We appointed our first Chief Privacy Officer in 2013 to help maintain and reinforce the CRA's respect for privacy of information. We increased internal controls to ensure that taxpayer privacy and confidentiality continues to be safeguarded. 		

¹ Type is defined as follows: **previously committed to**—committed to in the first or second fiscal year prior to the subject year of the report; **ongoing**—committed to at least three fiscal years prior to the subject year of the report; and **newly committed to**—in the reporting year of the Departmental Performance Report.

The following key performance indicators support the achievement of our strategic outcome.

Performance indicators	Targets	2010-2011	2011-2012	2012-2013
Individuals who paid their reported taxes on time	90%	94%	94%	95%
Individuals that filed their tax return on time	90%	93%	91%	92%
Corporations with taxable income that filed their tax return on time	90%	85%	85%	85%
Businesses registered for the GST/HST	90%	93%	94%	95%

[risk analysis]

Risk management is a sound corporate practice and an important component of good governance. It supports evidence based decision-making in the face of change and uncertainty and contributes to the effectiveness and efficiency of business operations.

To support the use of risk management in corporate decision making, the CRA produces an annual corporate risk profile (CRP). The risks identified in this profile represent uncertain future events that may or may not occur depending on the evolution of the environment. Our CRP identifies the intrinsic risks the CRA faces as the federal agency that is tasked with the administration of Canada's self-assessment tax and benefits regime.

The 2012-13 risk profile identified 30 enterprise risks that could potentially impact the CRA's ability to successfully fulfil its mandate. These risks are divided into three broad categories: business risks, strategic risks, and operational risks. Business risks are those that could directly compromise the achievement of the CRA's mandate. Strategic and operational risks relate to the plans, people, processes, and systems required to enable the CRA to

effectively deliver tax and benefits programs both now and in the future.

As an enterprise, we are addressing these risks by ensuring that the CRA has the right plans, resources, and systems in place to mitigate current and future risks and remains in a position to capitalize on opportunities for improvement and innovation. The three highest risks identified in our CRP 2012-2013 were the underground economy, aggressive tax planning, and objections. These risks represent a significant threat to the successful fulfilment of our mandate.

[underground economy risk and aggressive tax planning risk]

The underground economy (UE) refers to income and transactions that are not declared or reported. The existence of the UE undermines the integrity of our self-assessment tax system, distorts the competitive playing field for business, and represents a significant loss of revenue for the Government of Canada. The underground economy includes unreported income and business activity, and the under-reporting of business transactions.

Aggressive tax planning (ATP) refers to a complex set of non-compliance behaviours. ATP is generally facilitated through schemes that involve very complex financial structures with both domestic and international components that are designed for the sole purpose of avoiding the payment of taxes. They are often arranged by tax planners and promoters whose operations include connections in countries that are known to be tax havens.

The CRA has identified the UE and ATP as its two highest risks. They directly threaten the CRA's ability to protect the Government of Canada's revenue base. These risks are strongly influenced by external factors such as taxpayer behaviour, the state of the economy, and the actions of ATP scheme promoters who gain financially from designing, marketing, and promoting ATP schemes. Consequently, while the CRA continues to dedicate significant efforts to mitigate the immediate risks represented by the UE and ATP, it is implementing longer term strategies to ensure that it has the administrative tools and powers to mitigate the unknown future level of risk that is driven by emerging domestic and external influences.

The CRA continues to work closely with the Department of Finance, the Department of Justice, and other government partners to develop the legislative tools needed to effectively deal with ATP. This includes legislation to get better and faster access to information, close tax loopholes, and impose stronger sanctions on those who promote or participate in ATP schemes.

Budget 2013 proposed a number of measures that will further build the CRA's capacity to combat international tax evasion and aggressive tax planning, including an initiative to pay individuals with knowledge of major international tax non-compliance and new reporting requirements for Canadian taxpayers with foreign income or properties.

The CRA is further increasing its ability to combat UE and ATP by contributing to efforts to strengthen the legislative framework for international taxation and by sharing intelligence and best practices in international forums like the Organisation for Economic Co-operation and Development (OECD).

The CRA plays a leadership role in several multilateral and bilateral tax forums and working groups to develop a greater understanding of UE and ATP and more effective strategies to deal with them.

[objections risk]

Providing taxpayers with a timely, impartial, and consistent review process to resolve disputes supports the integrity of the tax system and promotes the CRA's reputation as a fair and trusted tax administrator. Ensuring that the objections workflow is managed efficiently and effectively is important for the CRA.

The CRA's focus on aggressive tax planning over the last few years, and the successful identification of a large number of tax schemes, has resulted in an increase in the number of disputes filed with the CRA. We are responding to these operational pressures by streamlining our processes and improving our management of files awaiting legal decisions on leading court cases. Despite the fact we are facing increasing workload pressures, we are maintaining a high quality standard in the processing of these disputes.

[risk summary]

Risk	Risk response strategy	Link to program alignment architecture	Link to organizational priorities
Underground economy	<ul style="list-style-type: none"> As identified in the <i>2012-13 Report on Plans and Priorities</i>, mitigating the risk posed by the UE is one of the CRA's top priorities. In 2012-2013, the CRA continued to build on its understanding of the factors that drive businesses and individuals to participate in the UE. Through our work with other federal agencies and departments, international organizations, and tax administrations in other countries we have shared best practices and advanced innovative compliance risk treatments to address the UE. The CRA's strategy to address the UE employs a multi-faceted approach that leverages third-party research in addition to inhouse analytics to direct resource allocation to identified emerging UE risks. To counter regional UE risks, the CRA is also engages in targeted audits and outreach initiatives. As the UE is constantly evolving, the CRA continually adapts its UE compliance strategy. To this end, the CRA recently completed a CRA-wide stocktaking exercise of the activities and initiatives in place to address the UE. The CRA will analyze this information to measure its progress and identify gaps that could be addressed in a refreshed UE strategy. 	Reporting compliance	Compliance
Aggressive tax planning	<ul style="list-style-type: none"> In 2012-2013, ATP continued to be one of the CRA's top risk priorities. The CRA has in place a comprehensive strategy to address ATP. This includes targeted compliance efforts aimed at addressing identified schemes such as offshore abusive tax schemes. This included the leveraging of domestic and international partnerships to improve the exchange of information and learn from the experiences of other countries. As well, we have worked with the Department of Finance to develop legislative amendments to close existing loop holes and strengthen our administrative tools for dealing with ATP. These legislative amendments were announced in the 2012 and 2013 budgets. 	Reporting compliance	Compliance
Objections	<ul style="list-style-type: none"> The objections risk was identified as one of the top CRA risks in 2012-2013. During 2012-2013, several steps were taken to optimize and streamline our dispute resolution and redress programs. This included the centralization of the physical storage and upkeep for ATP objection files awaiting legal decisions on leading court cases. This will more effectively control administrative costs related to these files. Work was completed on the development of a web-based information management system to coordinate the processing of ATP files. This system will be implemented in 2013-2014 and will standardize and streamline the processing of all documentation required to manage objections involving large groups of files. We also piloted changes in our resolution process, such as fast tracking and segmentation of objections, to identify cost savings and ensure the quality of decisions. In 2012-2013, legislation was introduced to formally bind the result of groups of objections to court decisions to reduce the cost of litigation. 	Appeals	Service and integrity in our core business operations

[summary of performance]

2012-2013 financial resources (thousands of dollars)

Total budgetary expenditures	Planned spending	Total authorities ¹	Actual spending ²	Difference
4,374,952	4,374,952	4,673,395	4,318,468	56,484

Number may not add due to rounding.

- ¹ The Canada Revenue Agency's total authorities increased by \$63.3 million from \$4,610.1 million in 2011-2012 to \$4,673.4 million in 2012-2013, a growth of 1.4%. This is attributable to a number of specific changes including incremental funding related to the implementation of the harmonized sales tax for Ontario and British Columbia and the affordable living tax credit for Nova Scotia, tax measures introduced in previous federal budgets, the personal income tax processing system project, real property and accommodations services, and adjustments to statutory authorities. These increases were offset by the transfer to Shared Services Canada for information technology services.
- ² This figure represents the actual spending for the CRA on a modified cash basis. Please refer to page 156 for an explanation of how this figure relates to the CRA Financial Statements – Agency Activities.

2012-2013 human resources (full-time equivalents)

Planned	Actual	Difference
40,388	39,521	867

[performance summary table]

(in thousands of dollars)

Strategic outcome: Taxpayers meet their obligations and Canada's revenue base is protected								
Programs	Total budgetary expenditures	Planned spending ¹			Total authorities	Actual spending		
	2012-13	2012-13	2013-14	2014-15	2012-13	2012-13	2011-12	2010-11
Assessment of returns and payment processing ²	Alignment to <u>Government of Canada outcomes</u> : Well-managed and efficient government operations							
	617,948	660,575	638,796	602,762	709,447	643,800	642,057	683,036
Taxpayer and business assistance ³	Alignment to <u>Government of Canada outcomes</u> : A transparent, accountable, and responsive federal government							
	543,025	583,128	579,366	286,322	467,240	453,280	530,542	551,883
Accounts receivable and returns compliance	Alignment to <u>Government of Canada outcomes</u> : Well-managed and efficient government operations							
	432,277	495,786	492,184	477,194	541,527	512,218	521,505	511,567
Reporting compliance	Alignment to <u>Government of Canada outcomes</u> : Well-managed and efficient government operations							
	985,132	1,074,885	1,106,011	1,078,912	1,233,061	1,170,474	1,055,758	1,071,359
Appeals	Alignment to <u>Government of Canada outcomes</u> : A transparent, accountable, and responsive federal government							
	153,855	171,830	196,783	191,306	212,453	192,046	175,064	164,065
Strategic outcome sub total	2,732,237	2,986,204	3,013,140	2,636,496	3,163,728	2,971,818	2,924,926	2,981,910

Number may not add due to rounding.

- ¹ Planned spending has been restated from what was shown in the Canada Revenue Agency 2012-2013 Report on Plans and Priorities in order to distribute the real property accommodations funding (previously centralized in the internal services program) to all applicable programs. It should also be noted that planned spending excludes severance payments, parental benefits and vacation credits, as this funding is received during the fiscal year and is only included in actual spending.
- ² Includes payments to Revenu Québec for the administration of the goods and services tax in that province (actual spending is \$142.2 million in 2012-2013; \$141.1 million in 2011-2012, and \$142.2 million in 2010-2011).
- ³ Planned spending in 2014-2015 does not yet include a forecast of disbursements to the provinces under the *Softwood Lumber Products Export Charge Act, 2006* (which amounted to \$283 million in 2013-2014 and \$280 million in 2012-2013); Actual spending does include the following Softwood Lumber statutory disbursements (\$136.9 million in 2012-2013; \$213.9 million in 2011-2012, and \$220.7 million in 2010-2011).

Strategic outcome: Eligible families and individuals receive timely and correct benefit payments								
Program	Total budgetary expenditures	Planned spending ¹			Total authorities	Actual spending		
	2012-13	2012-13	2013-14	2014-15	2012-13	2012-13	2011-12	2010-11
Benefit programs ²	Alignment to <u>Government of Canada outcomes</u> : Income security and employment for Canadians							
	367,546	377,590	392,655	392,459	393,742	383,719	369,783	369,838
Strategic outcome sub total	367,546	377,590	392,655	392,459	393,742	383,719	369,783	369,838

¹ Planned spending has been restated from what was shown in the Canada Revenue Agency 2012-2013 Report on Plans and Priorities in order to distribute the real property accommodations funding (previously centralized in the internal services program) to all applicable programs. It should also be noted that planned spending excludes severance payments, parental benefits and vacation credits, as this funding is received during the fiscal year and is only included in actual spending.

² Includes statutory Children's Special Allowance payments (actual spending is \$238.0 million in 2012-2013; \$223.5 million in 2011-2012, and \$222.4 million in 2010-2011).

Strategic outcome: Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints								
Program	Total budgetary expenditures	Planned spending ¹			Total authorities	Actual spending		
	2012-13	2012-13	2013-14	2014-15	2012-13	2012-13	2011-12	2010-11
Taxpayers' ombudsman ²	Alignment to <u>Government of Canada outcomes</u> : A transparent, accountable, and responsive federal government							
	3,232	3,458	3,098	2,967	3,437	2,623	2,731	2,730
Strategic outcome sub total	3,232	3,458	3,098	2,967	3,437	2,623	2,731	2,730

¹ Planned spending has been restated from what was shown in the Canada Revenue Agency 2012-2013 Report on Plans and Priorities in order to distribute the real property accommodations funding (previously centralized in the internal services program) to all applicable programs. It should also be noted that planned spending excludes severance payments, parental benefits and vacation credits, as this funding is received during the fiscal year and is only included in actual spending.

² Since the Taxpayers' Ombudsman operates at arms-length from the CRA, this Departmental Performance Report does not report on the performance results of that office.

[performance summary table for internal services]

(in thousands of dollars)

The following program supports all strategic outcomes within this organization								
Program	Total budgetary expenditures	Planned spending ¹			Total authorities	Actual spending		
	2012-13	2012-13	2013-14	2014-15	2012-13	2012-13	2011-12	2010-11
Internal services	1,271,936	1,007,700	861,670	833,085	1,112,486	960,309	1,053,851	1,064,087
Sub total	1,271,936	1,007,700	861,670	833,085	1,112,486	960,309	1,053,851	1,064,087

¹ Planned spending has been restated from what was shown in the Canada Revenue Agency 2012-2013 Report on Plans and Priorities in order to distribute the real property accommodations funding (previously centralized in the internal services program) to all applicable programs. It should also be noted that planned spending excludes severance payments, parental benefits and vacation credits, as this funding is received during the fiscal year and is only included in actual spending.

[total performance summary table]

(in thousands of dollars)

Strategic outcomes and internal services	Total budgetary expenditures	Planned spending			Total authorities	Actual spending		
	2012-13	2012-13	2013-14	2014-15	2012-13	2012-13	2011-12	2010-11
Total¹	4,374,952	4,374,952	4,270,563	3,865,007	4,673,395	4,318,468	4,351,292	4,418,566
Less:								
Respendable non-tax revenue – Pursuant to Section 60 of the <i>Canada Revenue Agency Act</i>	206,769	206,769	193,779	190,792	166,977	166,977	245,459	245,118
Plus: Cost of services received without charge	N/A	279,294	421,532	412,199	N/A	448,298	321,788	261,489
Net cost of the CRA²	N/A	4,447,477	4,498,316	4,086,414	N/A	4,599,789	4,427,620	4,434,937

Number may not add due to rounding.

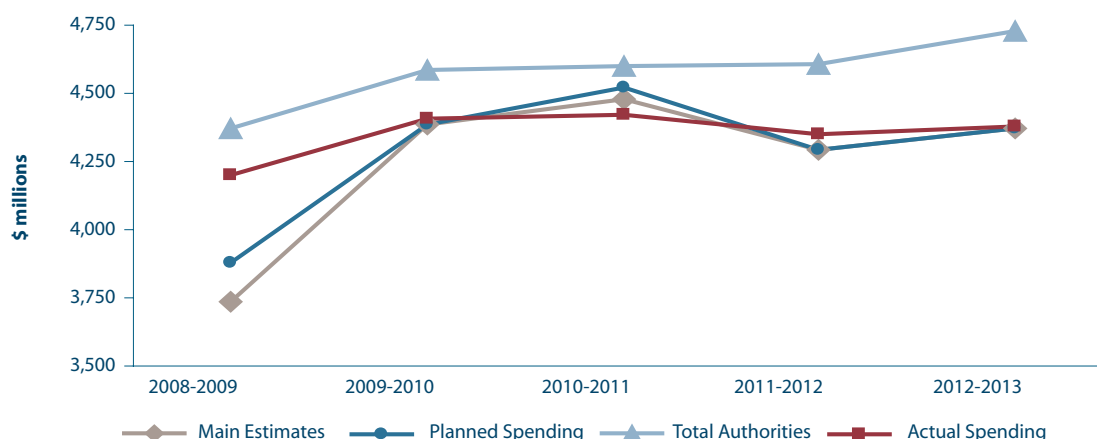
- ¹ The reduction in planned spending of \$510 million over the planning period (from \$4.375 billion in 2012-2013 to \$3.865 billion in 2014-2015) is primarily attributable to the gradual implementation of savings measures arising from the Budget 2012 spending review and the forecasts for softwood lumber statutory disbursements for 2014-2015 that are not yet available (amount was \$280 millions in 2012-2013).
- ² Following a modification to the Treasury Board Accounting Standard 1.2 issued in March 2011, non-respendable non-tax revenues, which were shown in previous reports, cannot be used to discharge the CRA's liabilities. As a result, non-respendable non-tax revenues are considered to be earned on behalf of the Government of Canada. Therefore, commencing in 2010-2011, the net cost of operations will not be reduced by the non-respendable non-tax revenues.

[variance analysis for 2012-2013]

An explanation of variances between planned and actuals of +/- 5% by program can be found in the table below.

Program	
Taxpayer and business assistance	<ul style="list-style-type: none"> The variance between planned and actual spending is primarily the result of lower than planned statutory payments related to the Canada/US softwood lumber agreement (planned spending is \$280M and actual spending is \$137M resulting in a difference of \$143M), which was partially offset by severance payments, parental benefits, and vacation credits included in actual spending but not reflected in planned spending.
Reporting compliance	<ul style="list-style-type: none"> The variance between planned and actual spending is primarily the result of severance payments, parental benefits, and vacation credits included in actual spending but not reflected in planned spending.
Appeals	<ul style="list-style-type: none"> The variance between planned and actual spending is primarily the result of: <ul style="list-style-type: none"> legal services expenditures, which was reflected in internal services as part of the Main Estimates and transferred to the appeals program during the 2012-2013 fiscal year; and severance payments, parental benefits, and vacation credits included in actual spending but not reflected in planned spending.

[expenditure profile]



	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
	(in millions of dollars)				
Main Estimates	3,737.4	4,388.0	4,476.4	4,293.0	4,375.0
Planned Spending	3,875.2	4,388.0	4,523.5	4,293.8	4,375.0
Total Authorities	4,370.7	4,586.2	4,596.7	4,610.1	4,673.4
Actual Spending	4,198.7	4,406.5	4,418.6	4,351.3	4,318.5

For the period 2008-2009 to 2012-2013, total spending amounts include all parliamentary appropriations and revenue sources: Main Estimates, Supplementary Estimates, funding associated with the increased personnel costs of collective agreements, severance payments, parental benefits and vacation credits, as well as funding to implement Federal Budget initiatives and the CRA's carryforward adjustments from the prior year. It also includes spending of revenues received through the conduct of the CRA's operations pursuant to Section 60 of the *Canada Revenue Agency Act*, payments to private collection agencies pursuant to Section 17.1 of the *Financial Administration Act*, Children's Special Allowance payments, and disbursements to the provinces under the *Softwood Lumber Products Export Charge Act, 2006*.

Since 2008-2009, the Canada Revenue Agency's reference levels have changed primarily as a result of: collective agreements/contract awards; policy and operational initiatives arising from various federal budgets and economic statements; transfers from the Department of Public Works and Government Services Canada for accommodations and real property services; the commencement of responsibilities related to the administration of corporate tax in Ontario and the harmonization of sales tax in Ontario and British Columbia, and the creation of Shared Services Canada.

The CRA's Statutory Authorities have fluctuated over the course of the 2008-2009 to 2012-2013 period as a result of: adjustments to the Children's Special Allowance payments for eligible children in the care of specialized institutions; adjustments to the rates for the contributions to employee benefit plans; increases to the spending of revenues received through the conduct of operations pursuant to Section 60 of the *Canada Revenue Agency Act*; the introduction from 2007-2008 to 2009-2010 of payments to private collection agencies pursuant to Section 17.1 of the *Financial Administration Act*; and finally, the introduction in 2006, and annual adjustments to, disbursements to the provinces under the *Softwood Lumber Products Export Charge Act, 2006*.

In 2012-2013, of the \$4,673.4 million total authority, the CRA's actual spending totalled \$4,318.5 million resulting in \$354.9 million remaining unexpended at year-end. After deducting unused resources related primarily to British Columbia's decision to revert to a provincial sales tax model, proposed Foreign Investment Entities and Non-Resident Trusts, Budget 2012 Spending Review, government advertising campaigns, accommodation and real property services as well as employee benefit plans associated with the conversion of non-personnel to personnel costs, the remaining \$299.8 million is available for use by the CRA in 2013-2014 under its statutory two year spending authority. This amount represents 6.4% of the total authority.

[authorities approved after Main Estimates]

The following table details the additional authorities approved for the Canada Revenue Agency after the tabling in Parliament of Main Estimates and reconciles with the total authorities shown on page 18.

(in thousands of dollars)	
2012-2013 Main Estimates	4,374,952
Planned spending (as reported in the 2012-13 Report on Plans and Priorities)	4,374,952
Carryforward from 2011-2012	248,318
Severance payments, parental benefits, and vacation credits	215,792
Transfer from Public Works and Government Services Canada – Reduction in accommodation requirements	7,600
Transfer to Shared Services Canada – Adjustment to initial transfer to Shared Services Canada	(4,261)
Year-end adjustments to statutory authorities:	
• Increased employee benefit plans costs	7,164
• Increased Children's Special Allowance payments	5,007
• Court awards	1,561
• Crown assets disposals	133
• Decreased spendable revenue mainly for the provision of services to Canada Border Services Agency	(39,792)
• Decreased disbursements to provinces under the <i>Softwood Lumber Products Export Charge Act, 2006</i>	(143,087)
Other minor adjustments	10
Total Authorities at year-end	4,673,395

Number may not add due to rounding.

[estimates by vote]

For information on Canada Revenue Agency organizational Votes and/or statutory expenditures, please see the Public Accounts of Canada 2013 (volume II). An electronic version of the Public Accounts is available at: www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html.

[contribution to the federal sustainable development strategy]

The Federal Sustainable Development Strategy outlines the Government of Canada's commitment to improving the transparency of environmental decision-making by articulating its key strategic environmental goals and targets.

The CRA ensures that consideration of these outcomes is an integral part of its decision-making processes. The CRA contributes to the following Federal Sustainable Development Strategy 2010-2013 themes as denoted by the visual identifier and associated program below.



Theme IV

Shrinking the environmental footprint
beginning with government

Internal services

For additional details on the CRA's activities to support sustainable development, please see page 78 and www.cra-arc.gc.ca/gncy/sstnbl/menu-eng.html. For complete details on the Federal Sustainable Development Strategy, please visit www.ec.gc.ca/dd-sd/default.asp?lang=En&n=CD30F295-1.



A record **76%** of income and benefit returns
were filed electronically in the 2013 tax-filing season

The total value of the payments processed
was approximately **\$436 billion**

[section 2: our programs]

[assessment of returns and payment processing]

[program description]

The CRA undertakes a wide range of activities to assess and process tax returns, information returns, and payments for individuals and businesses. We undertake activities that make it easier for individuals and businesses to meet their filing, reporting, and payment obligations. We assess, process, and adjust tax returns for individuals and businesses. We review information provided to find errors. We detect non-compliance through risk assessment and third-party data matching. Through these activities, we support the process of assessing tax returns from beginning to end.

2012-2013 financial resources (thousands of dollars)				
Total budgetary expenditure	Planned spending ¹	Total authorities	Actual spending ²	Difference
617,948	660,575	709,447	643,800	16,775
Sub-program	Planned spending ¹	Actual spending ²	Difference	
Individual returns and payment processing	308,438	298,365	10,073	
Business returns and payment processing	209,137	203,212	5,925	
GST administration in Quebec	143,000	142,223	777	
Total	660,575	643,800	16,775	

Numbers may not add due to rounding.

¹ Planned spending has been restated from what was shown in the Canada Revenue Agency 2012-2013 Report on Plans and Priorities in order to distribute the real property accommodations funding (previously centralized in the internal services program) to all applicable programs. It should also be noted that planned spending excludes severance payments, parental benefits and vacation credits, as this funding is received during the fiscal year and is only included in actual spending.

² This figure represents the actual spending for the program on a modified cash basis. Please refer to page 154 of the CRA Annual Report to Parliament 2012-2013 for an explanation of how this figure relates to the CRA Financial Statements – Agency Activities.

2012-2013 human resources (full-time equivalents)			
Sub-program	Planned	Actual	Difference
Individual returns and payment processing	4,235	3,958	277
Business returns and payment processing	2,805	2,577	228
GST administration in Quebec	nil	nil	nil
Total	7,040	6,535	505

Numbers may not add due to rounding.

[sub-program **description**]

Individual returns and payment processing	The Individual Returns and Payment Processing Program ensures individuals have the services they require to voluntarily comply with Canada's tax laws. It processes all the information filed and payments submitted by individuals. It also assesses and validates the information and advises individuals of the results of their assessment or reassessment.
Business returns and payment processing	The Business Returns and Payment Processing Program ensures businesses have the services they require to voluntarily comply with Canada's tax laws. It processes all the information filed and payments submitted by businesses. It also assesses and validates the information and advises businesses of the results of their assessment or reassessment. The program also registers businesses in Canada for a business number, maintains account status and administers the excise programs.
GST administration in Quebec	The Goods and Services Tax Administration in Quebec Program administers both the memorandum of understanding with Revenu Québec and payments to Revenu Québec for the administration of the goods and services tax in the province of Quebec.

[performance **analysis** and **lessons** learned]

[**supporting** the assessment of returns and payment processing]

Filing returns and making payments should be easy. Recognizing that Canadians are increasingly turning towards online services to interact with government, we maintain portals like My Account and My Business Account so that taxpayers can manage their tax and benefit information online. Taxpayers are more likely to comply if it is easy to do so, and the services we offer make managing tax affairs and filing tax returns easy and simple.

[**My Account for individuals**]

We launched My Account in 2003 in response to growing demand for self-service and to allow users to take control of their data, enabling them to access their information from anywhere at any time. My Account is a secure portal that allows an individual to track their refund, view or change their

return, check their benefit and credit payments and RRSP limit, change their address or phone numbers, set up direct deposit, and much more.

Key result:

- 6.7 million logins were made to My Account for individuals, an increase of 14.8% over 2011-2012. More than 546,000 individuals accessed My Account for individuals for the first time

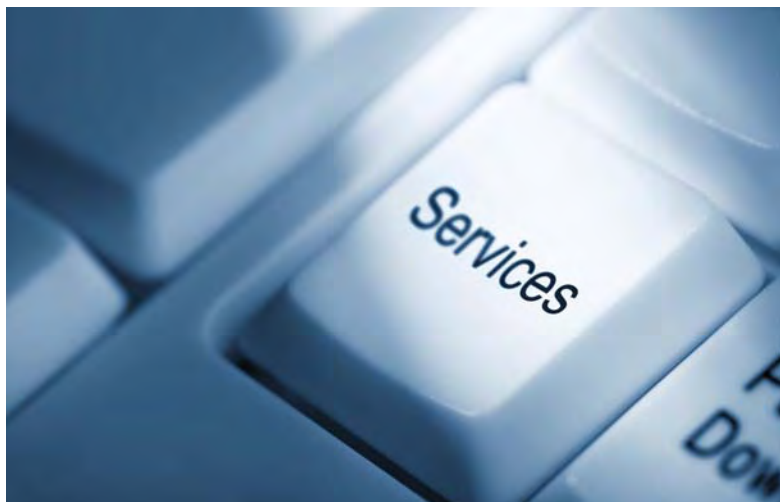
We continually look to improve functionalities in My Account as we want to provide greater flexibility and new ways for users to manage their tax affairs. To that end, we made several improvements and added new services to My Account, including:

- the ability to request a remittance form
- the status of returns showing more clearly in the welcome page of My Account

Taxpayers and benefit recipients can view basic tax information using Quick Access. To do so, they need to confirm their identity using their social insurance number, date of birth, and information entered on their income tax and benefit returns from previous years. This service gives an individual immediate access to some of their information in My Account, such as the ability to view tax return status, RRSP deduction limit, TFSA contribution room, and the status of benefit payments.

Key result:

- Close to a million logins were made to Quick Access. More than 424,000 individuals viewed their tax information using Quick Access for the first time



Focus on small businesses

Small businesses are the heart of the Canadian economy. Since 98% of Canadian businesses have fewer than 100 employees, the time and resources spent to deal with regulatory issues represent a major concern for the competitiveness of the sector. As a result, the CRA is taking on a number of initiatives to reduce the administrative burden and the time and costs associated with filing tax returns and payment processing for businesses. Our goal is to make it faster and easier for Canadian businesses to do business with the CRA and to comply with Canada's tax laws.

The initiative to establish the CRA's business number as the common identifier for federal, provincial, and municipal interactions with businesses is part of the effort to improve information sharing and reduce the number of interactions with government for small businesses. So far, six provinces and one city have adopted the business number. We expect more municipalities and governments to adopt the business number to facilitate registration and eliminate duplicate accounts and errors.

Small businesses have ideas on how the CRA can better respond to their needs, and we consult with them regularly to better understand their concerns and implement changes in service when possible. For example, after consulting with small businesses in November 2012, we promoted direct deposit and the hiring credit for small business and launched our new business landing page www.cra.gc.ca/businessonline. We know that small businesses will find it convenient to be able to access services like submit an enquiry, ask for a CPP/EI ruling, and calculate payroll deductions from the same Web page.

[My Business Account]

My Business Account is a secure online portal that allows business owners to have immediate access to their information and to manage various business accounts such as GST/HST, payroll, corporation income taxes, excise taxes, excise duties, and more. For example, the ability to download missing tax information slips can save business owners time and aggravation. This portal is invaluable for business owners who want to monitor their tax affairs closely. Authorized representatives can also access these services through Represent a Client.

Key result:

- Close to 2.7 million logins were made to My Business Account. The number of businesses that are enrolled in My Business Account and have a business number more than doubled in the last three years

My Business Account is one of the main focuses of our strategy to empower business owners and to reduce the cost, time, and effort that go into complying with Canada's tax laws. To deliver on the needs and expectations of business

owners, we made several improvements and added new services to My Business Account, including:

- The My Business Account enquiries service allows businesses to ask tax questions online related to their account and receive information they can rely on in writing. In 2012-2013, the CRA responded to almost 5,000 enquiries online
- We redesigned My Business Account welcome page to meet accessibility standards
- We added a new option in Payroll to enable small business owners to request a refund for the hiring credit for small business
- Through Manage Online Mail, business owners are now able to receive an email notification that account specific correspondence is available to view in My Business Account
- The ability to file certain GST/HST elections

[Represent a Client]

Tax preparers are playing an increasingly important role in managing tax affairs on behalf of individuals and businesses. To facilitate the work of tax preparers and make it easier to comply with Canada's tax laws, the CRA launched

the secure portal Represent a Client in 2006. This was a unique service in the world at that time.

Represent a Client allows a tax preparer or a representative to access tax information and services on behalf of individuals and businesses. The representative can be a friend or family member, an owner of a business that provides tax or payroll services for clients, or an employee of a business that provides tax or payroll services.

In 2012-2013, we improved the registration process for Represent a Client by making it much easier and faster for representatives to register for the service. Representatives now require only one identifier for their dealings with the CRA on behalf of clients and family members.

Key results:

- 5,547,661 individual accounts accessed in Represent a Client
- 2,662,741 business accounts accessed in Represent a Client

[major initiative]

Taxpayers and businesses want to save time and money. The CRA is exploring ways to support the assessment of returns and payment processing that reduce paper work, reduce the number of interactions between the CRA and taxpayers, and meet taxpayers' expectations for cost-effective service from the CRA.

Our latest initiative is Submit Documents, a secure online method for taxpayers and their representatives to submit supporting documentation and receipts to the CRA. Submit Documents was implemented in 2012 for our first early adopter, the Corporation Assessing Review Program.

[Community Volunteer Income Tax Program]

Every year, thousands of eligible Canadians are getting help from volunteers of the Community Volunteer Income Tax Program (CVITP). Since filing an income tax and benefit return is essential for an individual to receive their entitled benefits, the CRA has a vested interest in supporting CVITP volunteers. As such, the CRA expects to continue to play an important role in offering training and tax software for the volunteers as well as a network of coordinators to guide community organizations as they deliver the program.

Key result:

- Volunteers completed 565,621 income tax returns on behalf of eligible Canadians

[assessing returns and payment processing]

Each year, the CRA assesses millions of tax returns for individuals and businesses. We process these returns

Increasing electronic filing

Online filing offers the benefits of being faster, simpler, more efficient and more environmentally sustainable than filing paper returns. In 2011, roughly 1.3 million tax-filing packages were mailed out but never used. As more taxpayers shift to online services, including electronic filing, use of our printed products and TELEFILE service has diminished significantly.

The CRA has committed to reducing costs and waste. As a result, the TELEFILE service for individuals was discontinued and T1 personalized income tax and benefit packages were not mailed out for the 2012 tax year. However, Canadians were still able to file in the traditional fashion – on paper. The CRA introduced initiatives to increase electronic filing and achieve better consistency, including:

- Updating the Get ready Web page to better accommodate first-time electronic filers.
- Eliminating the NETFILE access code. Only the taxpayer's SIN and date of birth are required to NETFILE.
- Permitting first-time filers to NETFILE.
- Promoting free certified software on the CRA Web site and in various CRA communication products.
- Introducing mandatory electronic filing for tax preparers who, for a fee, prepare more than 10 corporation or individual returns.

and enter the information into our systems to update taxpayer accounts and determine the current status of their tax obligations. We then store the returns for future reference. We carry out activities to detect non-compliance both before and after tax returns are assessed. When we find errors on tax returns, we correct them. Our goal is to process returns and payments as quickly and accurately as possible so that Canadians maintain confidence in the integrity of Canada's self-assessment system and Canada's revenue base is protected.

Although we missed slightly on our service standard for processing GST/HST returns, we exceeded our targets for processing corporation income tax returns and excise tax, duty, air travellers security charge, and softwood lumber returns.

Key results:

- We assessed more than 27 million income tax and benefit returns for individuals
- We processed about 2.1 million corporation income tax returns
- We processed over 7.4 million GST/HST returns
- We processed more than 35 million payments
- The total value of all payments processed is approximately \$436 billion

More individuals and businesses are filing and paying online because it is quicker and easier. The CRA can process electronic returns and payments faster; individuals who have previously set up direct deposit can expect to receive their refunds in as little as eight business days. Taxpayers who request electronic adjustments to their income tax and benefit returns can expect us to respond within two weeks.

This compares favourably to the seven weeks we usually need to process requests submitted on paper.

We led a strong campaign to encourage individuals to file electronically during the 2013 tax-filing season. A record 76% of income tax and benefit returns were filed electronically, 11 percentage points over the percentage of income tax and benefit returns filed electronically between February 2012 and August 2012.

Key results:

- 76% of individual tax returns were filed electronically
- On average, we processed tax returns filed electronically within 11 days, compared to 30 days for tax returns filed on paper
- 64% of GST/HST returns were filed electronically, almost 7 percentage points higher than in 2011-2012
- 69.9% of corporation income tax returns were filed online, 8 percentage points higher than in 2011-2012
- The number of T4 information returns filed electronically increased by almost 21%
- The volume of payments processed electronically increased by 12%

[correct and detect]

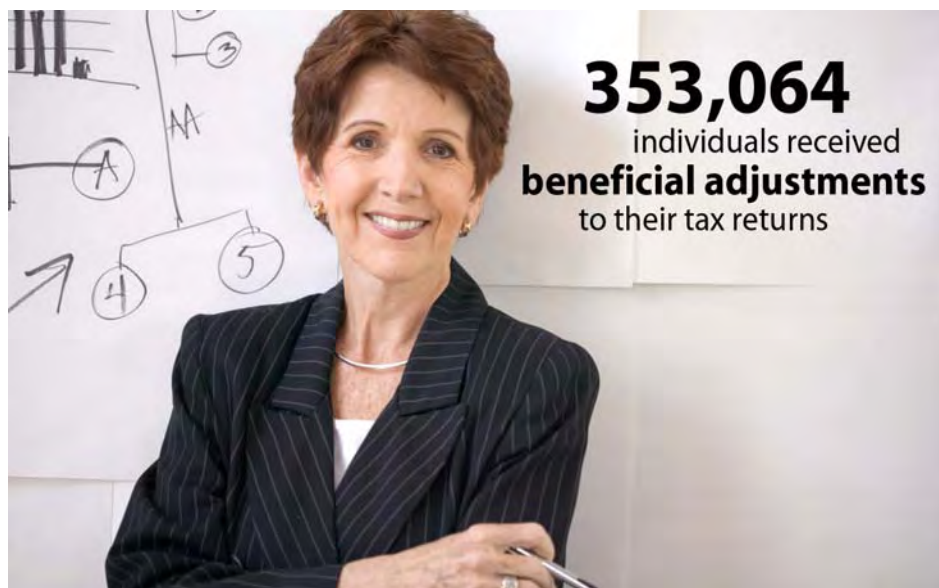
We analyze tax returns to find errors, like an amount placed on the wrong line, and to detect non-compliance. We take note of common errors to find gaps in information or services. We also detect inadmissible claims through an initial review of tax credits and amounts claimed. Finding and fixing errors as part of our early intervention programs helps us

resolve non-compliance in the least intrusive way and minimizes the risk of taxpayers paying penalties and interest.

We also identify unclaimed tax credits, benefits, and overpayments for taxpayers. Then, we adjust income tax and benefit returns to reflect the beneficial adjustments.

Key results:

- We identified \$162 million in additional taxes owing on income tax and benefit returns after finding errors and reviewing high-risk claims



- 353,064 individuals received beneficial adjustments to their tax returns
- The average dollar amount per beneficial adjustment was \$279

We continue our review of income tax and benefit returns after notices of assessment are sent. We select files and contact taxpayers to request further information to verify claims made on tax returns. We also compare the information we have from third parties with the information reported on tax returns. We review corporation income tax returns to ensure the accuracy and validity of corporation income tax return assessments.

Key results:

- We identified over \$264 million in additional taxes through the review of information sent by taxpayers to verify claims made on their tax returns
- We found \$715 million in additional taxes owing by matching information reported by taxpayers to information reported by third parties
- We identified \$50 million in additional taxes owing on corporation income tax returns
- We found \$144 million in additional taxes owing through a review of corporate loss carry forwards from prior years

Together, our efforts resulted in over \$1.3 billion in additional tax assessed.

[conclusion]

More Canadians are choosing to manage their tax affairs through our online portals: My Account, My Business Account, and Represent a Client.

Although more Canadians enjoy the benefits of self-service, third parties are also playing a greater role in helping Canadians comply with Canada's tax laws.

The CRA is strengthening its relationship with tax preparers. By completing and filing income tax and benefit returns on behalf of millions of Canadians every year, tax preparers play an essential role in Canada's tax system. The CRA can help taxpayers comply by working with tax preparers to promote good compliance practices and by strengthening our support for the services they provide to their clients.

The CRA will continue to develop tools and services with a view to making filing and paying taxes easier and faster. Although online self-service will remain the preferred service option, the CRA will ensure that Canadians can still file their income tax and benefit returns on paper or ask for a remittance voucher to pay by cheque.

Business registration evaluation report

During 2012-2013, we conducted an internal evaluation of the CRA Business Number (BN) Program with a focus on the issues of registration efficiency, effectiveness, and coordination within the CRA.

The evaluation found that while the CRA efficiently processes applications, program costs vary significantly depending on the method of registration chosen. Registration through the online option appears to be the most cost-efficient and effective method.

The report found that there is no legislation specifying what information must be provided to obtain a BN or governing the use of information. The report also mentioned that incomplete registration data can negatively affect the CRA's efforts to ensure compliance with tax obligations.

Following these findings, the CRA will examine the costs and benefits associated with the current registration method to ensure that our approach takes full advantage of technology, existing data, and verification/validation processes.

Details can be found on the CRA Web site at:

www.cra-arc.gc.ca/gncy/ntrnl/2013/bsnss-rgstrtn-eng.html#h2

[performance results]

Expected results	Indicators	Targets	2010-2011	2011-2012	2012-2013
The CRA supports the timely and accurate processing of tax, information, and benefit returns, and the processing of payments	Number of successful log-ins to My Account	Upward trend	4,690,737	5,837,173	6,705,022
	Number of successful log-ins to My Business Account	Upward trend	1,240,702	1,913,141	2,664,791
	Represent a Client – Individual accounts accessed	Upward trend	3,193,919	4,522,971	5,547,661
	Represent a Client – Business accounts accessed	Upward trend	1,162,177	1,850,268	2,662,741
	Percentage of payments made electronically	Upward trend	29.7%	33.4%	36.7%
	Percentage of individuals who file electronically	Upward trend	64% ¹	65% ¹	76%
	Percentage of corporations that file electronically	Upward trend	46.8%	61.4%	69.9%
	Percentage of GST/HST returns filed electronically	Upward trend	41.3%	57.5%	64.3%
Individuals, businesses and registrants are provided timely and accurate tax assessment notices and tax payment processing	Process Excise Tax, Duty, Air Travellers Security Charge and Softwood Lumber returns within 90 days of receipt	95%	97.6%	98.2%	98.4%
	Process GST/HST returns within 30 days	95%	90.3%	91%	93.8%
	Process T2 corporate income tax returns within 60 days	90%	94.5%	95.2%	95.2%
	Respond to T1 taxpayer-requested adjustments within an average of 8 weeks	100%	7.2 weeks	7 weeks	7 weeks
	Respond to T1 taxpayer-requested adjustments received via the Internet within an average of 2 weeks	100%	1.8 weeks	1.8 weeks	2 weeks
	Process paper T1 individual income tax returns within an average of 4 to 6 weeks	100%	3.9 weeks	3.9 weeks	4.3 weeks
	Process electronic (EFILE, TELEFILE, NETFILE) T1 individual income tax returns within an average of 2 weeks	100%	1.7 weeks	1.6 weeks	1.6 weeks
	Processing T3 trust returns within 4 months	95%	98.5%	98.7%	98.7%
Individual taxfilers receive timely and accurate assessment notices	Percentage of the 5 service standards pertaining to individual and trust returns (T1 and T3) activities which have met targeted performance standards	100%	100%	100%	100%
	Percentage of individual (T1) returns processed accurately	98%	98.8%	98.8%	99%
	Individual (T1) returns received on time processed by mid-June	100%	100%	100%	100%
Validation activities detect and address non-compliance by individuals with the reporting requirements of the acts	Percentage of validation reviews of individual returns (T1) completed compared to planned	100%	n/a	n/a	104%
	Ratio of average dollar value assessed for targeted vs random reviews	Minimum ratio of 2:1	n/a	n/a	2.6:1
Remittance of payments by individuals and businesses to the Receiver General are processed on time	Percentage of payments by individuals and businesses to the Receiver General deposited within 24 hours of receipt	96%	99.6%	99.3%	99.4%

¹ Results have been re-stated as they are now calculated based on the tax-filing season February 1 to August 31 versus April 1 to March 31.

n/a: This is a new indicator for 2012-2013. Prior year results are not available.



We answered over **23 million**
calls through agent and automated services

Our YouTube videos were viewed more than **736,000** times

We processed **87,766** registered
charity information returns

[taxpayer and business assistance]

[program description]

As the administrator of Canada's self-assessment tax system, the CRA has a responsibility to provide taxpayers with accurate and timely information so that they can comply with Canada's tax laws. To achieve this, we maintain a Web site that contains general information about our programs. We also use videos and webinars and interact with Canadians on social media. When taxpayers require additional support, we offer expertise and guidance through our telephone services, technical interpretation and advance income tax rulings service. We also administer and monitor charities and registered plans to ensure that they are managed in accordance with existing legislation.

2012-2013 financial resources (thousands of dollars)				
Total budgetary expenditure	Planned spending ¹	Total authorities	Actual spending ²	Difference
543,025	583,128	467,240	453,280	129,848
Sub-program	Planned spending ¹	Actual spending ²	Difference	
Taxpayers services – enquiries	159,129	174,462	(15,333)	
Taxpayers services – information products	9,303	11,481	(2,178)	
Policy, rulings and interpretations ³	364,516	221,511	143,005	
Registered plans	16,001	16,191	(190)	
Charities	29,804	25,372	4,432	
Charities – Public safety and anti-terrorism	4,375	4,264	111	
Total	583,128	453,280	129,848	

Numbers may not add due to rounding.

- ¹ Planned spending has been restated from what was shown in the Canada Revenue Agency 2012-2013 Report on Plans and Priorities in order to distribute the real property accommodations funding (previously centralized in the internal services program) to all applicable programs. It should also be noted that planned spending excludes severance payments, parental benefits and vacation credits, as this funding is received during the fiscal year and is only included in actual spending.
- ² This figure represents the actual spending for the program on a modified cash basis. Please refer to page 154 of the CRA Annual Report to Parliament 2012-2013 for an explanation of how this figure relates to the CRA Financial Statements – Agency Activities.
- ³ Includes statutory payments related to Canada/US softwood lumber agreement (planned spending is \$280 million and actual spending is \$136.9 million, resulting in a difference of \$143.1 million).

2012-2013 human resources (full-time equivalents)			
Sub-program	Planned	Actual	Difference
Taxpayers services – enquiries	2,448	2,478	(30)
Taxpayers services – information products	133	148	(15)
Policy, rulings and interpretations	1,058	985	73
Registered plans	174	153	21
Charities	292	256	36
Charities – Public safety and anti-terrorism	36	37	(1)
Total	4,141	4,057	84

Numbers may not add due to rounding.

[sub-program description]

Taxpayer services – enquiries	The Taxpayer Services – Enquiries Program develops and maintains information services that assist taxpayers in voluntarily complying with Canada's tax laws. It provides taxpayers with access to timely and accurate responses to their telephone and written tax enquiries through our Web site as well as other targeted services.
Taxpayers services – information products	The Taxpayers Services – Information Products Program is responsible for providing tax information on the CRA's Web site and information products like pamphlets, brochures, and tax packages.
Policy, rulings and interpretations	The Policy, Rulings, and Interpretations Program is responsible for the official CRA positions on the interpretation of the acts administered by the CRA. It clarifies tax issues that taxpayers, registrants, and tax intermediaries may be facing by explaining how legislation applies to specific situations and informs them on tax and CPP/EI matters by issuing rulings, interpretations, technical publications, and newsletters. The program provides early certainty to taxpayers through advance, binding rulings and non-binding interpretations. The program develops legislative policy in collaboration with the Department of Finance and offers specialized legislative policy and administrative services to other Canadian government organizations.
Registered plans	The Registered Plans Program is responsible for all activities related to the provisions of the <i>Income Tax Act</i> for deferred income and savings plans. It provides information through its Web page and outreach activities, and by assisting taxpayers through its telephone enquiry line and written communication services. It registers, audits, and approves contributions to these plans to ensure compliance.
Charities	The Charities Program is responsible for administering the national registration program for charities, registered Canadian amateur athletic associations, and registered national arts service organizations. The program is responsible for activities that span across the full spectrum of the compliance continuum including registration, communications and outreach, processing and examination, audit and enforcement, and policy and technical guidance.
Charities – Public safety and anti-terrorism	The Charities – Public Safety and Anti-Terrorism Program protects the integrity of the registration system for charities under Canada's <i>Income Tax Act</i> by screening applications and monitoring registered charities for the risk of terrorist involvement.

[performance analysis and lessons learned]

[providing general information]

The CRA provides information to taxpayers so that they can comply more easily with Canada's tax laws. We encourage compliance by making sure that taxpayers have access to the information they need to meet their tax obligations. To do so, we interact with taxpayers and benefit recipients through different communication channels to raise awareness of our existing programs and services and increase their usage. We monitor the use of services to tell us where there are gaps and prioritize service enhancements accordingly.

[the CRA's Web site]

The CRA's Web site is our primary channel for providing general information. Our Web site is structured around four main categories: individuals and families, businesses, charities and giving, and representatives. It covers a variety of topics, and visitors are just a few clicks away from downloading most of the forms or publications they need.

We update our Web pages regularly to add new content or to improve navigation and clarity of information. We use Web analytics to help us understand how Canadians use our Web site and to assess and improve its effectiveness. In 2012-2013, we improved how information is presented in the GST/HST

section of the Web site to make it easier for visitors to find what they need. We also created www.cra.gc.ca/businessonline, a Web page that contains all e-services available for businesses, conveniently grouped by tasks that businesses perform relative to their tax information.

Our Web site has been upgraded to comply with the new Government of Canada Standard on Web Usability. This standard allows for a more consistent, user-friendly experience on Government of Canada Web sites. The CRA provides a convenient, secure online environment so that Canadians can find information and complete transactions with us.

Key results:

- We received 105,929,746 visits to our Web site, a 21% increase over 2011-2012
- 22,967,983 forms and publications were downloaded

[webinars, videos, and social media]

We communicate information to taxpayers through information sessions and videos. We also use webinars, which are interactive presentations conducted over the internet. While information sessions allow us to have a more engaging dialogue with participants, webinars are convenient and easy to use.

These contain up-to-date information about CRA's programs and initiatives and help taxpayers learn about their tax obligations and the benefits to which they may be entitled. Videos posted this year contain information on topics like Canadian students and taxes, GST/HST for small businesses, and Charities Quick View, a new display that provides a summary of a registered charity's activities, revenues, and expenditures.

Key results:

- We delivered more than 2,474 face-to-face information sessions to approximately 86,703 participants
- We delivered more than 152 webinars to approximately 10,525 participants
- We posted 11 videos on our Web site

Our goal is to engage Canadians in a variety of ways, and social media helps us reach that goal. We recognize that many Canadians prefer to watch videos on YouTube because it is more convenient for them. Our YouTube channel contains videos that cover many topics of interest. We use YouTube to promote new tax credits and useful services like direct deposit, which allows an individual to receive income tax refunds and benefit payments directly in their bank account, or to provide step-by-step instructions to make a payment to the CRA.

We are active on Twitter so that we can inform our followers about the CRA's programs and services, and offer information that Canadians may need to fulfil their obligations as

taxpayers and receive benefits to which they may be entitled. The CRA also answers questions of a general nature on Twitter by providing links to information available through the Web site. Our tweets are often re-tweeted to a wider audience, which helps us send our messages to a greater number of Canadians.

Key results:

- We posted 44 videos on YouTube
- Our YouTube videos were viewed more than 736,000 times, compared to 36,500 in 2011-2012¹
- Our Twitter followers increased to 16,336, a fivefold increase over 2011-2012

[enquiries and complex requests]

Taxpayers and benefit recipients who want to understand how tax laws apply to their specific circumstances can rely on the knowledge and expertise of our call centre agents. Recognizing that taxpayers need to manage their tax affairs with greater confidence and certainty, we also write technical publications and provide technical interpretations and rulings for income tax and GST/HST.

¹ The vast majority of the video "views" were generated as part of the paid filing season advertising campaign and do not represent unique visits to our YouTube channel.

this year there were
105,929,746 visits
to our Web site
that's up **21%**



[telephone services]

Taxpayers can call the CRA when they want to know how the information on the Web site applies to their specific circumstances or when they need help. We have dedicated telephone lines for general and account-specific enquiries, benefit payments, GST/HST credit, international tax and non-resident enquiries, and payment arrangements.

We answered over 23 million calls through agent and automated services and carried out several improvements to our telephone services during the year:

- On January 21, 2013, "Agent ID" was launched for the CRA's business enquiries and GST/HST rulings telephone services. CRA agents now provide businesses with their first name, an agent identification number, and a regional suffix at the beginning of each call. Agent ID makes it easier for business owners to provide feedback on CRA services.
- We ran a pilot project to strengthen our national telephone quality assurance program. This program helps us identify local and national training needs and improve the quality of the service we provide.
- We integrated the telephone service for international tax and non-resident enquiries into the national telephone network. This allowed us to increase the hours of service offered to non-resident callers.
- We expanded the functionality of our Interactive Voice Response and our automated Tax Information Phone Service (TIPS) systems. Callers can now conveniently order an income and deduction printout or a remittance voucher without having to speak with an agent.

[technical interpretation and early certainty]

In March 2013, the CRA released its first set of income tax folios, a new technical information publication that facilitates Web navigation by making use of hyperlinks.

This new publication will eventually replace interpretation bulletins and income tax technical news.

We also provide, in writing, non-binding income tax and GST/HST technical interpretations of specific provisions of tax law. Taxpayers can request an advance income tax or GST/HST ruling for a technical interpretation that relates to a specific transaction considered. The CRA also provides Canada Pension Plan/Employment Insurance (CPP/EI) and Pensionable and Insurable Earnings Review rulings for programs that fall under the *Canada Pension Plan* and *Employment Insurance Act*, which it jointly administers with Human Resources and Skills Development Canada.

Tax rulings will be regarded as binding upon the CRA if the facts presented in the request were accurately stated and the transaction was carried out as set out in the request. We give tax rulings and technical interpretations to taxpayers to help them manage their tax affairs with confidence in Canada and across international borders. Our goal is to encourage compliance with Canada's tax laws through early certainty.

Meeting our target for advance income tax rulings has proved challenging in recent years. In 2012-2013, we made the decision to devote time and effort to developing the new income tax folios. We believe income tax folios are a long-term investment that will ultimately help us meet our service standard for advance income tax rulings.

Given the significance of the rulings to proposed business transactions, the CRA requires time to properly analyze each transaction and provide rulings that respond to the expectations of our clients. As a result, our service standard for advance income tax rulings has been adjusted to reflect a more realistic schedule.

We met our service standard for providing GST/HST rulings and interpretations.

Key results:

- We provided 2,897 income tax technical interpretations
- 89% of CPP/EI rulings were completed within 90 days of receipt
- We completed 4,075 GST/HST rulings and interpretations
- 81% of field GST/HST rulings and technical interpretations were answered to within 45 days of receipt
- We answered 120,414 technical GST/HST telephone enquiries
- We answered to 97% of technical GST/HST calls in the telephone enquiries queue within 2 minutes
- We provided 175 advance income tax rulings

Delivering services more effectively

While our service delivery model is evolving, Canadians who want to use our traditional services will not be left behind. They will continue to be able to talk to one of our well-trained call centre agents, make an appointment to receive in-person help at one of our tax services offices, and order printed copies of their income tax and benefit packages.

[registered plans]

Registered plans are one of the most effective savings and retirement tools available to Canadians. In 2011, Canadians contributed more than \$34 billion to their registered retirement savings plans and held tax-free savings accounts whose total value exceeded \$62 billion. Registered plans play an undeniable role in securing income for future years. We have a responsibility to ensure that registered plans fulfil their mandate according to existing legislation.

We register and monitor deferred income and savings plans like employee pension plans, retirement savings plans, education savings plans, disability savings plans, and tax-free savings accounts. We ensure the integrity of the deferred income and savings plans sector in Canada by promoting compliance with existing legislation and advising the retirement savings industry on areas that have a higher risk of non-compliance.

Key results:

- We reviewed 90% of the applications to register pension plans within 180 days
- We monitored 22,657 registered pension plans
- We responded to 98% of written enquiries within 60 days
- We conducted 585 audits of registered plans

The CRA released its first set of **income tax folios**, a new technical information publication that **facilitates Web navigation** by making use of hyperlinks

[charities]

Charities are well placed to use their local knowledge, expertise, and relationships to help communities across Canada and in other countries. They play an essential role by providing support and expertise in fields like healthcare, education, and the environment.

Taxpayers reported donating more than \$8.9 billion to charities on their 2011 income tax and benefit returns. By contributing financially to organizations and groups that support important causes, donors want to contribute to the well-being of their fellow citizens or support values in which they believe.

The CRA administers the provisions of the *Income Tax Act* that relate to registered charities. Registered charities are exempt from income tax and can issue official donation receipts for gifts they receive. Donors can use those receipts to lower their taxes.

Registered charities must only engage in allowable activities, file annual information returns, and keep adequate books and records to keep their registered status. In addition, they must adopt acceptable fundraising practices. To these ends, the CRA conducts audits to ensure that registered charities remain compliant with Canada's tax laws. We can impose financial penalties and suspensions and sometimes revoke the registered status in cases of serious non-compliance.

Key results:

- We processed 87,766 registered charity information returns
 - We reviewed and responded to 98% of regular applications for registration within six months
- We responded to 86.3% of calls in the telephone enquiries queue within two minutes
- We audited 799 charities
 - We revoked the registered status of 1,512 charities (741 voluntary revocations, 713 for delinquency, 32 for cause, 26 for loss of corporate status)



[conclusion]

We offer Canadians new choices in how they can find information about our programs and how they interact with us. They can go to our Web site, send us tweets, view our videos, and sign up for our information sessions. While online communication technologies offer us more ways to provide information to Canadians, we will continue to ensure that the information we provide through all communication channels is clear and concise.

An online survey conducted by PricewaterhouseCoopers in 2013 revealed that convenience is an essential feature that Canadians expect from government service delivery. The way the CRA provides information and services to Canadians must match their service expectations.

Intelligent compliance management starts with a service delivery model that emphasizes early intervention to minimize errors. This is done partly by simplifying access to information and services. The result is fewer but more efficient interactions between the CRA and taxpayers. To that end, we will continue to find better ways to provide the right information using the right channel at the right time.

GST/HST rulings provide greater tax certainty

Our GST/HST Rulings Program operates in a unique environment. The fact that GST/HST is a real-time, transaction-based tax often requires the CRA to establish its interpretative position before the transaction takes place. In addition, the GST/HST rulings program must react swiftly to any GST/HST legislative changes, which often become effective immediately. This means that technical information (technical interpretation bulletins, info sheets, GST/HST memoranda, etc.) must be available on the CRA Web site in advance of the effective date of new legislation. With the complexity of business transactions and the potential for significant tax assessments, businesses are recognizing how this service can help them mitigate risk. The importance of this timely, accurate, and consistent service cannot be overstated.

Our income tax and GST/HST rulings programs support voluntary compliance and helps individuals and businesses manage their tax affairs with greater certainty.

[performance results]

Expected results	Indicators	Targets	2010-2011	2011-2012	2012-2013
The CRA provides accurate and timely information products and services to taxpayers and businesses	Individual enquiries – telephone service level – Respond to calls in the agent queue within two minutes	80%	81.8%	80.1%	82%
	Business enquiries – telephone service level – Respond to calls in the agent queue within two minutes	80%	84.1%	81.2%	82%
	Percentage of individual callers who reach our telephone service	85%	91.5%	90.7%	90%
	Percentage of business callers who reach our telephone service	85%	92.4%	90.2%	90%
Taxpayers and businesses have access to the information and services they require to voluntarily comply with tax laws	Visits to taxpayer services Web-based information products pages	Upward trend	38,368,640	39,543,640	48,844,974
	Percentage of accurately updated internal reference materials for taxpayer services and charities agents	100%	100%	100%	100%
Compliance with applicable legislation by organizations and businesses administering and/or producing registered plans, charities, and excise dutiable products is improved	Percentage of charities, registered plans and commodity audits and activities completed compared to planned	90%	107%	95.9%	106%

[performance results]

Expected results	Indicators	Targets	2010-2011	2011-2012	2012-2013
Taxpayers and businesses have access to timely information products	Percentage of information products provided in print and on the Web site on time as per work plans to address taxpayer information needs	100%	n/a	n/a	93%
Registered plan administrators and their agents receive timely service in response to applications	Percentage of registered plan applications reviewed within established timeframes	85%	94.4%	83.9%	90%
Non-compliance by registered plan administrators and their agents with legislation and regulations pertaining to registered plans is detected and addressed	Percentage of registered plan audits completed compared to planned	100%	133%	93.6%	130.3%
Taxpayers and businesses receive timely rulings and interpretations under the <i>Income Tax Act</i> and various other federal legislation	Respond to written GST/HST rulings and interpretations within 45 working days	80%	46.5%	41.8%	81%
	Issue technical interpretations within 90 business days of receipt of all essential information from the client	85%	n/a ¹	n/a ¹	83%
	Issue advance income tax rulings within 90 business days of receipt of all essential information from the client	85%	n/a ¹	n/a ¹	74%
All stamped tobacco products are excise duty paid	All legally imported and domestically manufactured tobacco products destined for the duty-paid market are stamped	100%	n/a	n/a	100%
Non-compliance with the <i>Excise Act</i> and the <i>Excise Act, 2001</i> with respect to dutiable products is detected and addressed	Percentage of excise regulatory reviews and excise compliance activities completed compared to planned	90%	n/a	n/a	95.5%
Enhanced service to registered charities and applicants for charitable status	Percentage of charities calls responded to within two minutes	80%	88.5%	84.1%	86.3%
	Percentage of charitable registration applications thoroughly reviewed and responded to within established timeframes	80%	91.8%	88.6%	96%
Compliance in the charitable sector is improved	Trend in the number of charities participating in abusive tax shelter schemes	Downward trend	n/a	n/a	20 ²
	Trend in the number of charities that file their annual information return on time	Upward trend	70,298	67,649	73,983
	Trend in the number of charities that are revoked for failure to file	Downward trend	635	1104	713

¹ Revised standard and target for 2012-2013. Results from the previous years' are no-longer comparable to the present measure.

² We audited 100% of all charities known to be participating in abusive tax shelter schemes.

n/a: This is a new indicator for 2012-2013. Prior year results are not available.



Almost **95%** of individuals
who owed taxes paid them on time

We resolved over **\$37** billion in tax debt

[accounts receivable and returns compliance]

[program description]

The Collections and Returns Compliance programs are committed to protecting the integrity of Canada's tax laws and supporting compliance with tax obligations by identifying, addressing, and preventing non-compliance, as well as ensuring that tax debt is resolved in a timely basis. We undertake a range of activities to promote and enforce compliance with Canada's tax laws for filing, withholding, registering, and debt obligations, including amounts collected or withheld in trust for the Government of Canada. This is achieved through education campaigns, automated strategies, call centres, and field operations. These activities are carried out on behalf of the federal, provincial, territorial, and certain First Nations governments.

2012-2013 financial resources (thousands of dollars)				
Total budgetary expenditure	Planned spending ¹	Total authorities	Actual spending ²	Difference
432,277	495,786	541,527	512,218	(16,432)
Sub-program	Planned spending ¹	Actual spending ²	Difference	
Trust accounts compliance	87,462	89,545	(2,083)	
Non-filer/non-registrant compliance	62,215	64,360	(2,145)	
Accounts receivable – tax programs	292,890	308,459	(15,569)	
Accounts receivable – government programs	19,434	18,061	1,373	
Automated operations and call centre	33,785	31,793	1,992	
Total	495,786	512,218	(16,432)	

Numbers may not add due to rounding.

¹ Planned spending has been restated from what was shown in the Canada Revenue Agency 2012-2013 Report on Plans and Priorities in order to distribute the real property accommodations funding (previously centralized in the internal services program) to all applicable programs. It should also be noted that planned spending excludes severance payments, parental benefits and vacation credits, as this funding is received during the fiscal year and is only included in actual spending.

² This figure represents the actual spending for the program on a modified cash basis. Please refer to page 154 of the CRA Annual Report to Parliament 2012-2013 for an explanation of how this figure relates to the CRA Financial Statements – Agency Activities.

2012-2013 human resources (full-time equivalents)			
Sub-program	Planned	Actual	Difference
Trust accounts compliance	1,833	1,786	47
Non-filer/non-registrant compliance	912	893	20
Accounts receivable – tax programs	3,995	4,153	(158)
Accounts receivable – government programs	485	392	93
Automated operations and call centre	373	395	(22)
Total	7,599	7,619	(20)

Numbers may not add due to rounding.

[sub-program **description**]

Trust accounts – compliance	The Trust Accounts – Compliance Program protects the revenue streams that represent the most significant part of Canada’s revenue base by facilitating and enforcing registration, withholding, remitting, reporting, and filing obligations for payroll deductions, GST/HST, other levies, and non-resident taxes. We influence compliance attitudes through targeted strategies and address non-compliance through automated systems, call centres, and field operations.
Non-filer/non-registrant – compliance	The Non-filer/Non-Registrant – Compliance Program facilitates and enforces filing by individuals, businesses and trusts. We use a risk-based approach that influences filing behaviour and address non-compliance through targeted strategies, automated systems, call centres, and field operations.
Accounts receivable – tax programs	The accounts receivable – tax programs is responsible for the collection of tax debts on behalf of the federal, provincial and territorial governments, as well as other government agencies.
Accounts receivable – government programs	The accounts receivable – government programs is responsible for the collection of non-tax debts where the responsibility for the collection function has been transferred to the Canada Revenue Agency from other organizations.
Automated operations and call centre	The Automated Operations and Call Centre Program is responsible for preventing non-compliance with filing obligations and remitting requirements for taxpayers and GST/HST registrants. This is achieved by resolving a high volume of low-risk accounts primarily through automated letters, phone calls, and reminders.

[performance **summary** and **lessons learned**]

[**addressing non-compliance**]

The CRA is in the business of protecting Canada’s revenue base. We maintain the integrity and sustainability of our self-assessment tax system by ensuring that individuals and corporations file and register when required and pay the amounts they owe. The effective identification, deterrence and correction of payment, filing and registration non-compliance is critical to maintaining Canadians’ trust and confidence in our tax system.

Collecting overdue amounts and returns in a timely and efficient fashion is a key element in our strategy to combat non-compliance. When money is owed but not paid or when a return is due but not filed, the CRA reviews the account to determine the risk of loss the file represents and takes progressive action to resolve the non-compliance. Depending on the nature of the file, the action taken can vary. Compliance action can be something as simple as the issuance of a letter to remind a taxpayer of their payment obligations, or at the other end of the compliance spectrum, it could mean prosecution through the courts to enforce filing requirements. In all cases, the objective is the same, to ensure that the right level of compliance intervention is applied at the right time and by the most cost-effective and appropriate means possible.

[**trust accounts compliance**]

In 2012-2013, \$236 billion was collected through source deductions. The taxes collected through source deductions make up a significant part of Canada’s tax revenue base. Every year, millions of employees have income tax deducted from their pay cheques to fund federal, provincial, and territorial government programs and infrastructure. In addition, amounts are deducted and contributed to the Canada Pension Plan (CPP) and employment insurance (EI) accounts of individual employees. Self-funded programs like the CPP and EI help to protect families and workers against the loss of income due to retirement, disability, and death, or in the case of EI, provide short term support to those who have lost their job. Employers are responsible for the deduction and remittance of these amounts when they prepare their employee payroll. They are also responsible for remitting the employer’s portion of CPP contributions and EI premiums.

Our source deduction system functions well because Canadians trust that the income tax being deducted and the amounts held in trust for contribution to their CPP and EI accounts are properly calculated and remitted. Our role as administrators of this system is to ensure the integrity of Canada’s source deduction system.

We support compliance by working with employers to make sure they understand their obligations. Our webinar series, *Payroll Information for New Small Business*, is an example

of how we are using innovative techniques to help employers meet their obligations. These webinars provide answers to the most commonly asked questions by new small businesses. The goal is to make sure that employers understand their responsibilities. The information and support we provide to new businesses allows them to get it right from the start and helps to prevent a pattern of non-compliance from developing. However, when source deduction non-compliance is suspected or identified, we take corrective action by examining employer's books and records to ensure that the correct amounts are being deducted and remitted.

We are taking steps to improve our knowledge and understanding of employer needs at critical points in their business life cycle. One way we are doing this is by improving our system that tracks employer obligations to withhold and remit payroll deductions. The PAYDAC Renewal and Migration Project is a multi-year initiative that will allow us to better manage payroll compliance activities and provide a more personalized delivery of services to employers. This project will improve our capacity to gather the data needed to better understand and detect non-compliance behaviour.

Key results:

- We performed over 480,000 payroll account reviews
- Our trust examiners completed nearly 48,000 payroll account examinations

- We completed 847 employer compliance audits
- We identified \$1.8 billion in non-compliance

[non-filer/non-registrant]

Non-filers are individuals, corporations, or trusts that do not file a tax return as required by legislation. Non-registrants are individuals and business entities that do not register for the GST/HST when required.

The vast majority of individuals and businesses file tax returns when required, register for the GST/HST when necessary, and pay their taxes on time without our intervention. This year, we saw a 1% increase in the overall percentage of taxpayers over the age of 18 who filed their income tax returns on time. While not everyone is required by law to file a tax return, high rates of voluntary compliance help to ensure that citizens receive the benefits to which they are entitled and contribute to the sustainability of our self-assessment system by lowering the cost of enforcing filing compliance.

Key results:

- 92.1% of individuals over the age of 18 filed an income tax return on time
- 95.3% of Canadian businesses have a GST/HST account
- Over 3.3 million businesses and individuals are registered for a GST/HST account
- 85.2% of corporations with taxable income filed their tax return on time

To help us identify potential non-filers, we use automated systems to match information slips and corporate business numbers against submitted tax returns. We also use informant leads and periodically run special projects to identify potential non-filers and non-registrants working in industry sectors that may be characterized by high levels of non-compliance. These special projects help us find non-compliant individuals or corporations who may not be identified by our normal risk assessment processes. We pay close attention to existing and emerging non-compliance trends and are always looking at new ways to strengthen our ability to identify non-filers and non-registrants.

When we identify non-filers and GST/HST non-registrants, we employ a number of strategies to promote and enforce compliance. We take a progressive approach to enforcement. In those rare cases where



we are not successful in persuading taxpayers to respect their filing and registration obligations, we sometimes issue legal requirements to register or file and enforce compliance through prosecution action.

Key results:

- We received nearly 618,000 income tax and information returns as a result of actions undertaken by the Non-Filer/Non-Registrant Compliance Program
- The Non-Filer/Non-Registrant compliance Program identified over \$2.9 billion in non-compliance

We are improving our workload management in the non-filer and non-registrant program through the use of debt management call centre agents to resolve low-risk, low-complexity files that do not require an in-depth review or specialized contact. The use of call centre agents allows us to better balance our workloads and process files that can come from any region in the country. This new approach is a good example of how we are creating efficiencies by taking advantage of existing call centre facilities to more effectively manage our non-filer workload.

[GST/HST non-filers]

GST/HST registrants are responsible for collecting GST/HST on the taxable supplies of goods and services they provide. The CRA has a dedicated GST/HST Delinquent Filer Program that uses a variety of compliance approaches. This includes the use of automated reminder letters and telephone contact by call centre agents to establish filing arrangements. Businesses who are GST/HST registrants are required to collect and remit amounts to the Crown. Because they play such an important role in the collection of government revenue, the CRA places a high priority on ensuring that GST/HST registrants file when required and remit on time.

This year, we continued to pilot an automated reminder service that sends a series of calls to new employers and GST/HST registrants to remind them of their filing obligations. We believe that this convenient service helps to support and encourage compliance.

Key result:

- We resolved over 336,000 GST/HST files through our GST/HST Delinquent Filer Program

[payment of tax debt]

The effective resolution of outstanding tax debt is a critical element in protecting Canada's tax base and ensuring that government has the revenues needed to support social programs and address priorities. In 2012-2013, the CRA resolved \$37.3 billion dollars in outstanding tax debt on behalf of federal, provincial, and territorial governments.

Our ability to successfully collect debt often depends on taking decisive action in a timely manner. The longer the debt remains outstanding, the more difficult and expensive it can be to resolve. The CRA is working to improve its risk-based debt management strategies and create more effective collection processes that deliver the best collections outcomes possible.

Key results:

- 94.5% of individuals over the age of 18 who owed taxes paid them on time
- We resolved \$20.9 billion in tax debt through our call centre and by using automated strategies



- We resolved \$16.4 billion in outstanding tax debt through our tax services offices

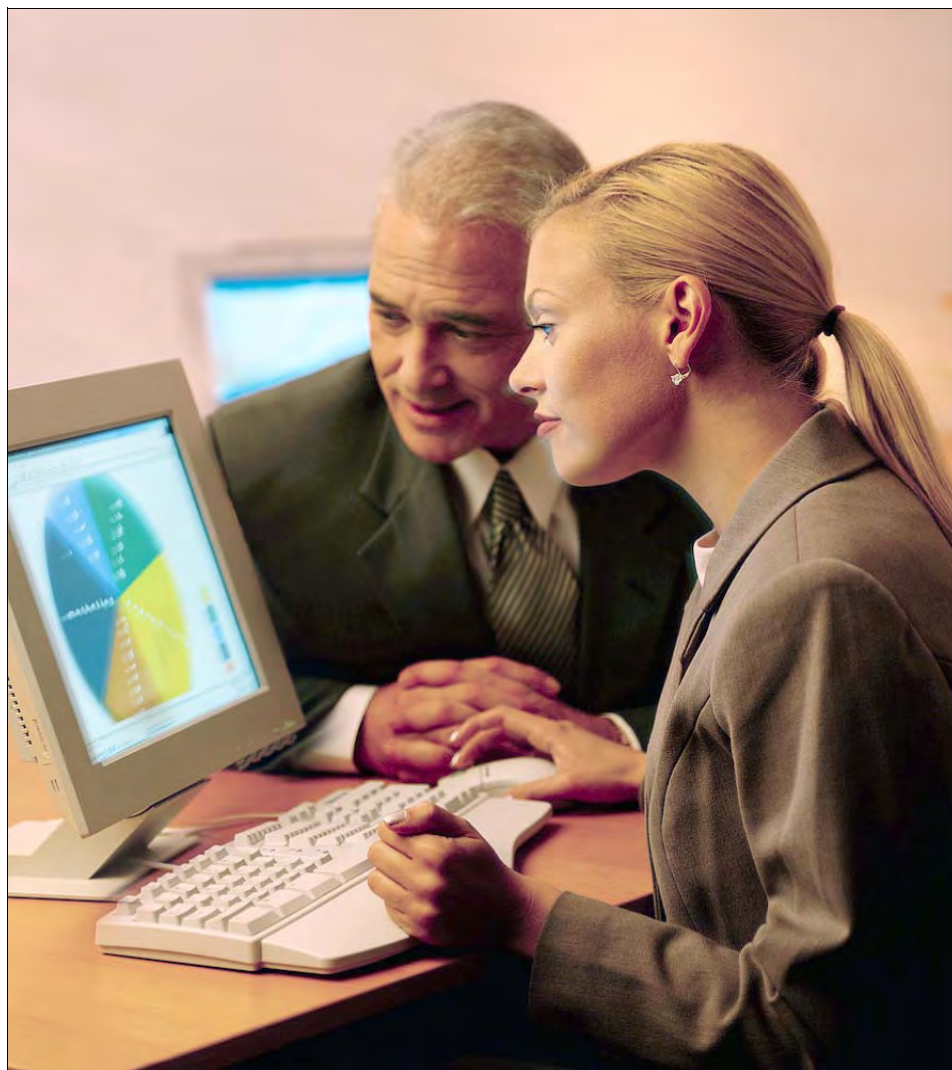
We take a progressive approach to debt collection, and we determine the level of intervention used by assessing the risk of loss associated with the debt. Examples of compliance intervention include:

- automated reminder messages and letters to pay outstanding amounts;
- telephone contact by call centre agents to make payment arrangements;
- formal collection actions through the Accounts Receivable National Inventory; and
- collection actions by senior collection officers from one of our tax services offices.

Risk-scoring models help us to determine which files present the highest potential for tax debt recovery. The efficient resolution of files depends on our ability to quickly direct accounts to the most appropriate compliance action. We are investing resources in the analysis of non-compliance behaviour and using these findings to challenge the assumptions we used to develop our risk models and the business rules used to control workloads.

The automated distribution of workload based on risk and complexity is allowing us to achieve greater efficiencies by processing higher volumes of files that can originate from any region in the country. In this past year, our Debt Management Call Centre (DMCC) used the Automated Dialer Announcement Device to contact new GST/HST registrants and employers to remind them of the dates that their returns and payments are due. We plan to increase the use of dialer announcement technology to support payment compliance.

Accounts that cannot be resolved through DMCC contact are forwarded to our Accounts Receivable National Inventory to be worked by a TSO collections officer. The use of a national inventory approach allows collections officers from any tax services office in the country to work on any account in the



national inventory, which leads to a more balanced TSO workload distribution. The most challenging collection accounts are addressed by senior collections officers who sometimes work in collaboration with the Department of Justice to resolve accounts.

In 2012-2013, our tax services offices resolved 90% of the total net dollar value of debt received during the fiscal year. However, because of our focus on aged debt, the CRA did not meet its target of 60% for resolving new tax debt in the year of intake. A new legislated collections limitation period required the CRA to make a strategic decision to focus more resources on resolving debt that had been outstanding for several years. As a result, significant progress was made in resolving these aged accounts. The percentage of aged accounts more than five years old was reduced from 16.4% of total inventory down to 14.4%. This should significantly reduce the likelihood of unrecoverable tax debt in the future. The CRA will continue to focus its efforts on collecting outstanding debts in a timely manner and monitoring debt aging trends closely.

Key results:

- \$18.3 billion in accounts receivable was referred to TSOs for collection action
- 51% of new tax debt received in the TSOs was resolved in the year of intake
- The percentage of accounts with tax debt over five years of age decreased from 16.4% to 14.4%, well within our target of 18%

[payment of government programs **non-tax debt**]

The CRA collects a number of non-tax debts on behalf of the federal government. Examples of non-tax debt collection include: defaulted Canada student loans, employment insurance overpayments, and other debts on behalf of Human Resources and Skills Development Canada (HRSDC). Since the transfer of the functions and resources of collections activities from HRSDC to the CRA, we have managed to improve collection productivity, and overall recoveries have climbed.

We are providing support to those debtors who are willing to work with us to reduce and resolve their outstanding debt. However, we take firm action against those not willing to work with us to address their obligations. We believe this measured approach of working with debtors and taking firm action when necessary has contributed to the increased recoveries seen in 2012-2013.

Key results:

- The CRA recovered \$600 million of the HRSDC outstanding debt portfolio, exceeding the 2012-2013 target by \$17 million, or 3%.

[conclusion]

The CRA understands that sometimes non-compliance is the result of unintended errors, misunderstandings, or a lack of information. Our research is providing insights into the factors that contribute to this type of non-compliance and we are using these findings to reduce the compliance burden and prevent non-compliance from occurring in the first place.

We are making steady progress in our efforts to better understand non-compliant behaviour and refine our risk assessment strategies. These findings are being used to rationalize and improve the way we address and distribute our workloads. Innovations such as our Accounts Receivable National Inventory are helping us to increase efficiencies. Our goal is to ensure that we are initiating the most appropriate compliance action, at the right time to deliver the best possible compliance outcome at the lowest cost possible. A recent International Tax Benchmarking study, conducted jointly by Her Majesty's Revenue and Customs (United Kingdom) and Capgemini Consulting, found that Canada had the second lowest cost of collecting a dollar of debt among the ten countries surveyed.

[performance results]

Expected results	Indicators	Targets	2010-2011	2011-2012	2012-2013
Identified non-compliance					
Non-filers and GST/HST non-registrants are identified and addressed through compliance actions	T1/T2/T3 non-filers and GST/HST non-registrants (\$ billion)	\$2.6	\$2.8	\$2.6	\$2.9
	Employer/Payroll/GST/HST Reviews, Exams and Compliance Audits (\$ billion)	\$1.6	\$1.6	\$1.7	\$1.8
Tax debt and government program debt is resolved on a timely basis and is within targeted levels	Percentage of accounts receivable dollars resolved in the fiscal year compared to the dollar value of accounts receivable (intake) received in the fiscal year	90%	n/a	n/a	93.5%
Ensure compliance with filing and remitting requirements as they relate to the <i>Income Tax Act</i> , <i>Canada Pension Plan</i> , <i>Employment Insurance Act</i> and the <i>Excise Tax Act</i>	Trend in the total dollar value of assessments related to employer, GST/HST and part XIII related compliance activities (\$ billion)	0% change compared to baseline year	Baseline year	(8.15%)	10.2%
Ensure compliance of individuals, corporations and trusts with filing and registration requirements as they relate to the <i>Income Tax Act</i> , <i>Excise Tax Act</i> and other legislation	Trend in the dollar value of estimated assessments related to GST/HST non-registration activities and non-filer activities for individuals, trusts, and corporations resolved at the TC/TSO level (\$ billion)	0% change as compared to baseline year	Baseline year	(2.8%)	13.1%
Tax accounts receivable assigned to the tax services offices are collected and resolved, on behalf of the federal, provincial and territorial governments, on a timely basis and within targeted levels	Percentage of tax services offices tax intake (dollars) resolved in the year of intake	60%	64.4%	61.6%	51.2%
	Percentage of tax services offices tax accounts receivable aged inventory (>5 years) compared to closing tax services offices inventory	18%	16.9%	16.4%	14.4%
	Percentage of the dollar value of tax accounts receivable resolved at the tax services offices in the fiscal year compared to forecasted	100%	n/a	n/a	96.0%
Government programs accounts receivables are collected and resolved on behalf of the federal, provincial, and territorial governments on a timely basis and within targeted levels	Percentage of the dollar value of government programs accounts receivable resolved in the fiscal year compared to forecasted	100%	110%	105%	104%
Accounts resolved through high volume/low cost interventions	Percentage of selected non-filer (individuals and corporations) accounts resolved in the fiscal year through automated operations and call centre	45%	n/a	n/a	34.5%
	Percentage of pre-tax services offices tax intake (dollars) resolved in the year of intake	76%	n/a	n/a	79.5%

n/a: This is a new indicator for 2012-2013. Prior year results are not available.



Our International and Large Business Program
identified over **\$6 billion** in fiscal impact

We audited **10,822** underground economy files

[reporting compliance]

[program description]

The CRA's compliance activities seek to protect the integrity of the self-assessment tax system by identifying and addressing cases of non-compliance with Canada's tax laws. Our compliance interventions follow an escalating approach that moves from promoting compliance to enforcing it. We promote compliance by increasing taxpayers' understanding of their tax obligations through targeted outreach activities, client service, and education. We also undertake examinations, audits, and criminal investigations at the domestic and international level to ensure compliance with Canada's tax laws.

2012-2013 financial resources (thousands of dollars)				
Total budgetary expenditure	Planned spending ¹	Total authorities	Actual spending ²	Difference
985,132	1,074,885	1,233,061	1,170,474	(95,589)
Sub-program	Planned spending ¹	Actual spending ²	Difference	
International and large business	277,064	321,382	(44,318)	
Small and medium enterprises	559,459	588,672	(29,213)	
Audit professional services	69,171	83,818	(14,647)	
Scientific research and experimental development	68,850	75,385	(6,535)	
Criminal Investigations Program	72,828	77,212	(4,384)	
Special Enforcement Program	20,369	17,336	3,033	
Voluntary Disclosure Program	7,143	6,670	473	
Total	1,074,885	1,170,474	(95,589)	

Numbers may not add due to rounding.

¹ Planned spending has been restated from what was shown in the Canada Revenue Agency 2012-2013 Report on Plans and Priorities in order to distribute the real property accommodations funding (previously centralized in the internal services program) to all applicable programs. It should also be noted that planned spending excludes severance payments, parental benefits and vacation credits, as this funding is received during the fiscal year and is only included in actual spending.

² This figure represents the actual spending for the program on a modified cash basis. Please refer to page 154 of the CRA Annual Report to Parliament 2012-2013 for an explanation of how this figure relates to the CRA Financial Statements – Agency Activities.

2012-2013 human resources (full-time equivalents)			
Sub-program	Planned	Actual	Difference
International and large business	2,419	2,312	107
Small and medium enterprises	5,183	5,893	(710)
Audit professional services	616	605	11
Scientific research and experimental development	625	588	37
Criminal Investigations Program	630	564	66
Special Enforcement Program	224	161	63
Voluntary Disclosure Program	81	77	4
Total	9,778	10,200	(422)

Numbers may not add due to rounding.

[sub-program **description**]

International and large business	The International and Large Business Program helps to ensure that Canada receives its share of taxes from international and large corporations with complex financial transactions. It enforces compliance with Canada's tax legislation by encouraging, assisting, and verifying compliance by large corporate tax filers. This is done through taxpayer consultations, education, legislative reviews, and enforcement measures.
Small and medium enterprises	The Small and Medium Enterprises Program enforces compliance of Canada's tax legislation by the small and medium businesses and non-resident taxpayers. It supports compliance through taxpayer consultations, education, and partnerships with stakeholders. The program uses risk management principles to apply a balanced approach to audit enforcement activities including associated client assistance, service and quality audits.
Scientific research and experimental development	The Scientific Research and Experimental Development and Film Tax Credit programs provide tax assistance and investment tax credits to Canadian businesses as an incentive to conduct qualifying industrial research and development activities and film or video production activities in Canada. These programs ensure that all claims are in accordance with the legislative requirements, tax laws, policies and procedures. They also ensure that the applicants are provided with information and timely services they need to access investment tax credits, and that the tax credits or cash refunds are delivered in a timely, consistent and predictable manner.
Criminal Investigations Program	The Criminal Investigations Program (CIP) enforces the Acts administered by the CRA by detecting and addressing tax evasion and fraud. CIP conducts investigations into suspected significant cases of fraudulent non-compliance and will recommend such cases for prosecution. To enhance public awareness and encourage voluntary compliance, CIP also publicizes the results of court convictions.
Voluntary Disclosure Program	The Voluntary Disclosures Program facilitates compliance with Canada's tax legislation by fostering and processing voluntary disclosures by non-compliant taxpayers and/or their representatives who wish to come forward and correct inaccurate or incomplete information.

[performance **analysis** and **lessons** learned]

[**detecting** and **addressing** reporting non-compliance]

Compliance with Canada's tax laws ensures the integrity of our self-assessment tax system. Every corporation, estate, trust, or individual who has to pay taxes is required by law to determine their taxes payable for the year and to file a tax return. Tax audits are conducted to verify that these amounts are accurately reported, and the tax payable is correctly calculated. The audit process ensures that Canada's tax system is fair, and that everyone pays their required share.

Audit workloads are segregated into three broad categories: International and Large Businesses (ILB), Small and Medium Enterprises (SME), and GST/HST. In addition, the CRA dedicates specific resources to addressing key areas of concern like aggressive tax planning and the underground economy. Reporting non-compliance is also about tax evasion, fraud, and other serious violations of tax laws. In these cases, the CRA conducts investigations that can result in prosecutions, court-imposed fines, or jail time.

An effective audit program depends on high quality business intelligence to ensure that only the highest risk files are selected for audit review. We extract and analyze information from the data we receive to create models that help us identify trends and non-compliant behaviour. We look for things like patterns of poor compliance or business

performance out of step with industry norms. This approach helps us focus our resources on taxpayers who are most at risk of reporting non-compliance.

Audit planning is a necessary risk-management step to ensure the audit is done efficiently and that it does not create unnecessary inconvenience for the taxpayer. Auditors use the planning phase to determine the scope of their audits and to perform pre-contact analysis, including a detailed review of the tax return to identify unusual or questionable transactions. Audit planning helps reduce the length and cost of the audit process.

[**auditing small and medium enterprises**]

The goal of our SME audit strategy is to identify cases of reporting non-compliance and to take the appropriate corrective measures. We do this by reducing our interventions for low-risk groups of taxpayers and by focusing our audit resources on taxpayers who are at risk of non-compliance. In addition, we have begun to employ specialized teams to conduct comprehensive audits on taxpayers operating in high-risk sectors. This approach increases the effectiveness of our audits and reduces the burden on compliant taxpayers. While we are focusing our audit resources on high-risk files, we still maintain appropriate audit coverage levels for low-risk groups of taxpayers.

The CRA provides
direct assistance
 to businesses
at key points
 in their lifecycle



One of our recent initiatives to facilitate compliance is the Electronic Transfer of Accounting Data service, which enables taxpayers to transfer financial and accounting data to auditors. This will save time for taxpayers and their representatives and allow them the flexibility to send us data outside their normal business hours from anywhere in the world.

In 2012-2013, we exceeded two important performance targets: we adjusted a higher percentage of tax returns we audited, and our audit activities generated a higher fiscal impact per full-time equivalent (auditor). We did, however, complete a lower number of total audits than we did in 2011-2012. This is in part because of our strategic decision to focus more resources on auditing high-risk files. As we move forward, we expect that our new approach to selecting high-risk files and using specialized teams will continue to increase the fiscal impact of our SME Program.

Key results:

- We completed 171,028 files, compared to 180,701 in 2011-2012
- We reassessed 79% of the files we audited, well above our target of 75%
- The average fiscal impact generated was \$423,000 per full-time equivalent, well above our target of \$350,000

[auditing international and large businesses]

Our International and Large Business (ILB) Program is responsible for ensuring that Canada's largest and most complex corporations remain compliant with Canada's tax laws. A key element of our approach is building and improving our relationship with large businesses and promoting a transparent and cooperative approach to compliance. Maintaining an open relationship with large businesses helps to provide early tax certainty for businesses. It also gives them a clearer understanding of our application and interpretation of the legislation we administer. Our goal is to identify and resolve as many reporting issues as possible in a timely manner, before the non-compliance occurs.

Tax administrations around the world are looking at increasing cooperation to better assess and enforce compliance for international and large businesses. In 2012, the CRA started a pilot project involving a joint audit with another tax administration. International joint audits represent a new form of coordinated action between tax administrations. They require the collaboration of two tax administrations to form a single audit team to examine the transactions of a business operating in both countries.

The concept of joint audits presents clear advantages over conventional audit approaches; they provide early tax

certainty and minimize the compliance burden, which benefits the tax administrations and the business. In addition, the joint audit team can leverage the legislative powers and information-gathering tools of their respective tax jurisdictions to more efficiently resolve compliance issues. Joint audits also gives the CRA an excellent opportunity to gain insight into the best practices of other tax administrations. We are monitoring the outcomes of this pilot project to develop procedures and guidelines for future joint audits with our international partners.

Promoting transparency and cooperation benefits the CRA and taxpayers. Businesses want a certain degree of certainty when managing their tax affairs. This is one of the reasons we often negotiate advance pricing arrangements (APA) with multinational corporations. An APA is a formal agreement that provides a mutually acceptable transfer pricing methodology between the CRA and a business for the purpose of future intercompany transactions. Every arrangement completed removes uncertainty for both the business and the CRA and reduces the risk of double taxation and litigation.

Negotiating an APA can be resource intensive, as it often requires additional research to resolve differences between the CRA and foreign tax administrations on transfer pricing positions. It can take several years to process an APA from the moment the case is accepted to the signature of the agreement. The process can be lengthened considerably if there are substantial differences between the CRA and foreign tax administrations. However, the outcome of these negotiations directly impacts the tax treatment of billions of dollars worth of cross-border transactions. As a result, the long-term benefits for both businesses and the government of Canada are well worth the investment required. APAs serve to secure billions of dollars of taxable income that otherwise might have been lost.

The expertise gained from working on complex ILB files is invaluable to us. Some of our most experienced auditors work as industry specialists or business valuation experts as a result of their in-depth knowledge of industry practices. We are increasingly using the expertise of these specialists to help us deal with complex international business operations and accounting practices. The sound judgement of our audit experts remains the essential factor in our success.



The reach and influence of our auditors also goes beyond Canada's borders. Our auditors regularly provide technical assistance through their participation in international conferences, training sessions, and seminars. CRA auditors are key players in organizations such as the OECD and the Inter-American Centre of Tax Administrations. In 2012, for example, we participated in five learning events offered by the OECD Global Relations Programme, which engages interested countries in a dialogue on the development and implementation of global tax standards. These activities help to transfer tax expertise and to build the technical capacity of tax administrations around the world.

The CRA is continuously looking to improve the ILB Program. Our goal is to focus our efforts on high-risk files and to reduce the compliance burden on taxpayers. To that end, we made several changes to our ILB Program to improve program efficiency.

- The CRA began studying the feasibility of forming temporary specialized teams with unique knowledge and skills to support field auditors dealing with complex audits. These teams would be created as needed and dissolved upon the resolution of the audit. They would comprise audit specialists from headquarters and the regions and could include other professionals like lawyers, valuation specialists, and industry specialists. These specialized teams could be an important response to the increasingly complex issues faced by our auditors in the ILB Program.

Strengthening international tax collaboration

Globalization of the economy and the expansion of international capital flows are increasing the need for countries to work together to prevent issues such as double taxation, tax avoidance, and tax evasion. A coordinated response is required to meet the challenges posed by the current international tax environment. Canada has 90 tax treaties and 16 tax information exchange agreements (TIEA) in place that are improving our ability to share tax information. In 2012-2013:

- Canada signed agreements with Hong Kong and Serbia;
- Canada updated agreements with Luxembourg, New Zealand, Poland, Singapore, and Switzerland to reflect the international standard for exchange of information;
- The agreement with Columbia entered into force;
- Canada started negotiations with the United States to improve information exchange;
- Canada signed TIEAs with Panama, Liechtenstein, and Uruguay;
- The TIEAs with Aruba, Saint Lucia, and Costa Rica entered into force;
- Canada conducted a first joint audit with another tax administration.

The CRA works closely with other tax administrations and is involved in the following international and regional tax organizations:

- OECD, namely the Forum on Tax Administration and the Committee of Fiscal Affairs;
- Global Forum on Transparency and Exchange of Information for Tax Purposes;
- Inter-American Centre of Tax Administrations;
- Commonwealth Association of Tax Administrators;
- Centre de rencontres et d'études des dirigeants des administrations fiscales;
- Joint International Tax Shelter Information Centre and other operational groups.

- Employees of our Aggressive Tax Planning Division are now involved from the start of an audit in our ILB Program if ATP is identified as a possible issue of concern. This will reduce the number of interactions between the CRA and businesses during the audit process.
- We worked cooperatively with large businesses to help prevent non-compliance. This was accomplished through in-person meetings and agreements with businesses to confirm what they need to do to be compliant. This collaborative approach to compliance has been well received by businesses.
- We continued to reap the benefits of our shift to a more risk-based approach to audit selection. In addition to deploying our audit resources more effectively on high-risk files, we are reducing the audit burden on compliant businesses.
- We renewed our emphasis on auditing tax returns for the most current tax years. We have been focusing on clearing up older files that sometimes involved the audit of returns that are several years old. We are working towards a real-time approach that will focus on auditing tax returns for current years.
- The CRA has started piloting a number of initiatives relating to national workload management. Our objective is to adopt a national workload model that enables us to allocate resources based on file risk and the technical capacity of our auditors. This approach will improve the quality of our audits and reduce costs.

Key results:

- Our ILB income tax audit activities identified over \$6 billion in total fiscal impact
- We completed 21,427 files, compared to 25,577 in 2011-2012
- We reassessed 85% of the files we audited, below our target of 90%

[aggressive tax planning]

Aggressive tax planning (ATP) represents an emerging threat to our tax base. Governments need a secure tax base to support investments in schools, hospitals, and other vital government services. ATP undermines the integrity and fairness of Canada's tax system and erodes the tax base.

ATP is generally facilitated through schemes that involve very complex financial structures with both domestic and international components that are designed for the sole purpose of avoiding the payment of taxes. They are often arranged by tax planners and promoters whose operations include connections in countries that are known to be tax havens. The globalization of trade, the easy movement of people and money across borders, and the growth of electronic commerce have made ATP a major concern for tax administrations around the world.

The CRA is working in collaboration with international partners to ensure that profits cannot be artificially shifted away from countries where the sales and income are generated. As part of this effort, we are expanding our network of tax information exchange agreements (TIEA). These agreements are essential for facilitating the kind of exchange of information required to deal effectively with ATP.

Another central part of our ATP strategy is to work closely with the Department of Finance, the Department of Justice, and other government partners to develop the legislative tools needed to effectively deal with ATP. This includes legislation to get better and faster access to information, close tax loopholes, and impose stronger sanctions on those who promote or participate in ATP schemes.

Budget 2012 contained several important measures to address aggressive tax shelters, the integrity and fairness of capitalization rules, and foreign affiliate dumping. Recent budgets also contained a number of legislative amendments designed to control the abusive use of foreign affiliates and the use of indirect loans and retirement compensation arrangements in ATP schemes.

Promoters who gain financially from designing, marketing, and promoting ATP schemes now face severe penalties for encouraging taxpayers to contravene Canada's tax laws. We believe that focusing efforts on promoters will have a wider impact to deter participation in mass-marketed ATP schemes. The OECD has stated that this strategy delivers faster and more cost-effective results than strategies that focus exclusively on the participants in these schemes.

In 2012-2013, the CRA successfully imposed 17 third-party (e.g. promoters) penalties resulting in over \$46 million in monetary penalties. The number of third-party penalties imposed in the past year is a significant achievement and should have a direct impact on ATP promotional activities. This also potentially influences the behaviour of thousands of taxpayers who might have otherwise been persuaded to participate in these schemes.

Effectively controlling and containing the impact of ATP requires time and resources, as the problem is complex and there are no simple remedies or quick fixes. Our progress in combatting ATP must be understood within the context

Addressing aggressive tax planning in Budget 2013

Budget 2013 announced a series of key measures to combat ATP, including:

- A new initiative to pay individuals with knowledge of major international tax non-compliance a percentage of federal tax collected as a result of the information provided.
- New legislation to require certain financial intermediaries to report international electronic funds transfers greater than \$10,000. These requirements will apply to financial institutions currently subject to FINTRAC regulations.
- New legislation requiring Canadian taxpayers with foreign income or properties to report more detailed information.
- A measure to streamline the judicial process that provides the CRA authorization to obtain information from third parties such as banks. This measure will facilitate faster access to information on unnamed individuals for the purposes of civil actions.

of initiatives and strategies that often take years to bring to fruition.

Recent initiatives and developments related to ATP include:

- The launch of a campaign to protect taxpayers from gifting tax shelter schemes. The assessment of tax returns for individuals is now put on hold when they include tax credits related to gifting tax shelter schemes.
- A campaign to identify ATP schemes involved in the promotion of the tax-free withdrawal of RRSP contributions. RRSP trustees with potentially high-risk investments are being identified and reviewed.
- The CRA worked with the Ontario government to help introduce anti-ATP legislation similar to the rules introduced by the federal government as part of Bill C-48. The CRA also negotiated a new agreement with the province on compliance activities focused on aggressive international tax planning.
- The Supreme Court of Canada and the Federal Court of Appeal issued two important rulings that will help us deal more effectively with ATP schemes. The Supreme Court ruled that central management and control over the trust property, rather than the residence of the trustees, was the appropriate test for determining residency according to the *Income Tax Act*. Additionally, the Federal Court of Appeal ruled that a dividend is received by a taxpayer when funds have been distributed

from a corporation on the interruption or reorganization of its business.

Key results:

- We completed 16,556 files, compared to 21,506 in 2011-2012
- Our audit activities identified over \$1.3 billion in fiscal impact, an increase of 2% over 2011-2012

[the underground economy]

The underground economy (UE) relates to any economic activity that goes unreported for tax purposes. It has a corrosive effect on the integrity of Canada's tax system, the competitiveness of businesses, and the ability of the government to balance its budget. The CRA commits significant resources to the identification and pursuit of those who willfully participate in the UE. We are particularly concerned about sectors of the economy where cash transactions are common and the temptation to participate in the UE is high.

The CRA uses different strategies to deal with the UE. This includes compliance research, outreach, education, communications, and targeted compliance activities. Assessing progress against the UE can only be done by looking at longer term trends and results. To this end, the CRA commissioned Statistics Canada to update their



UE estimates. These new estimates were released in September 2012.

Statistics Canada found that the UE as a percentage of gross domestic product (GDP) declined between 1992 and 2009. The UE as a percentage of GDP fell from 2.9% in 1992 to just 2.3% in 2009. The study also found that the three most significant industry sectors in 2009 were construction (29%), retail (20%), and accommodation and food services (12%).

The exact reasons for this decline are difficult to determine. The drivers of UE activity are complex and many of them are beyond our control as tax administrators. According to the OECD, one reason for the drop in UE activity is that industries traditionally considered at high risk are declining as a percentage of the overall economy. Meanwhile, sectors less prone to UE activity are contributing a relatively larger share to our GDP. Along with other sources of business intelligence, the CRA will use this new information to better understand the size and nature of the UE and to adjust our strategic approach accordingly.

In 2012-2013, the CRA continued to commit significant audit resources towards reducing the UE. We focused our efforts on industry sectors that have traditionally been at risk for UE activity. The CRA identifies files for UE audits by examining an individual's reported income against lifestyle or by reviewing information supplied by informant leads.

We believe that education can also play a significant role in reducing participation in the UE. We created a course called Responsible Citizenship and Canada's Tax System to teach young Canadians about the relationship between the self-assessment tax system and the quality of life in Canada. In 2012-2013, 2,296 students received this course. Although the impact on compliance is difficult to measure, the CRA believes that teaching Canadians about the link between responsible citizenship and taxation is essential to winning tomorrow's fight against the UE.

We also worked with provincial and territorial organizations to conduct community visits. We participated in public speaking engagements and educational activities in high schools and trade schools. Our UE outreach activities help us establish a greater presence in the community and improve our relationships with individual taxpayers. They also provide an opportunity for small businesses and individuals to get immediate responses to their tax queries.

Suppression of sales software

Some businesses in the hospitality and retail sectors use electronic suppression of sales software, often referred to as zappers, to electronically suppress the amount of sales recorded. Boston University law professor Richard Ainsworth estimates that some five per cent of all restaurant industry's sales in the United States are "zapped" from financial records. According to the Canadian Restaurant and Food services Association, the Canada's restaurant industry generates \$65 billion in annual sales. If similar trends prevail in Canada, zapper use could account for \$3.25 billion in unreported sales. As a result, combatting zapper use is a priority for the CRA and a major focus of our UE strategy.

Recent developments and initiatives related to the UE include:

- The CRA met with representatives of the Federal/ Provincial/Territorial Underground Economy Working Group to reduce the impact of the UE through joint research and actions.
- The CRA continued to engage local communities and provincial and territorial governments to find better ways to reduce the impact of the UE.
- The CRA exchanged information with OECD members on issues relating to UE research and best practices.
- The CRA continued to work closely with industry groups like the Canadian Home Builder's Association to reduce the impact of the UE.
- The CRA established specialized regional audit teams to target UE risks that may be unique to specific regions.
- The CRA continued to validate the estimated suppressed sales from zapper use.
- Budget 2013 introduced new administrative penalties and criminal offences to address the electronic suppression of sales software. These new sanctions will take effect on January 1, 2014, or when the enacting legislation receives royal assent.

In 2012-2013, we increased the total dollar value of taxes assessed by more than 17% compared to 2011-2012. Also, we reached more individuals through our outreach activities in communities across Canada than we did in 2011-2012.

Key results:

- We audited 10,822 UE files. The total dollar value of taxes assessed was \$305 million, an increase of 17% over 2011-2012
- The SME Program conducted 1,786 visits for all outreach activities related to the UE, an increase of 18% over 2011-2012
- Our outreach activities reached 33,117 participants, an increase of 33% over 2011-2012

[GST/HST]

The goods and services tax (GST) is collected on most goods and services purchased in Canada. The harmonized sales tax (HST) is in effect in Nova Scotia, New Brunswick, Ontario, and Newfoundland and Labrador. The Government of Prince Edward Island recently became an HST province, effective April 1, 2013.

The CRA relies on businesses to assess their own GST/HST liabilities, file returns, and pay amounts due. Because the GST/HST is only paid by the end buyer of the taxable supply or service, businesses are able to recover the GST/HST they have paid in the form of input tax credits.



The CRA has recently created efficiencies by centralizing the GST/HST workload in centres of expertise. We now have specialized teams devoted only to ensuring GST/HST reporting compliance.

Recent GST/HST developments and initiatives include:

- The refinement of our risk-assessment models to better identify business registrants participating in the UE.
- The implementation of a national inventory model in April 2012 to improve our focus on high-risk files across the country. This new approach allows us to accelerate the payment of low-risk claims. All GST/HST credit returns from across Canada are now worked through this national inventory.
- The Government of British Columbia returned to the provincial sales tax/goods and services tax (PST/GST) model on April 1, 2013. The CRA had administered the HST in British Columbia from July 2010 to March 2013.

We created a separate GST/HST audit business line to accommodate the harmonizing of the GST with the PST of Ontario. As a result, we did not meet our projected change rate target. However, we are improving risk assessment and file selection, which we expect will have a positive impact on our GST/HST change rate in the future.

Our pre-assessment national inventory has helped us identify high-risk files. The total additional tax dollars assessed as a result of GST/HST audits is significantly higher than last year.

Key results:

- The CRA completed 89,409 GST/HST audits
- The total additional fiscal impact as a result of GST/HST audits is \$1.5 billion, an increase of 31% over 2011-2012
- We reassessed 67% of the files we audited

[enforcing reporting compliance]

Our Criminal Investigations Program is tasked with investigating suspected cases of tax evasion, fraud, and other serious violations of tax laws and recommending cases to the Public Prosecution Service of Canada (PPSC) for prosecution.

Criminal investigations activities represent the far end of the compliance continuum. The Criminal Investigations Program investigates and gathers sufficient evidence to support a criminal court conviction. On occasion, we conduct joint investigations with the Royal Canadian Mounted Police (RCMP). We also work closely with the Financial Transactions and Reports Analysis Centre of Canada.

When individuals are convicted of tax evasion, they must repay the full amount of taxes owing, plus interest and any civil penalties that are assessed by the CRA. In addition, the court may impose fines of up to 200% of the taxes evaded and a jail term of up to five years.

The CRA publishes conviction results for all individuals, corporations, and trusts found guilty in the courts of tax evasion. We do this to increase public awareness of our enforcement programs and to maintain public confidence in the integrity of our self-assessment tax system. We also hope that publicizing convictions will have a deterrence effect. The CRA will ensure that any serious abuse of Canada's tax laws does not go unpunished or unnoticed.

Between April 1, 2006, and March 31, 2013, the Criminal Investigations Program successfully prosecuted 1,410 taxpayers involving over \$196 million in federal taxes evaded. In total, the courts imposed fines over \$108 million along with 4,063 months in jail terms.

Over the last decade, the level of fraud involving value-added consumption taxes like the GST has risen in Canada and around the world. The fraudulent claiming of input tax credits has become a major source of funds for tax fraudsters who create fictitious businesses, register GST/HST accounts, and then file fraudulent refunds. In April 2012, the CRA successfully prosecuted two individuals who were found guilty of GST/HST tax fraud worth millions of dollars and sentenced accordingly.

In 2012-2013, the CRA saw its first three convictions of tax protestor promoters for counselling others to evade taxes. In all three cases, hefty fines and lengthy prison terms were handed to the individuals involved. This is a significant development because these promoters often land uninformed individuals in serious financial, tax, and legal difficulty.

In 2012-2013, we implemented the recommendations of an internal program evaluation report and undertook a number of initiatives to improve our Criminal Investigations Program:

- The CRA set up six criminal investigations offices to create a critical mass of investigators to address the most complex cases of tax evasion and fraud. The location of these offices will enable the CRA to strengthen cooperation with its key partners, the RCMP and the PPSC.

- We increased our focus on gathering evidence to support criminal charges.
- The CRA developed a new workload model to refine file selection for criminal investigations. This process is managed at the national level.
- We dedicated more resources towards compliance enforcement involving the promoters of tax evasion schemes and the pursuit of files related to aggressive international tax planning.

Investigating suspected cases of tax evasion is a lengthy process and cases often take years to come to fruition. Investigations are taking longer as a result of the complexity of fraudulent tax schemes, particularly those with links to income and assets offshore, and the digitizing of information. For example, search warrants concerning tax fraud investigations can sometimes yield millions of pages of digital information. Analysing this data requires time and specialized technical resources. In addition, obtaining evidence located outside Canada is an expensive and challenging process. We expect that the significant changes we have implemented as a result of our business transformation will have a positive impact on our Criminal Investigations Program.

Key Results:

- Our enforcement activities identified \$46 million in additional taxes owing
- The PPSC conviction rate was 96%
- The percentage of cases with mandatory jail terms was 23%, up 5 percentage points over 2011-2012
- The average jail term was 22 months, up from 18 months in 2011-2012

Tax protection

According to the OECD, the CRA sets a high standard for other national revenue bodies to achieve when it comes to measuring taxpayers' compliance. However, some of the important audit work is not captured by existing performance measures, and tax administrations around the world are facing a similar issue: finding innovative ways to measure the intangible impact of compliance activities and move beyond the traditional audit approach. For example, some audit adjustments do not have an immediate tax impact, but they can have significant tax implications for future tax liabilities. Such adjustments help safeguard the fairness and integrity of the tax system and contribute to protecting Canada's future tax base.

[voluntary disclosure program]

The CRA's Voluntary Disclosures Program (VDP) gives taxpayers an opportunity to come forward and self-correct, potentially avoiding punitive penalties or prosecution. However, taxpayers who make voluntary disclosures still have to pay all outstanding taxes and interest due. These disclosures can include unreported or under-reported income from employment or business, unreported capital gains, or any error made on a tax return filed previously. The nature of the information disclosed by taxpayers allows the CRA to gain valuable insight and intelligence on tax avoidance and aggressive tax planning schemes.

Key results:

- The CRA processed 15,133 VDP cases, an increase of 11% over 2011-2012
- The VDP found more than \$1.2 billion in unreported income, an increase of 40% over 2011-2012

[scientific research and experimental development]

The Scientific Research and Experimental Development (SR&ED) Program is an important federal tax incentive program administered by the CRA. It provides support to Canadian businesses to encourage research and development (R&D) in Canada. The SR&ED Program offers claimants tax incentives in the form of income tax deductions and investment tax credits based on their expenditures like wages, materials, and machinery on eligible SR&ED work done in Canada.

The *Income Tax Act* provides a definition of scientific research and experimental development and describes eligible SR&ED work and expenditures. We give information and services to help businesses determine if their R&D work and expenditures are eligible for these tax incentives.

We review the technical and financial aspects of all SR&ED claims. This is an important check to ensure that the program operates as intended and that SR&ED work and expenditures meet the specific requirements defined in the *Income Tax Act*. Our focus is on identifying high-risk claims and using a more tailored strategy to address key areas of concern.



In 2012-2013, the CRA started work on a number of initiatives to improve the predictability and the accessibility of the SR&ED Program.

- The CRA released new, consolidated SR&ED policy documents and reorganized its SR&ED Web page content to present information in a more user-friendly way. The goal of this initiative was to make compliance easier by clarifying and simplifying SR&ED policies.
- The CRA is improving its self-assessment and learning tool, which is designed to assist businesses in determining the eligibility of their R&D work for SR&ED tax incentives. We expect to release this updated tool in 2013-2014.
- The CRA launched a pilot project to establish the feasibility of a formal pre-approval process (FPAP) for SR&ED claims. The FPAP will provide better certainty to businesses on the eligibility of their SR&ED claims before filing. During the pilot, the CRA will be working with a number of businesses to receive feedback on FPAP.
- We increased our engagement with stakeholders by meeting with industry representatives to discuss and address emerging SR&ED program issues. These discussions will continue to be held regularly.

Our results indicate that more businesses are receiving tax assistance over time. In addition, we continued to meet our performance targets for our four service standards for the processing of SR&ED claims and requests.

Key results:

- The CRA provided more than \$3.6 billion in tax assistance in support of industrial research and development
- The CRA processed 28,140 claims, compared to 28,993 in 2011-2012
- The CRA provided tax assistance to over 23,000 claimants through the SR&ED Program, an increase of 27% over the number of claimants who received tax assistance five years ago
- The CRA processed 96% of SR&ED refundable and non-refundable claims within 120 days and 365 days respectively, well above our target of 90%
- The CRA identified \$404 million in non-compliance, compared to \$424 million in 2011-2012

[conclusion]

Compliance with Canada's tax laws ensures that Canadians will continue to enjoy public services that are making a difference in their everyday lives.

The CRA conducts audits to maintain the public's confidence in the CRA's ability and willingness to enforce existing tax laws. An audit is one of the most resource intensive activities undertaken by the CRA. As such, it must be supported by strong risk-assessment tools and carefully planned.

The CRA puts a lot of effort into helping taxpayers get it right from the start so that they can more easily comply with tax laws. Intervening before events occur and lowering the risk of non-compliance for taxpayers is essential to reducing the cost of compliance for both taxpayers and governments. This is why we will continue to look for ways to provide taxpayers with better compliance support.

Collaboration with other tax administrations is a key component of our international strategy to combat non-compliance with Canada's tax laws. A transparent, collaborative process for exchanging information between countries is invaluable in supporting the international examination of tax issues. To that end, we will continue to pool expertise and knowledge with other tax administrations to implement best practices. The CRA will continue to contribute to efforts to strengthen the legislative framework for international taxation through international forums like the OECD.

The CRA continues to safeguard the integrity and fairness of the tax system through a comprehensive approach that works to support compliance and assists taxpayers to comply. However, our primary focus will still remain the detection and correction of reporting non-compliance. Our intention is to continue to execute that mandate through the vigorous pursuit of non-compliance and other serious violations of Canada's tax laws.

[volumetrics]

Fiscal impact¹	2010-2011	2011-2012	2012-2013
International and large business (ILB) (\$ billion)	\$6.1	\$5.6	\$6.1
Small and medium-sized enterprises (SME) (\$ billion)	\$1.5	\$1.5	\$1.3
Goods and Services Tax/Harmonized Sales Tax (GST/HST) (\$ billion)	\$0.7	\$1.1	\$1.5
Other audits (\$ million)	\$626	\$543	\$497
Overall fiscal Impact (\$ billion)	\$8.9	\$8.7	\$9.4

¹ \$547 million dollars of fiscal impact was refunded during 2012-2013 through the resolution of double taxation issues with Canada's treaty partner countries. This amount had been included in our program results for prior years.

[performance results]

Expected results	Indicators	Targets	2010-2011	2011-2012	2012-2013
Reporting non-compliance is detected and corrected by better targeting of compliance actions through effective risk assessment	Fiscal impact generated per audit FTE (\$ million)				
	International and large business – income tax ¹	\$2.7	\$3.0	\$2.9	\$3.2
	Small and medium-sized enterprises – income tax ¹	\$0.35	\$0.41	\$0.44	\$0.42
	Goods and services tax/harmonized sales tax	N/A ²	\$0.47	\$0.58	\$0.59
	Other audits	\$0.39	\$0.42	\$0.39	\$0.38
	Overall	\$0.9	\$1.02	\$1.01	\$1.06
Income tax and GST/HST audits and examinations detect and address non-compliance with the reporting requirements of the Acts administered by the CRA	Percentage of cases resulting in a change				
	International and large business – income tax ¹	90%	94.1%	87.6%	85.1%
	Small and medium-sized enterprises – income tax ¹	75%	78.1%	77.9%	79.5%
	Goods and services tax/harmonized sales tax	75%	65%	63.4%	66.8%
	Underground economy	75%	78.4%	79.8%	81.2%
Eligible claimants receive timely scientific research and experimental development tax incentives	Percentage of claims processed within target for the 4 service standards	100%	100%	100%	100%
Auditors receive timely advice, support and services to detect non-compliance, and taxpayers receive timely advice to facilitate compliance	Percentage of requests for real estate and business equity valuations actioned within 120 days of receipt	80%	94.4%	92.1%	96%
	Percentage of ministerial correspondence actioned within 30 days of receipt	80%	79.6%	78.1%	85.9%
	Percentage of individual learning plan requests for national intermediate and advanced taxation courses actioned	40%	45.8%	54.5%	67.7%

¹ The results for 2010-2011 and 2011-2012 have been adjusted in order to report the Goods and Services Tax/Harmonized Sales Tax separately.

² Not available: A target for the fiscal impact generated per audit FTE for the GST/HST is under development.



We resolved **75,022** administrative disputes

We resolved **2,314** service complaints

[appeals]

[program description]

The CRA provides a dispute resolution process for taxpayers and benefit recipients who disagree with CRA decisions and seek relief. If taxpayers are not satisfied with the results of the process, they can appeal to the courts.

2012-2013 financial resources (thousands of dollars)				
Total budgetary expenditure	Planned spending ¹	Total authorities	Actual spending ²	Difference
153,855	171,830	212,453	192,046	(20,216)
Sub-program	Planned spending ¹	Actual spending ²	Difference	
Income tax objections, determinations and appeals to the courts	126,662	143,374	(16,712)	
Commodity taxes objections, determinations and appeals to the courts	18,517	15,228	3,289	
Canada pension plan/employment insurance appeals to the Minister and appeals to the courts	5,923	3,208	2,715	
Service complaints	7,966	7,622	344	
Taxpayer relief	12,762	22,614	(9,852)	
Total	171,830	192,046	(20,216)	

Numbers may not add due to rounding.

- ¹ Planned spending has been restated from what was shown in the Canada Revenue Agency 2012-2013 Report on Plans and Priorities in order to distribute the real property accommodations funding (previously centralized in the internal services program) to all applicable programs. It should also be noted that planned spending excludes severance payments, parental benefits and vacation credits, as this funding is received during the fiscal year and is only included in actual spending.
- ² This figure represents the actual spending for the program on a modified cash basis. Please refer to page 154 of the CRA Annual Report to Parliament 2012-2013 for an explanation of how this figure relates to the CRA Financial Statements – Agency Activities.

2012-2013 human resources (full-time equivalents)			
Sub-program	Planned	Actual	Difference
Income tax objections, determinations and appeals to the courts	1,067	1,058	9
Commodity taxes objections, determinations and appeals to the courts	202	140	62
Canada pension plan/employment insurance appeals to the Minister and appeals to the courts	155	141	14
Service complaints	97	94	3
Taxpayer relief	133	261	(128)
Total	1,654	1,694	(40)

Numbers may not add due to rounding.

[sub-program **description**]

Income tax objections, determinations, and appeals to the courts	The income tax objections, determinations, and appeals to the courts program provides a timely, impartial, and consistent dispute resolution process for taxpayers who disagree with decisions the CRA has made relating to assessments or determinations made under the <i>Income Tax Act</i> . By engaging in dialogue with the taxpayer, an appeals officer conducts an impartial review of the decision to try to resolve the dispute. This program is also responsible for working with the Department of Justice in the conduct of appeals before the courts.
Commodity taxes objections, determinations, and appeals to the courts	The commodity taxes objections, determinations, and appeals to the Courts program provides a timely, impartial, and consistent dispute resolution process for taxpayers who disagree with decisions the CRA has made relating to assessments or determinations made under the <i>Excise and Excise Tax Act</i> . By engaging in dialogue with the taxpayer, an appeals officer conducts an impartial review of the decision to try to resolve the dispute. This program is also responsible for working with the Department of Justice in the conduct of appeals before the courts.
Canada Pension Plan/Employment Insurance appeals to the Minister, and appeals to the Courts	The Canada Pension Plan/Employment Insurance appeals to the Minister and appeals to the Courts program provides a timely, impartial, and consistent dispute resolution process for taxpayers who disagree with decisions the CRA has made relating to assessments or rulings made under the <i>Canada Pension Plan</i> and the <i>Employment Insurance Act</i> . By engaging in dialogue with the taxpayer, an appeals officer conducts an impartial review of the decision to try to resolve the dispute. This program is also responsible for working with the Department of Justice in the conduct of appeals before the courts.
Service complaints	The Service Complaints Program provides a timely service complaints resolution process for taxpayers who are not satisfied with the level of service they have received from the CRA, as defined in the Taxpayer Bill of Rights. It identifies service-related problems and proposes solutions to taxpayers.
Taxpayer relief	The Taxpayer Relief Program provides relief to taxpayers who may not be able to meet their tax obligations due to personal misfortune or circumstances beyond their control. When taxpayers disagree with the application of the taxpayer relief provisions by the CRA, the Appeals Branch works with the Department of Justice in the conduct of litigation before the courts.

[performance **analysis** and **lessons learned**]

The Appeals program provides a fair and impartial process to resolve disputes, service complaints, and requests for relief arising from decisions made under the legislation and programs administered by the CRA.

We believe that by listening to people's concerns and acting in a fair and responsible manner, we earn the trust and respect of Canadians on whom we rely to sustain our voluntary compliance system. We conduct impartial reviews by actively engaging in dialogue and utilizing alternative dispute resolution processes when appropriate. We also collaborate with the Department of Justice in cases where litigation is required.

[**disputes**]

If taxpayers disagree with an assessment, we strongly recommend that they first call or write to the tax centre that processed their tax return. Since disputes can sometimes be caused by lack of information or miscommunication, many disagreements are resolved in this way.

If a taxpayer still does not agree with an assessment, determination, or decision after talking with us or writing to us, they have the right to a formal review. The CRA provides a timely, impartial, and consistent review process to resolve disputes arising from decisions made under the laws we administer. We deal with disputes that arise from

assessment of income tax, excise tax, goods and services tax, harmonized sales tax, air travellers security charges, and softwood lumber exports charges, as well as Canada Pension Plan and Employment Insurance rulings and assessments.

Filing a notice of objection is the first step in the formal redress process for resolving a dispute. Taxpayers can file an objection by using the Register my formal dispute option of My Account, or by completing and mailing the appropriate objections form to the CRA, or by mailing a signed letter addressed to the Chief of Appeals. Detailed information regarding the objections process is available on the CRA Web site under the Complaints and disputes page and taxpayers can download objection forms on our Forms and publications page.

To ensure impartiality, when taxpayers file a notice of objection, their review is completed by an appeals officer who was not involved in the original assessment, determination, or ruling. We ensure the decisions we make are in keeping with applicable legislation and jurisprudence.

The CRA sends an acknowledgement letter to all taxpayers who file objections. The CRA's goal and published external service standard is to mail an acknowledgement letter to taxpayers within 30 days of receipt of their Notice of Objection, 85% of the time. In 2012-2013, we substantially met this standard with a result of 84%. As this year's results

demonstrate, the changes we are making to create new efficiencies by simplifying and centralizing some of our internal workflow processes are moving us closer to meeting this challenging service standard.

The CRA's objection workload is divided into three groups of files:

- Regular objection workload, including objections to income tax and GST/HST assessments from individual taxpayers, non-corporate business entities such as sole proprietorships or partnerships, corporations, and other entities that disagree with their assessments.
- Group files, including the aggressive tax planning (ATP) workload that is composed of income tax or GST/HST objections that have been identified as part of a tax planning scheme.
- *Canada Pension Plan (CPP)* and *Employment Insurance Act (EI)* Appeals to the Minister.

During 2012-2013, as part of our transformation agenda, we undertook a number of specific actions to optimize our dispute resolution and redress programs:

- We centralized the physical storage and upkeep for ATP objection files awaiting legal decisions on leading court cases, to more effectively control administrative costs.
- We completed the development of a Web-based information management system to aid in the coordination and processing of ATP files. This system will be fully implemented in 2013-2014 and will centralize, standardize, and simplify the processing of all documentation required to manage objections involving large groups of files.
- We piloted various changes in our resolution process, such as fast-track, and segmentation of objections to identify cost savings while maintaining quality decisions.

Key results:

- We received 87,017 income tax, commodity tax, and CPP/EI disputes
- We resolved 75,022 disputes

[litigation]

If a tax matter is not resolved to the taxpayer's satisfaction at the objections review, the taxpayer can appeal to the Tax Court of Canada (TCC) or the Federal Court. The courts



are independent of the CRA and all other government departments. They hear appeals from assessments under the *Income Tax Act*, the *Excise Tax Act* (goods and services tax/harmonized sales tax), the *Employment Insurance Act* and the *Canada Pension Plan*, among others, and review the exercise of ministerial discretion. Cases heard by the courts include many diverse issues such as those related to the General Anti-Avoidance Rule, transfer pricing, and Aboriginal taxation. This level of review is referred to as litigation and is subject to the rules of the courts.

Key result:

- A total of 4,605 litigation cases were filed before the TCC

*These actions are initiated by individual taxpayers, and the Department of Justice is fully responsible for the conduct of cases before the courts.

[taxpayer relief]

The taxpayer relief provisions provide the Minister with discretion to cancel or waive certain late, amended, or revoked elections, and issue income tax refunds or reduce amounts payable beyond the normal three-year period. They also provide authority to cancel or waive penalties and interest otherwise payable. These provisions support a common-sense approach to assisting taxpayers who are unable to comply with certain tax obligations, such as filing a return by its due date, or paying or remitting an amount when required.

The CRA understands that natural disasters may cause great difficulties for affected taxpayers whose primary concerns during this time are their families, homes, and communities. Therefore, the CRA issues media releases on its Web site to advise taxpayers who have been affected by natural disasters that they will have access to the taxpayer relief provisions if they are unable to meet their tax obligations. For example, in 2012, Canadians from several regions, including British Columbia, the Yukon, and Saskatchewan, had to rebuild because of flooding and severe wind. On July 29, 2012, the Minister highlighted that Canadians affected by these

devastating weather conditions could apply for relief if they could not meet their tax obligations due to these extreme weather events.

The CRA Web site provides taxpayers with information on how to submit a taxpayer relief request. It also provides details about the limitation period for requesting relief and the information to include with a request. Four intake centres are responsible for registering relief requests in the CRA's Taxpayer Relief Registry System and sending confirmation letters to taxpayers acknowledging receipt of their requests. These relief requests are then considered by trained staff in four centres of expertise across the country.

Key results:

- We cancelled and waived \$480 million in penalties and interest for approximately 494,000 requests (taxpayer requested and automated)
- We updated the CRA Web site to improve accessibility and enhance content
- We conducted a learning needs analysis and revised our procedures manuals to include guidelines that will improve consistency and simplify processes

[service complaints]

Our Service Complaints Program offers a three-step process to resolve service-related issues resulting from mistakes, undue delays, unclear or misleading information, and concerns about the behaviour of CRA staff. Since some service complaints are caused by a lack of information or simple miscommunication, we first encourage taxpayers to talk to us. Taxpayers who do not agree with the way their complaint was handled may file a formal complaint with the CRA's Service Complaints Program. If taxpayers are not satisfied with the resolution of their issue through our Service Complaints Program, they also have the right to submit a complaint to the Office of the Taxpayers' Ombudsman.

In 2012-2013, we performed a trend analysis of service-related issues identified through our Service Complaints Program. This business intelligence on taxpayers' concerns has helped the CRA to identify and confirm service gaps and to prioritize needs for service improvements. The intelligence gathered has supported CRA decisions to:

- centralize residency determination requests in the International Tax Services Office to improve consistency in responses to taxpayers;
- improve the non-resident payroll source deductions system to minimize cases when a late-remitting penalty was charged in error for estates or trusts making a one-time distribution to non-resident beneficiaries; and



- collaborate with provincial partners, in a project to ensure that we had the most current corporation director's information in our Business Number system. This project will ensure businesses are able to quickly authorize employees or third-party representatives to act on their behalf for tax matters with the CRA, and will help ensure they receive timely responses to their business enquiries.

During the period, we made a concerted effort to increase public awareness of the CRA's Service Complaints Program. We released a webinar on the Taxpayer Bill of Rights and our Service Complaints Program and improved the program's Web site. We also conducted awareness sessions and meetings with CRA employees at various tax services offices and taxation centres to build up employee awareness of the Service Complaints Program and the service rights of taxpayers. These sessions helped identify potential systemic service issues and provided an opportunity to proactively reduce the occurrence of service issues.

Key results:

- We resolved 2,314 service complaints
- 94.3% of the service complaints were resolved within 30 business days

[conclusion]

In 2012-2013, we continued to work hard to ensure that taxpayers received an impartial and timely review of contested decisions made under the legislation we administer.

When taxpayers needed some flexibility to meet their tax obligations, due to circumstances beyond their control, we reviewed these requests and applied the taxpayer relief provisions in a fair and consistent manner. When Canadians were affected by the devastating weather conditions in July 2012, we highlighted the availability of taxpayer relief measures on our Web site to make those affected more aware that support was available and could be easily accessed.

We continue to promote our redress services to ensure that Canadians are fully aware of their rights. We have done this through the improvement of our Web site and by the use of innovative approaches such as the production of Web casts. In 2012-2013 we took several steps to simplify and improve our workload management processes. This has resulted in a reduction of the average age of the disputes in our inventory. As we move forward, we will continue to pursue efforts to simplify our workload management, control costs, and improve the timeliness of our Appeals Program.

Tax appeals evaluation

During 2012-2013, we conducted an internal evaluation of the effectiveness in addressing taxpayer contested decisions. The evaluation found that the program is set up to provide taxpayers with a process to obtain an impartial review of their tax situation. However, the significant growth in aggressive tax planning is impacting the program's ability to resolve taxpayer contested decisions in a timely manner. New legislation has been introduced to formally bind the result of groups of objections to court decisions to reduce the cost of litigation. Details can be found on the CRA Web site at www.cra-arc.gc.ca/gncy/ntrnl/2012/txpplsvltn-eng.html.

[performance results]

Expected results	Indicators	Targets	2010-2011	2011-2012	2012-2013
Canadians have access to impartial and timely review of contested decisions	Average age of workable inventory – income tax files		228 days	238 days	259 days
	First contact letter for dispute	85%	n/a ¹	n/a ¹	84% ¹
	Appeals activities that met standards for consistency – income tax files	97%	98.8%	99%	98.5%
	Appeals activities that met standards for transparency – income tax files	98%	98.8%	99%	99.6%
	Taxpayer relief provisions – consistent application (per Quality Assurance Program)	95%	97%	97%	99.8%
Taxpayers receive a timely review of contested decisions made under legislation administered by the CRA and the handling of service complaints is timely and consistent	Targeted levels of timeliness and consistency for income tax and commodity tax objections, CPP/EI appeals to the Minister, and service complaints, are met	98%	n/a	n/a	100%
Taxpayers receive an impartial review of contested decisions made under legislation administered by the CRA	Taxpayers receive an impartial review of contested decisions made under legislation administered by the CRA	98%	n/a	99.2%	100%
Taxpayers receive an impartial and responsive review of contested decisions made under the <i>Income Tax Act</i>	Taxpayers receive an impartial and responsive review of contested decisions made under the <i>Income Tax Act</i>	195 workable days	196 days	192 days	174 days
	Percentage of decisions on objections filed under the <i>Income Tax Act</i> confirmed by quality assurance reviews	90%	98.7%	98.9%	98.3%
	Percentage of decisions on objections filed under the <i>Income Tax Act</i> determined to be impartial meets or exceeds target	95%	99.4%	99.6%	99.4%
Taxpayers receive a timely review of contested decisions made under the <i>Excise and Excise Tax Acts</i>	Decisions on objections filed under the <i>Excise and Excise Tax Acts</i> are completed in 300 workable days on average	300 workable days	177 days	182 days	193 days
	Percentage of decisions on objections filed under the <i>Excise and Excise Tax Acts</i> confirmed by quality assurance reviews	97%	94.2%	94.3%	95.4%
Taxpayers receive an impartial review of contested decisions made under the <i>Excise and Excise Tax Acts</i>	Percentage of decisions on objections filed under the <i>Excise and Excise Tax Acts</i> determined to be impartial meets or exceeds target	96%	98.4%	98.6%	98.4%
Taxpayers receive a timely review of contested decisions made under the <i>Canada Pension Plan or Employment Insurance Act</i>	Reviews of appeals to the Minister filed under the <i>Canada Pension Plan or Employment Insurance Act</i> are completed within 140 days on average	140 workable days	155 days	135 days	150 ² days

[performance results]

Expected results	Indicators	Targets	2010-2011	2011-2012	2012-2013
Taxpayers receive an accurate review of contested decisions made under the <i>Canada Pension Plan or Employment Insurance Act</i>	Percentage of decisions regarding CPP/EI appeals to the Minister confirmed by quality assurance reviews	98%	99.8%	99.6%	99.6%
Taxpayers receive an impartial review of contested decisions made under the <i>Canada Pension Plan or Employment Insurance Act</i>	Percentage of decisions of CPP/EI appeals to the Minister determined to be impartial	97%	99.8%	99.6%	99.6%
Taxpayers receive timely updates to their service complaints	Percentage of service complaints acknowledged within 48 hours (2 business days)	80%	96.6%	97.2%	92%
	Percentage of taxpayers contacted within 15 days to provide an update on the status of their complaint	90%	93.1%	96.1%	93.6%
Taxpayers receive timely resolution of their service complaints	Percentage of service complaints resolved within 30 business days	80%	91.8%	94.5%	94.3%

¹ In 2012-2013 this measurement was revised to more accurately report results by calculating the percentage of first contact letters sent within 30 days based on a measurement when the letters are sent, rather than when the file is closed. This impacts data comparability with previous year results.

² This workload was affected by a significant increase in major investigations that have a target of 265 days to complete (an increase from 8 in 2011-2012 to 349 in 2012-2013).

n/a: This is a new indicator for 2012-2013. Prior year results are not available.



We issued over **123 million** payments to
12 million individuals and families on behalf
of the federal, provincial, and territorial governments

[benefit programs]

[program description]

The CRA's benefit programs provide Canadians with the benefits and other services they are entitled to. The CRA delivers a range of ongoing benefits and one-time payment programs on behalf of the provinces and territories, First Nations governments, and other federal government departments (for example, the Canada child tax benefit, goods and services tax/harmonised sales tax credit, disability tax credit, and universal child care benefit). By providing accessible information and timely responses to benefit recipients by mail, telephone, and online services, we help ensure that the right benefit payment is made to the right individual at the right time.

2012-2013 financial resources (thousands of dollars)				
Total budgetary expenditure	Planned spending ¹	Total authorities	Actual spending ²	Difference
367,546	377,590	393,742	383,719	(6,129)
Sub-program	Planned spending ¹	Actual spending ²	Difference	
Statutory children's special allowance payments	233,000	238,007	(5,007)	
Benefit enquiries	37,493	37,592	(99)	
Benefit programs administration	107,097	108,120	(1,023)	
Total	377,590	383,719	(6,129)	

Numbers may not add due to rounding.

¹ Planned spending has been restated from what was shown in the Canada Revenue Agency 2012-2013 Report on Plans and Priorities in order to distribute the real property accommodations funding (previously centralized in the internal services program) to all applicable programs. It should also be noted that planned spending excludes severance payments, parental benefits and vacation credits, as this funding is received during the fiscal year and is only included in actual spending.

² This figure represents the actual spending for the program on a modified cash basis. Please refer to page 154 of the CRA Annual Report to Parliament 2012-2013 for an explanation of how this figure relates to the CRA Financial Statements – Agency Activities.

2012-2013 human resources (full-time equivalents)			
Sub-program	Planned	Actual	Difference
Statutory children's special allowance payments	—	—	0
Benefit enquiries	516	349	167
Benefit programs administration	1,060	1,000	60
Total	1,576	1,349	227

Numbers may not add due to rounding.

[sub-program **description**]

Statutory children's special allowance payments	The statutory children's special allowance payments provides payments to federal and provincial agencies and institutions that care for children. All funding in this program flows through to recipients and no administrative expenditures are deducted. This program is administered under the benefit programs administration program.
Benefit enquiries	The Benefit Enquiries Program offers benefit recipients timely and accessible information on their entitlements and obligations through self-service and assisted channels.
Benefit programs administration	The benefit programs administration delivers a range of ongoing benefits and one-time payment programs that support the economic and social well-being of Canadians. Through processing and validation activities, it ensures the right benefit payment is made to the right individual at the right time.

[performance **analysis** and **lessons** learned]

[providing **information**]

Income security and benefits programs are essential to the economic and social well-being of many Canadians. We understand that the work we do directly affects individuals and families across the country. For this reason, we make every effort to give benefit recipients the information and tools they need to receive their entitled benefits.

The first step for many benefit recipients looking for general information on benefit programs is our Web site. We have worked hard to make sure that our Web site provides useful information related to application procedures and eligibility criteria. In addition, we always attempt to use our Web site to answer the most frequently asked questions in clear and easily understood language. We also work in partnership with other government departments and agencies like Service Canada, Human Resources and Skills Development Canada, and Citizenship and Immigration Canada to deliver information to benefit recipients through their Web sites, publications, and service facilities.

In an effort to further tailor our services to benefit recipients' needs, our Web site includes useful online tools such as child and family benefits calculators. These enable Canadians to estimate the amounts they could be entitled to for various benefit and credit programs.

This past year, we updated our child and family benefit Web pages to make them easier to use. The new pages include improved navigation features that actively direct users to the information and services they need.

The way in which Canadians seek information and interact with government is changing, and we are working to meet these new demands for real-time services and 24-hour availability. As our e-services evolve, more and more Canadians are choosing them as the preferred way to find information and perform routine transactions. While we continue to focus on the expansion of our e-service offerings, we will ensure that benefit recipients who use the traditional service options will still be able to do so.

Simplifying service

The Automated Benefit Application (ABA) system is one way in which we make it easier for recipients to receive their entitled benefits. The ABA provides Canadians with a quick, easy, and secure way to apply for all child benefit programs for newborns. This service eliminates the need to complete separate applications for each program, reducing processing times, and increasing speed of payment.

In 2012-2013, we added the provinces of Alberta and Newfoundland and Labrador to the ABA system, increasing the number of participating provinces to eight. Use of this service continues to increase with over 93.5% of eligible applicants now using it.

Key result:

- Our child and family benefits Web pages received 6.3 million visits, which represents an increase of 26% over the previous fiscal year

[enquiries]

The success of our e-service strategy is allowing us to reduce the transactional costs of providing services. At the same time, e-services allow 24/7 access to information and services for benefit recipients. The growth trend in the use of our e-services and the downward trend in the number of telephone enquires suggest that providing online information services is reducing the need for benefit recipients to contact us by phone. This is a trend we will continue to monitor.

The CRA recognizes that electronic services are not effective for all taxpayers and benefit recipients, and we remain

committed to the delivery of a multi-channel service model. As part of this approach, the CRA sends notices to recipients at the beginning of every benefit year to describe their annual entitlements. Notices are also issued during the year to explain new account activity. In those instances, where additional support is required, benefit recipients are always able to discuss their needs with one of our telephone enquiry agents. In this past year, we have once again fulfilled our commitment to provide prompt and accessible telephone enquiry services for recipients.

Key results:

- The CRA issued 24.3 million benefit notices
- 6.3 million Canadians contacted our benefit enquiries service phone lines in 2012-2013. This represents a 9.6% decrease from the previous year

We issued **99.99%**
of benefits payments **on time**





- We also met our service standard target of 75% for timeliness by answering calls within two minutes 77% of the time for GST/HST credit enquiries, and 77.5% of the time for Canada child tax benefit enquiries.

[self-service]

Canadians are embracing online services as the preferred method of conducting their affairs. The CRA recognizes this trend and has adapted its service offerings to include interactive online tools for benefit recipients. Our most comprehensive self-service tool, My Account, makes it easier for benefit recipients to manage their obligations and entitlements. These service options are reducing the need for direct contact with our service representatives, particularly for routine transactions. This e-service lets recipients view their benefit payments or their balances and statements of account online. Benefit recipients can also authorize representatives to act on their behalf or use My Account to perform account maintenance transactions such as changing their address, marital status, or direct deposit information.

In cases where a quick reference to benefit information is needed, we offer a service called Quick Access which

allows clients to view some of the information contained in My Account such as the status of benefit payments.

Key results:

- The Benefits page in My Account registered 3.2 million visits and our Quick Access service logged 1 million visits
- 62.8% of benefits recipient contacts with the CRA were through online channels

[integrating services]

We continue to look for ways to simplify and streamline federal, provincial, and territorial services to make it easier for recipients to receive their entitlements. We believe that by integrating services across different levels of government and by capitalizing on our information technology systems, we can more efficiently and seamlessly deliver the benefits and credits to recipients. For example, this year, we worked with the province of Ontario to simplify the provision of provincial benefits. In July 2012, the Ontario Trillium Benefit was introduced, which combined the Ontario sales tax credit, the Ontario energy and property tax credit, and the Northern Ontario energy credit into one payment. In addition to

combining these entitlements, the payment of this benefit was changed from quarterly to monthly. This change will make it easier for recipients to plan their finances.

We also began delivering the New Brunswick school supplement, a new program that came into effect in July 2012. It is a once-a-year payment that assists low income families in New Brunswick with the cost of back-to-school supplies for their school age children. Similar to the approach used for the Ontario Trillium Benefit, the amount will be combined with the payment for the Canada child tax benefit (CCTB) and the New Brunswick child tax benefit.

We are also playing an important role in maintaining the integrity of other provincial and territorial benefit and credit programs that we do not directly deliver. For example, provinces and territories are increasingly turning to us to either verify the eligibility of recipients or request information to ensure accurate payments for some of their programs.

To continue to provide the effective service delivery that benefit recipients and our government clients have come to expect, we are proceeding with the development and implementation of our benefits system renewal project. This initiative aims to revitalize the CRA's benefits processing system by including new information technologies. By modernizing our information technology platform, we will be able to maintain our benefit delivery system and build in the flexibility needed to respond to opportunities for growth and innovative service delivery on behalf of our government clients.

We also added two new income verification programs:

- the Northwest Territories Department of Education, Culture and Employment Student Financial Assistance Program; and,
- the Ontario Ministry of Finance Investment in Affordable Housing Program.

With these additions, the number of programs and services we deliver now stands at 127. The growth in our portfolio demonstrates our service delivery efficiency, making us the service provider of choice for income-based benefit and credit programs in Canada.

Key result:

- We expanded our data exchange agreements to include new programs such as the Ontario Trillium Benefit

[validating eligibility]

To ensure benefits recipients receive accurate benefits, we review and verify recipient information each year through our automated validation processes and in some cases, we even contact individuals to confirm specific account details. If account information is incorrect, we update it. Specific files are selected for review based on our targeted risk assessment models that identify accounts that may have a high potential for overpayments or underpayments. When inaccurate account information is identified, recipient records and benefit payments are adjusted accordingly. In the past year, we have improved our validation program with the addition of CCTB, and GST/HST credit, marital status reviews, and the foreign address review. These new review processes have allowed us to review another 37,000 accounts.

This year, we met some challenges in our CCTB Program. The accumulation of CCTB overpayments that had to be recovered reached 0.9% of the total payments issued. This was an amount above our internal performance target of 0.4%. This situation was created in part by changes that came into effect in July 2011. Specifically, CCTB payments are now required to be adjusted to reflect any change in marital status the month following of its occurrence. Previously, recipients could wait until they filed their tax returns to advise CRA of any change in their marital status. The CRA took a number of steps to ensure that recipients were fully advised through correspondence, in publications, and on our Website of the new reporting requirements. As well, we streamlined our

Should you file a tax return?

Individuals may not be required to file a tax return if their income is modest, or if they do not have any tax payable. However, it may be in a person's best interest to file, even if not required to do so by legislation, as the filing of a tax return is often required in order to receive income tax based refunds, tax credits, or other provincial or territorial benefits. The CRA administers a number of benefits, like the guaranteed income supplement, that are calculated based on information reported in the income tax and benefit return.

procedures to allow CCTB recipients to quickly and easily change their marital status through our telephone enquiries services and online. However, these new reporting requirements have contributed to a short term increase in the percentage of CCTB overpayments that are required to be recovered.

Our validation activities ensure that we are delivering accurate benefits and credits to eligible Canadians, therefore ensuring the integrity and sustainability of the benefit and credit programs we deliver.

Key results:

- We reviewed 212,160 accounts, which represents a 23.5% increase from the previous year
- Because of our improved file selection process, 64% of the files reviewed required an adjustment resulting in an overpayment or underpayment, up from last year's result of 62.9%

[processing]

Timely payments are important for benefit recipients. In some cases, benefit payments make up a significant portion of the income needed by recipients to cover their daily expenses, and delayed payments can mean financial hardship. For this reason, we set high standards for the timely delivery of benefit payments. Our performance expectation reflects this with a target of 99% for timely issuance of benefit payments. As our results below show, we continue to surpass this stringent requirement.

Payments not only need to be timely, they also need to be correct. Just as taxpayers have an obligation to file income tax returns and accurately report their income, benefit recipients need to promptly notify us of any changes to their personal information to maintain the eligibility and accuracy of their entitlements. For our part, we promise to complete account changes quickly. This past year, we once again surpassed all of our service standards.

Key results:

- We issued over 123 million payments to 12 million individuals and families on behalf of the federal, provincial, and territorial governments
- 99.99% of these payments were issued on time
- We processed over 694,000 applications and marital status changes

- We completed over 751,000 account maintenance adjustments
- We processed approximately 969,000 GST/HST credit account redeterminations

[conclusion]

In 2012-2013, we continued to improve our information provision and interactive services by simplifying our Web pages and offering new online tools. By continuing to improve our validation review processes and meeting our service standards associated with timely and accurate payment processing, we have shown the reliability of our services to our government partners and Canadians.

These improvements are helping us meet the evolving service expectations of our clients by providing them a convenient and user-friendly service experience. We are capitalizing on opportunities to simplify our procedures and integrate our services. Through these actions, we are helping to reduce the administrative burden placed on individuals while meeting the service and cost expectations of our government clients.

[performance results]

Expected results	Indicators	Target	2010-2011	2011-2012	2012-2013
Canadians have access to the benefits and credits to which they are entitled, and related payments are timely and correct	Percentage of benefit related files reviewed that meet the accuracy target set for validation & compliance activity	90%	96.3%	98.1%	96.6%
	Percentage of benefit applications and marital status change forms processed on time	98%	98.7%	99%	99.8%
	Percentage of accurate payments when processing account maintenance adjustments	98%	98.2%	96.6%	99%
	Percentage of benefits payments received by benefit recipients on time	99%	99.8%	99.96%	99.99%
	Percentage of Canada child tax benefit recipients who provide complete and accurate information, that receive the proper entitlement	95%	95.5%	N/A ¹	95%
Benefit recipients are provided timely and accurate eligibility determinations and payments, and have access to timely and accurate information	Percentage of the 10 service standards in force for benefit administration and enquiries which have met targeted performance standard	100%	70%	70%	100%
	Canada child tax benefit overpayment debt as a percentage of payments issued	Less than 0.4%	0.4%	0.6%	0.9%
Benefit recipients have access to timely and accurate responses to their telephone enquiries	Percentage of Canada child tax benefit and GST/HST credit calls answered within two minutes of entering the agent queue	75%	76.7%	76.3%	77.5%
	Percentage of Canada child tax benefit and GST/HST credit callers who succeed in reaching CRA telephone service (agent or automated)	85%	91.1%	90.5%	92%
	Percentage of accurately updated internal reference materials for benefit services agents	100%	100%	100%	100%
Benefit and credit eligibility determination and payment processing are timely and accurate	Percentage of the five benefit and credit application/maintenance service standards in force which meet stated service target	100%	80%	80%	100%
	Percentage of Canada child tax benefit and GST/HST credit accounts targeted under validation programs that were adjusted (validation and control)	50%	51.2%	62.9%	64%
	Level of satisfaction with benefit application processing time	75%	82.4%	80.4%	81.6%

¹ The study that produces this result is performed every two years.



We continue to
modernize
how we deliver **services**

[internal services]

[program description]

The CRA's internal services provide an important part of the overall effectiveness of our program delivery. We recognize that our success as an organization is built on a solid corporate foundation that is sustained by sound financial management, secure and reliable information technology infrastructure, and a diverse and high-performing workplace. To ensure that the CRA remains a world-class tax administration, we are committed to integrating our internal services across the full spectrum of our tax and benefit programs to ensure we continue to modernize how we deliver services.

2012-2013 financial resources (thousands of dollars)				
Total budgetary expenditure	Planned spending ¹	Total authorities	Actual spending ²	Difference
1,271,936	1,007,700	1,112,486	960,309	47,391

Numbers may not add due to rounding.

¹ Planned spending has been restated from what was shown in the Canada Revenue Agency 2012-2013 Report on Plans and Priorities in order to distribute the real property accommodations funding (previously centralized in the internal services program) to all applicable programs. It should also be noted that planned spending excludes severance payments, parental benefits and vacation credits, as this funding is received during the fiscal year and is only included in actual spending.

² This figure represents the actual spending for the program on a modified cash basis. Please refer to page 154 of the CRA Annual Report to Parliament 2012-2013 for an explanation of how this figure relates to the CRA Financial Statements – Agency Activities.

2012-2013 human resources (full-time equivalents)		
Planned	Actual	Difference
8,567	8,041	526

Numbers may not add due to rounding.

[performance **analysis** and **lessons** learned]

[human resources]

During a year characterized by change in the public service and at the CRA, we continued to improve our human resources regime to ensure that we have the knowledgeable and committed workforce needed to successfully deliver our programs. Across the CRA, approximately 40,000 employees contribute to the administration of our tax programs as well as the successful delivery of economic and social benefits to Canadians.

Key results:

- The CRA updated its Strategic Workforce Plan, including the rejuvenation of its recruitment strategy to meet current workforce requirements and support future business needs. In September 2012, we launched initiatives aimed at recruiting auditors from the private sector to sustain our technical capacity
- We created a new leadership development program to ensure we have the right leaders in place to meet our current and future needs
- We implemented a new integrity framework containing a complete system of policies, procedures, and tools to strengthen the management of integrity at the CRA and ensure that we sustain the public's trust

The 2012-2013 period saw the wind down of the harmonized sales tax initiative with the province of British Columbia which is returning to the PST/GST model effective April 1, 2013. Under an agreement between the CRA and the province of BC, the province made job offers to its former employees that joined the CRA as a result of the HST implemented in July 2010. The Government of Canada also signed an agreement with the province of Prince Edward Island to implement a harmonized sales tax effective April 1, 2013.

The CRA continued to manage changes in operational authorities related to staffing, including the 700 employees that have transferred to Shared Services Canada. The CRA has developed a multi-year human resources plan to proactively manage savings measures through attrition, vacancy management, decreases in new hiring, and workforce adjustment when necessary. This plan will also help us achieve our savings objectives and build a workforce with the skills necessary to meet future Agency business goals.

[information **technology**]

Information technology (IT) is critical to the CRA's capacity to continue to deliver a world-class tax and benefits administration to Canadians. The CRA has a strong IT planning program in place and our IT strategy is an integrated part of our formal business planning processes. This integrated approach ensures that we will continue to have sustainable, reliable, and secure business application systems that fully support our CRA program business lines.

Our IT infrastructure has continued to provide the CRA with the capacity needed to support both current and emerging business needs. The important role that information technology plays in enabling new service and compliance innovations at the CRA can not be over stated. As an organization, our ability to innovate and move forward is empowered through the use of information technology. For example, our IT systems successfully processed over 18 million tax returns that were electronically filed between February and April 2013. Our busiest electronic filing day was April 30, 2013, when we received 1,232,048 returns without incident, and there were no major service disruptions during the entire 2013 tax-filing season.

Key results:

- Work continued on the redesign of our individual income tax return processing system. This redesign will ensure a robust, flexible, and sustainable technology platform for our personal income tax program
- Through our collaboration with Shared Services Canada, we have ensured that our new state-of-the-art data centre has the IT capacity and flexibility necessary to meet our current and future business requirements
- Our internal IT helpdesk support was consolidated to offer centralized service support to core business programs and to meet evolving service needs. This resulted in a reduction of IT operating costs of \$2.3 million
- A business intelligence (BI) framework and roadmap was developed to help guide the development of the necessary BI technology platform needed for advanced reporting and business analytics



We will continue to have
**sustainable, reliable,
and secure**
business application systems

This year, the CRA received two Government Technology Exhibition and Conference 2012 distinction awards for demonstrating leadership and excellence in the innovative management and application of information technologies for our business intelligence foundation project and our GST/HST pre-assessment national inventory project.

In November 2011, Shared Services Canada became responsible for delivering email, data centre, network, and telephony services across the federal public service. In 2012-2013, we established a governance model between the CRA and Shared Services Canada. It defines the priorities and responsibilities related to our business relationship, taxpayer confidentiality, and data security. We have also completed the payroll transfer of all former CRA employees now working for Shared Services Canada.

[finance and administration]

The CRA effectively and efficiently manages one of the largest budgets in the Government of Canada (spending details are available starting on page 96 of the CRA's Annual Report to Parliament). To manage our resources, we ensure that all investments are aligned with our strategic directions and priorities.

Key results:

- We are on target to meet all of our financial commitments
- We have updated our resource management strategy to support key government savings initiatives by providing regular assessments of the CRA's financial position
- We completed the chief executive officer and chief financial officer certification process to assure a strong system of controls over financial management and reporting (additional information about the systems of internal control over financial reporting can be found in the CRA's *Annual Report to Parliament 2012-2013* on page 149)

To support government efforts to reduce operating costs, the CRA implemented a new approach to the provisioning of office space. In 2012-2013, we developed a portfolio plan that will reduce the CRA office space footprint by at least 72,000 square meters. This new approach will save the CRA \$33.5 million annually.

[security and integrity]

Protecting taxpayers' privacy and confidentiality is central to the integrity of the CRA and Canada's tax system. To meet their tax obligations or apply for benefits, Canadians must give us personal and financial information. The CRA takes its responsibility to safeguard this information very seriously. Canadians trust that their information is only accessed for authorized purposes, and that it is handled with the utmost security. We are committed to maintaining strong internal controls to prevent the inappropriate access, use, and disclosure of information.

Key result:

- We strengthened our processes and controls ensuring that employees only have access to the systems required to perform their job functions
- We updated our emergency plan to maintain the uninterrupted delivery of programs (such as benefit payments) in the case of emergency

[communications]

Effective communications allow the CRA to inform Canadians about tax and benefit services.

Key results:

- We developed a marketing strategy to promote our electronic services and respond to the service expectations of taxpayers and benefit recipients
- The CRA has actively supported the Government of Canada's Web renewal initiative to modernize the Government's online presence, and meet accessibility standards for Canadians with disabilities, including Web sites and social media

- This filing season, we implemented an initiative to reduce printing cost and support online services. We sent personalized letters to affected taxpayers detailing the changes and outlining the filing options available to them

As with all federal departments and agencies, the CRA is subject to the provisions of the *Access to Information Act* and the *Privacy Act*. These acts give Canadians the right to access information that is under the control of a government institution. In 2012-2013, we received 3,137 access to information requests, 85% of which were completed on time. We also received 1,980 privacy requests, and completed 93% of them within statutory limits.

[contribution to the federal sustainable development strategy]

The CRA supports the federal sustainable development strategy and contributes to the greening government operations, through our internal services program. We contribute to the following target areas of theme IV (shrinking the environmental footprint – beginning with government) of the federal sustainable development strategy:

- greenhouse gas emissions;
- electronic waste;
- managed print;
- internal paper consumption;
- green meeting guide; and
- green procurement.



Theme IV

Shrinking the environmental footprint beginning with government

Chief Privacy Officer

Following the recommendation of the Privacy Commissioner of Canada, we appointed the CRA's first chief privacy officer in 2013. This role was established to help ensure that the CRA's respect for the privacy of the information we maintain is reinforced and strengthened in the future. The Chief Privacy Officer has a broad mandate for privacy oversight in the CRA. Our responsibility for sound privacy management goes beyond the appointment of the chief privacy officer and is a shared responsibility of all employees.

Additional information on CRA greening government operations activities can be found on the CRA website at: www.cra-arc.gc.ca/gncy/prfrmnc_rprts/menu-eng.html.

Key results:

- Office paper use was reduced by an additional 2%
- We implemented a national initiative to reduce the number of printing units, and achieved a 9.3:1 average ratio of employees to printing units
- We achieved 15.4% green procurement for goods and services, and reached a 96% level of procurement officers trained in green procurement
- As a result of our effort to reduce travel expenses, greenhouse gas emissions from our fleet of vehicles decreased by 19.6%, surpassing our planned target by 2%
- Sustainable development clauses and environmental specifications were included in three new contractual arrangements valued at over \$1 million

[management oversight]

To ensure we meet our management oversight responsibilities, the CRA uses two complementary tools: the Management Accountability Framework (MAF) assessment conducted by the Treasury Board of Canada Secretariat and the Board of Management Oversight Framework (BoMOF) assessment, conducted by our Board of Management. Together, these two assessment tools provide a comprehensive evaluation of the CRA's management performance.

The 2012-2013 MAF assessment examined integrated risk management and financial management and control, for which the CRA received a strong (risk management) and an acceptable (financial management and control) rating. Our Board of Management conducted its sixth assessment of performance, covering areas for which they have oversight responsibility as outlined in the *Canada Revenue Agency Act*. Of the 12 areas reviewed this year, eleven were found to be "strong" or "acceptable" and one presented an "opportunity for improvement". The positive results of these assessments should provide Canadians with assurances that the CRA is actively pursuing management excellence.

Additional information on these CRA performance assessments is available electronically at:

- MAF assessment – please visit www.tbs-sct.gc.ca/maf-crg/methodology-methodologie-eng.asp
- BoMOF assessment – please go to www.cra-arc.gc.ca/gncy/bomof-cscd/ssmnt-eng.html

[conclusion]

During the past year, we worked to ensure that we have the people, infrastructure, and resources required to maintain our world-class tax administration. We are taking a strategic approach to human resource planning and are developing the capable and confident workforce we require to generate the innovative solutions needed to meet the evolving service needs of Canadians. To ensure the CRA continues to meet future challenges, we are investing in infrastructure and technology platforms to support our core operations. These investments are balanced and grounded in sound financial management practices and will continue to create efficiencies, ensure sustainability, and support future innovations in the delivery of our programs and services.

We are improving the support we provide to taxpayers and benefit recipients by making it easier for them to use our Web sites, find answers to their questions, and do routine transactions online. In this way, we are easing the compliance burden and helping Canadians meet their tax obligations and receive accurate benefits and credits. For those who understand their obligations but fail to comply, we are enhancing our compliance enforcement programs and taking swift and appropriate action to ensure compliance.

We are achieving our strategic outcomes through innovation and a commitment to service excellence, compliance enforcement, and integrity. We believe that Integrity forms the bedrock of our self-assessment system and we understand that the trust and confidence Canadians place in their tax system is a direct result of the CRA's commitment to conducting its administration with total integrity. As we move forward, the CRA will continue to be guided by our corporate core values of integrity, professionalism, cooperation, and respect, and we will continue to demonstrate that the trust and confidence Canadians have placed in our administration is well founded.



financial
sustainability
and
flexibility

[section 3: supplementary information]

[financial statements highlights]

[condensed statement of operations and Agency net financial position]

CRA condensed statement of operations and Agency net financial position (unaudited)					
For the year ended March 31, 2013 (thousands of dollars)					
	2012-13 planned results	2012-13 actuals	2011-12 actuals (restated) ¹	\$ change (2012-13 planned vs. actuals)	\$ change (2012- 13 actuals vs. 2011-12 actuals)
Total expenses	4,482,587	4,575,002	4,784,041	92,415	(209,039)
Total non-tax revenues	594,139	496,745	559,640	(97,394)	(62,895)
Net cost of operations before government funding and transfers	3,888,448	4,078,257	4,224,401	189,809	(146,144)
Agency net financial position	633,286	634,801	779,235	1,515	(144,434)

¹ Comparative figures have been restated. Please refer to note 3 of the Financial Statements – Agency Activities.

The CRA's 2012-2013 net cost of operations before government funding and transfers amounted to \$4,078.3 million, increasing by \$189.8 million from the \$3,888.5 million planned results for 2013. The variance is explained by a \$97.4 million decrease in non-tax revenues that is attributable to a change in accounting policy of non-tax revenues not available for spending as well as a decrease in the fees for IT services now being provided to the Canada Border Services Agency (CBSA) by SSC rather than by the CRA. The variance is further explained by higher costs for severance benefits than originally forecasted in 2011 when the planned results were established, due to changes in actuarial assumptions.

The CRA's 2012-2013 net cost of operations before government funding and transfers amounted to \$4,078.3 million, decreasing by \$146.1 million from the \$4,224.4 million net cost of operations before government funding and transfers in 2011-2012.

Personnel expenses (salaries, other allowances and benefits) are the CRA's primary costs, representing 74% of total expenses while the remaining 26% of expenses are comprised of various other costs such as accommodation, telecommunication and information technology equipment and services. The decrease in personnel costs of \$158.6 million is mostly attributable to a decrease in severance benefits due in part to the plan curtailment for employees represented by the Professional Institute of the Public Service of Canada (PIPSC) and to the fact that the severance benefit expenses were higher than usual in 2012 as a result of changes in actuarial assumptions. This decrease was partially offset by annual economic salary increases and salary increments pursuant to collective agreement provisions.

Non-personnel expenses have decreased by \$50.5 million in 2012-2013. This variance mainly results from decreased losses resulting from the write-off of in-house developed software in the course of the fiscal year, lower travel expenses and legal fees, combined to a reduction of the provision for contingent liabilities arising from claims and litigation. The transfer of responsibilities over certain IT and telecommunication services to SSC in November 2011, though creating year over year variances in distinct expense categories, had nearly no net impact on total expenses. Expenses that used to be incurred

by the CRA prior to that transfer, such as salaries, equipment purchases and repair and maintenance, are now mostly reported as IT services provided by SSC.

Non-tax revenues also decreased significantly in 2012-2013, mostly as a result of IT services now being provided to the CBSA by SSC rather than by the CRA.

[condensed statement of financial position]

CRA condensed statement of financial position (unaudited)			
As at March 31, 2013 (thousands of dollars)			
	2012-13	2011-12 (restated) ¹	\$ change
Total liabilities	1,206,348	1,380,434	(174,086)
Total financial assets	169,418	184,310	(14,892)
Agency net debt	1,036,930	1,196,124	(159,194)
Total non-financial assets	402,129	416,889	(14,760)
Agency net financial position	634,801	779,235	(144,434)

¹ Comparative figures have been restated. Please refer to note 3 of the Financial Statements – Agency Activities.

Liabilities decreased by \$174.1 million in 2012-2013, of which \$151.8 million is attributable to the decreased employee severance benefits mainly as the result of the severance curtailment effective as of July 10, 2012 for employees represented by the PIPSC. These employees account for about a third of the CRA's permanent workforce.

Employee sick leave and severance benefits combined account for 67% of the CRA total liabilities in 2012-2013. These are significant liabilities that require the use of management estimates and assumptions to determine their present value as at March 31 of every year. As such, there lies a financial risk of imprecision in the financial position of the CRA where actual liabilities and the related expenses may differ significantly from current estimates. To minimize this risk, the CRA makes use of the expertise of the Office of the Chief Actuary, who provides an actuarial valuation report yearly, discussing the actuarial assumptions and method used to determine the actuarial present value of those employee benefits.

Non-financial assets are comprised of 97% tangible capital assets. The CRA managed a capital budget of \$83.4 million for the year 2012-2013 (\$89.0 million for 2011-2012), of which \$36.9 million (\$27.9 million for 2011-2012) remains available for use in future years in accordance with the CRA's multi-year resource management strategy.

Investments in in-house developed software represent an increasingly significant portion of the CRA's total investments in IT, with \$57.6 million in software acquisitions compared to \$1.9 million in hardware acquisitions in 2012-2013 (\$40.9 million and 38.7 million respectively in 2011-2012). The decrease in IT equipment acquisitions is attributable to the transfer to SSC of email, data centers and network services responsibilities in November 2011.

[financial statements]

CRA audited financial statements can be found on the CRA website at:

www.cra-arc.gc.ca/gncy/nnnl/menu-eng.html.

CRA unaudited supplementary financial information can be found on the CRA website at:

www.cra-arc.gc.ca/gncy/nnnl/menu-eng.html.

[list of supplementary information tables]

All electronic supplementary information tables listed in the *2012-2013 Departmental Performance Report* can be found on the CRA website at: www.cra-arc.gc.ca/gncy/prfrmnc_rprts/menu-eng.html.

- Details on transfer payment programs
- Greening government operations
- Internal audits and evaluations
- Sources of Respendable and Non-Respendable Non-Tax Revenue
- Details on project spending
- User fees reporting
- Response to parliamentary committees and external audits

[tax expenditures and evaluations report]

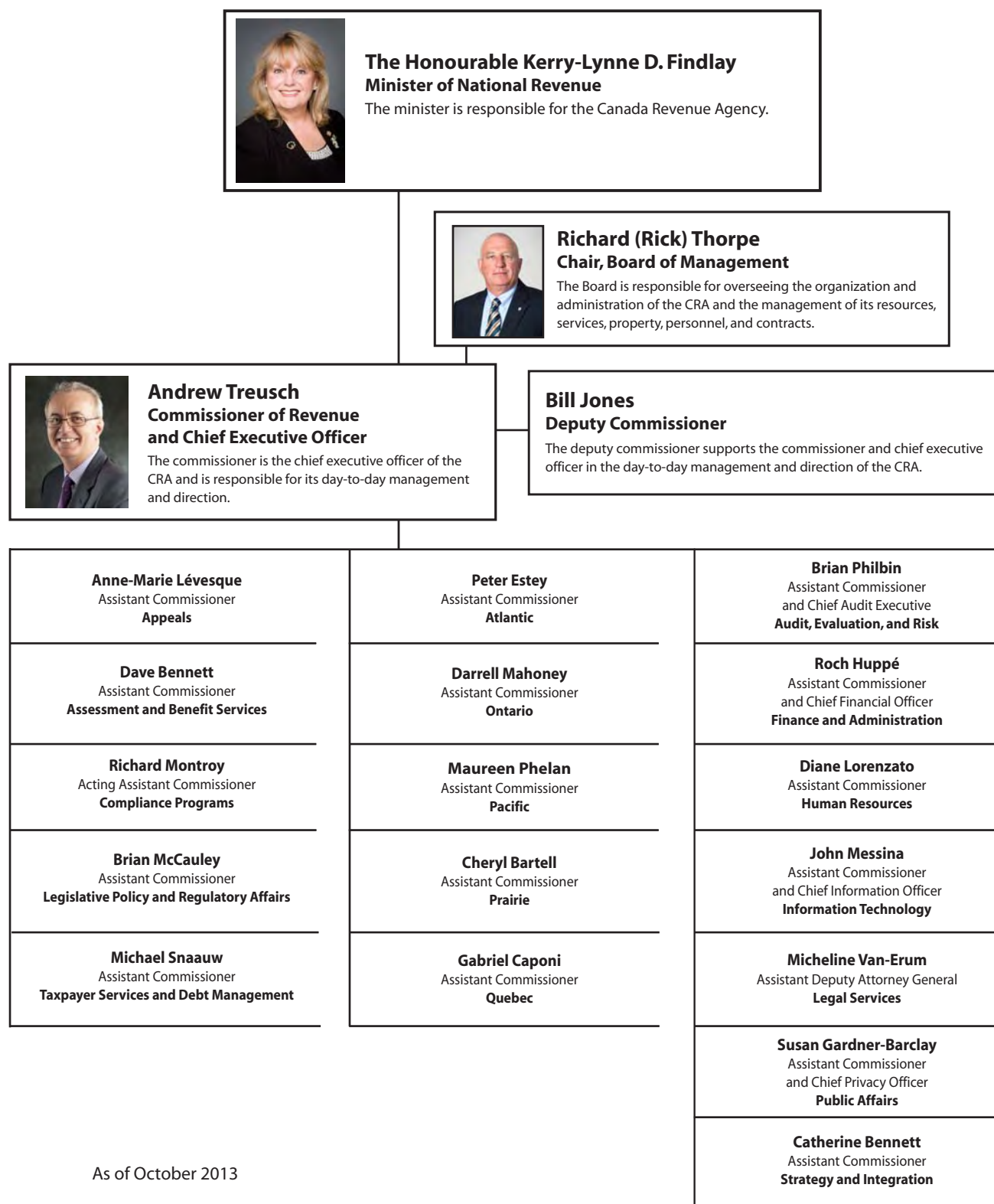
The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance publishes cost estimates and projections for these measures annually in the *Tax Expenditures and Evaluations* publication. The tax measures presented in the Tax Expenditures and Evaluations publication are the sole responsibility of the Minister of Finance.



building
together

[section 4: other items of interest]

[organizational structure]



As of October 2013

[Benefit programs and benefit-related services delivered by the Canada Revenue Agency]

Six federal benefit programs	
Canada Child Tax Benefit	Children's Special Allowances
Disability tax credit	Universal Child Care Benefit – on behalf of Human Resources and Skills Development Canada
Goods and services tax / harmonized sales tax credit	Working income tax benefit advance payments

Twenty-six ongoing benefit programs for provinces and territories			
	1 st year		1 st year
British Columbia –BC family bonus	1996	Newfoundland and Labrador child benefit	1999
Alberta family employment tax credit	1997	Newfoundland and Labrador seniors' benefit	1999
New Brunswick child tax benefit	1997	Saskatchewan low-income tax credit	2000
New Brunswick working income supplement	1997	Newfoundland and Labrador – mother baby nutrition supplement	2001
Newfoundland and Labrador harmonized sales tax credit	1997	Ontario child benefit	2007
British Columbia – BC earned income benefit	1998	British Columbia low income climate action tax credit	2008
Saskatchewan child benefit	1998	Ontario senior homeowners' property tax grant	2009
Northwest Territories child benefit	1998	Ontario sales tax credit	2010
Northwest Territories – territorial worker's supplement	1998	British Columbia harmonized sales tax credit	2010
Nova Scotia child benefit	1998	Nova Scotia affordable living tax credit	2010
Yukon child benefit	1999	Ontario energy and property tax credit	2011
Nunavut child benefit	1999	Northern Ontario energy credit	2011
Nunavut – territorial worker's supplement	1999	New Brunswick school supplement	2012

Ten one-time payment programs			
	1 st year		1 st year
Relief for heating expenses (federal)	2000	Energy cost benefit (federal)	2005
British Columbia –BC energy rebate	2001	Alberta 2005 resource rebate	2005
Alberta energy tax refund	2001	Ontario home electricity relief	2006
Ontario taxpayer dividend	2001	British Columbia climate action dividend	2008
Nova Scotia taxpayer refund	2003	Ontario sales tax transition benefit	2010

Eighty-five data exchange and data transfer services	
Fifty-two income verification data exchanges with provinces to support programs	Ten National child benefit supplement data exchanges with provinces and territories to facilitate the calculation of social assistance
Five data transfers with provinces to support top-ups for CRA-administered child benefit programs	Two data transfers of income and child information to support administration of the Ontario child care supplement and Quebec family allowance programs
Eight data exchanges and transfers to support the Nova Scotia pharmacare program, the British Columbia low income climate action tax credit, Ontario senior homeowners property tax grant, Ontario sales tax credit, Ontario energy and property tax credit/Northern Ontario tax credit, Ontario Trillium Benefit, BC harmonized sales tax credit and to assist the ministère du Revenu du Québec in administering the <i>Quebec Taxation Act</i>	Eight data exchanges and data transfers to support federal administration of the Employment insurance family supplement, Guaranteed income supplement, Canada learning bond, additional Canada education savings grant, Registered disability savings plan and Canadian disability savings grant and Old age security

[service standards]

Canadians' confidence in the integrity of the tax system is essential to the CRA's success. Meeting our service standards shows that we are answering the needs of taxpayers and benefit recipients. Our service standards tell citizens what level of performance they can reasonably expect from the CRA under normal circumstances. We review our standards and targets every year and update them as needed.

New service standards 2012-2013

In 2012-2013, we introduced three new service standards:

- GST/HST credit enquiries telephone service level;
- Two-day acknowledgements of service complaints; and
- 30-day resolution of service complaints.

Our service standard results

Service	Standard	Target	2010-2011	2011-2012	2012-2013
Assessment of returns and payment processing					
Responding to taxpayer-requested adjustments (T1)	Complete the adjustment and mail a notice of reassessment within an average of eight weeks, provided all requisite information has been received from the taxpayer	100%	7.2 weeks	7 weeks	7 weeks
Responding to taxpayer-requested adjustments (T1) received by Internet	Complete the adjustment and mail a notice of reassessment within an average of two weeks, provided all requisite information has been received from the taxpayer	100%	1.8 weeks	1.8 weeks	2 weeks
Processing T1 individual income tax returns (paper)	Process a paper T1 return and mail a notice of assessment and refund, if applicable, in an average of four to six weeks	100%	3.9 weeks	3.9 weeks	4.3 weeks
Processing T1 individual income tax returns (EFILE, TELEFILE, NETFILE)	Process electronic T1 returns (EFILE, TELEFILE, and NETFILE) within an average of two weeks of receipt	100%	1.7 weeks	1.6 weeks	1.6 weeks
Processing T3 trust returns	Process T3 trust returns within four months	95%	98.5%	98.7%	98.7%
Processing excise tax, excise duty, softwood lumber returns, and air travellers security charge returns	Assess excise tax, excise duty, softwood lumber returns, and air travellers security charge returns within 90 days of receipt	95%	97.6%	98.2%	98.4%
Processing GST/HST returns	Process GST/HST returns within 30 calendar days of receipt	95%	90.3%	91%	93.8%
Processing T2 corporation income tax returns	Assess T2 returns (corporation income tax) within 60 days	90%	94.5%	95.2%	95.2%

Service	Standard	Target	2010-2011	2011-2012	2012-2013
Taxpayer and business assistance					
Charities – responding to telephone enquiries	Respond to calls in agent queue within two minutes	80%	84.4%	84.2%	86.3%
Charities – responding to simple applications	Respond to simple applications for charitable registration within two months, upon receipt of a complete application	80%	87.5%	85.9%	94.5%
Charities – responding to regular applications	Respond to regular applications for charitable registration within six months, upon receipt of a complete application	80%	95.5%	91.3%	97.5%
Advance income tax rulings	Issue advance income tax rulings within 90 business days of receipt of all essential information from the client	85%	N/A	N/A	74%
Technical interpretations	Issue technical interpretations within 90 business days of receipt of all essential information from the client	85%	N/A	N/A	83%
GST/HST rulings and interpretations – telephone enquiries	Respond to calls in the queue within two minutes	80%	86%	88%	97%
GST/HST rulings and interpretations – written enquiries	Respond to written requests for GST/HST rulings and interpretations within 45 business days of receipt in the CRA. This excludes highly technical and precedent and/or policy-setting rulings and interpretations	80%	46.5%	41.9%	81%
Applications to register pension plans	Complete a full review and provide a response on applications to register pension plans within 180 calendar days	85%	94.4%	83.9%	90%
Amendments to registered pension plans	Review pension plan amendments for compliance with the <i>Income Tax Act</i> within nine months	80%	77.1%	78.7%	81%
Retirement savings plans (applications to register, amend, or terminate)	Respond to applications to register, amend, or terminate retirement savings plans within 60 calendar days	80%	86.3%	94.4%	96%
Retirement income funds (applications to register, amend, or terminate)	Respond to applications to register, amend, or terminate retirement income funds within 60 calendar days	80%	94%	96.2%	99%
Education savings plans (applications to register, amend, or terminate)	Respond to applications to approve, amend, and terminate education savings plans specimen plans within 60 calendar days	85%	92.1%	97.5%	91%
Actuarial valuation reports	Review actuarial valuation reports within nine months and provide written approval of the recommended employer contributions	80%	63.4%	50.7%	52%
Deferred income plans – response to written enquiries	Respond to written enquiries within 60 calendar days	80%	85.9%	88.3%	98%

Service	Standard	Target	2010-2011	2011-2012	2012-2013
Deferred profit sharing plans – reviewing applications	Review applications to register new deferred profit sharing plans within 180 days	80%	100%	98.1%	100%
Deferred profit sharing plans – amendments and terminations	Review requests to amend and to terminate plans within 270 days	80%	81.4%	93.7%	97%
General enquiries – telephone service level	Respond to calls in the agent queue within two minutes	80%	81.8%	80.1%	82%
Business enquiries – telephone service level	Respond to calls in the agent queue within two minutes	80%	84.1%	81.2%	82%
Reporting compliance					
Claims – SR&ED tax incentives – refundable claims	Process claims for tax incentives from businesses that conduct scientific research and experimental development in Canada within 120 calendar days from receipt of a complete claim for refundable claims	90%	96.5%	96.5%	96%
Claims – SR&ED tax incentives – non-refundable claims	Process claims for tax incentives from businesses that conduct scientific research and experimental development in Canada within 365 calendar days from receipt of a complete claim for non-refundable claims	90%	96.7%	96.7%	96%
Claims – SR&ED tax incentives – claimant-requested adjustments to refundable claims	Process claims for tax incentives from businesses that conduct scientific research and experimental development in Canada within 240 calendar days from receipt of a complete claim, for refundable claims related to adjustments requested to previously filed income tax returns	90%	96.8%	95.1%	95%
Claims – SR&ED tax incentives – claimant-requested adjustments to non-refundable claims	Process claims for tax incentives from businesses that conduct scientific research and experimental development in Canada within 365 calendar days from receipt of a complete claim, for non-refundable claims related to adjustments requested to previously filed income tax returns	90%	94.9%	94.5%	94%
Claims – video and film tax credits – refundable claims – unaudited	Review T2 corporation income tax returns that include claims for the Canadian film or video production tax credit, the film or video production services tax credit, the BC film and television tax credit, the BC production services tax credit, the Manitoba film and video production tax credit, the Ontario film and television tax credit, and the Ontario production services tax credit within 60 calendar days from the date of receipt when no audit action is undertaken	90%	94.8%	95.9%	96.2%

Service	Standard	Target	2010-2011	2011-2012	2012-2013
Claims – video and film tax credits – refundable claims – audited	Review T2 corporation income tax returns that include claims for the Canadian film or video production tax credit, the film or video production services tax credit, the BC film and television tax credit, the BC production services tax credit, the Manitoba film and video production tax credit, the Ontario film and television tax credit, and the Ontario production services tax credit within 120 calendar days from the date of receipt where audit action is undertaken	90%	91.2%	79%	90.5%
Appeals					
First contact letter for disputes	Acknowledge taxpayer disputes within 30 calendar days after we receive them	85%	N/A	N/A	84% ¹
Service complaints – two-day acknowledgement	Acknowledge receipt of the complaint within two business days.	80%	96.6%	97.2%	92%
Service complaints – 30 day resolution	Resolve the complaint within 30 business days	80%	91.8%	94.5%	94.3%
Problem resolution program – acknowledge receipt	Acknowledge receipt of a problem within two business days	95%	95.3%	97.6%	98.2%
Problem resolution program – resolution	Resolve the problem within 15 business days. If we cannot (for example, if a case is complex), we will make contact within that time to indicate an anticipated date of resolution	95%	95.3%	97.5%	98.2%
Benefit programs					
Canada child tax benefit enquiries – telephone service level	Respond to calls in the agent queue within two minutes	75%	76.4%	76%	78%
GST/HST credit enquiries telephone service level	Respond to calls in the queue within two minutes	75%	77%	76.6%	77%
Processing benefit applications and marital status change forms – timeliness	Issue a payment, notice, or explanation within 80 calendar days	98%	98.7%	99%	99.8%
Processing benefit applications and marital status change forms – accuracy	Accurately process the appropriate payment and notice and, if necessary, issue a letter requesting additional information	98%	99.1%	97.5% ²	98.7%
Responding to benefit and credit enquiries – timeliness	Respond to written enquiries and telephone referrals from call centers within 80 calendar days	98%	94.9%	98.1%	98%

Service	Standard	Target	2010-2011	2011-2012	2012-2013
Responding to benefit and credit enquiries – accuracy	Respond to written enquiries and telephone referrals from call centers, with correct information, and accurately process new recipient information, including issuing a payment, notice, or letter	98%	98.6%	98.8%	98.1%
Validation and control – results of review	Inform you of the result of our review within 45 days after we receive the information requested	90%	96.4%	98.5%	99%
Processing a request to authorize or cancel a representative – timeliness (peak)	Process your request to authorize or cancel a representative received during peak tax time (mid-March to mid-July) within 20 business days of receipt by the CRA	90%	87.1%	89.8% ²	99.2%
Processing a request to authorize or cancel a representative – accuracy (peak)	Accurately process your request to authorize or cancel a representative; if necessary, we will send you a letter requesting additional information	98%	99.4%	99.7%	99.4%
Processing a request to authorize or cancel a representative – timeliness (non-peak)	Process your request to authorize or cancel a representative received during non-peak tax time, (mid-July to mid-March) within five business days of receipt by the CRA	90%	78.2%	88%	95.5%
Processing a request to authorize or cancel a representative – accuracy (non-peak)	Accurately process your request to authorize or cancel a representative; if necessary, we will send you a letter requesting additional information	98%	99%	99.2%	99.7%
Internal services					
Taxpayer requests for statistical tax data	Respond to taxpayer requests for statistical data within an average of 30 calendar days	100%	14 days	17 days	14 days

When service standards are expressed in numbers of days, they refer to calendar days, unless otherwise specified.

Results for prior years have been revised based on updated information.

¹ The measurement has been revised, affecting comparability with previous-year results, to more accurately report results by calculating the period of time when the first contact letter is sent and received, as opposed to measuring performance once the file has been closed.

² The result for this service standard was re-stated due to an error in rounding.

Challenges and exceptions

Advance income tax rulings to taxpayers

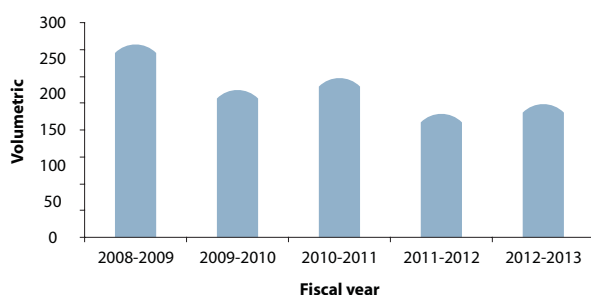
Standard: Issue advance income tax rulings to taxpayers within 90 business days of receipt of all essential information.

Target: 85%

2012-2013 result: 74%

This service standard was adjusted prior to 2012-2013 to extend the CRA's response window from 60 calendar days to 90 business days. The CRA had not met the prior standard since 2003-2004. Over the past year, resources from the Income Tax Rulings Directorate were devoted to two important initiatives: the development of income tax folios and the national technical capacity building forums. This shift in resources had some impact on the area's capacity to meet its service standard. We believe income tax folios are a long-term investment that will ultimately help us meet our service standard for advance income tax rulings.

figure 1 Total number of advance income tax rulings to taxpayers



Actuarial valuation reports

Standard: Review actuarial valuation reports within nine months and provide written approval of the recommended employer contributions.

Target: 80%

2012-2013 result: 52%

This service standard continues to be not met and is expected to remain not met through 2013-2014. Steps are being taken to automate the reviews of lower-risk actuarial valuation reports, which is expected to be in place by April 2015.

figure 2 Actuarial valuation reports



New and revised service standards 2013-2014

In 2013-2014, we will be introducing four new service standards in:

- Charities – written enquiries – routine;
- Charities – written enquiries – complex;
- Processing a request to authorize or cancel a representative – paper; and
- Processing a request to authorize or cancel a representative – electronic.

We will also be making a revision in assessment of returns and payment processing, T2 corporation income tax returns, which will be broken down into two service standards, one for electronic and one for paper.

[end notes]

- BoMOF assessment, www.cra-arc.gc.ca/gncy/bomof-cscd/ssmnt-eng.html
- Business Registration Evaluation Report, www.cra-arc.gc.ca/gncy/ntrnl/2013/bsnss-rgstrtn-eng.html#h2
- Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals, www.ceaa.gc.ca/default.asp?lang=En&n=B3186435-1
- CRA financial statements, www.cra-arc.gc.ca/gncy/nnnl/menu-eng.html
- CRA MAF assessment, www.tbs-sct.gc.ca/maf-crg/methodology-methodologie-eng.asp
- CRA sustainable development, www.cra-arc.gc.ca/sds/
- CRA unaudited financial information, www.cra-arc.gc.ca/gncy/nnnl/menu-eng.html
- CRA Web site, www.cra-arc.gc.ca
- E-services for business, www.cra-arc.gc.ca/businessonline/
- Federal Sustainable Development Strategy, www.ec.gc.ca/dd-sd/
- Government of Canada outcomes, www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx
- Government of Canada Tax Expenditures, www.fin.gc.ca/purl/taxexp-eng.asp
- Public Accounts of Canada 2012, www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html
- Summary of the assessment of effectiveness of the systems of internal control over financial reporting and the action plan of the Canada Revenue Agency, www.cra-arc.gc.ca/gncy/nnnl/menu-eng.html
- Tax Appeals Evaluation, www.cra-arc.gc.ca/gncy/ntrnl/2012/txpplsvltn-eng.html
- Treasury Board of Canada Secretariat, www.tbs-sct.gc.ca/tbs-sct/index-eng.asp

[organizational contact information]

Appropriate minister

The Honourable Kerry-Lynne D. Findlay, P.C., Q.C., M.P.
Minister of National Revenue

Institutional head

Andrew Treusch,
Commissioner of Revenue and Chief Executive Officer

Constituent act

Canada Revenue Agency Act, [1999, c. 17]

Year of incorporation/ commencement

1999

Mandate

The Canada Revenue Agency is responsible for: supporting the administration and enforcement of program legislation; implementing agreements between the Government of Canada and the government of a province, territory, or other public body performing a function of government in Canada; implementing agreements or arrangements between the CRA and departments or other agencies of the Government of Canada; and implementing agreements between the Government of Canada and First Nations governments to administer a tax.

Head office

Connaught building
555 MacKenzie Avenue, 7th floor
Ottawa ON K1A 0L5
Telephone: 613-957-3688
Fax: 613-952-1547
Website: www.cra-arc.gc.ca