



# Revenue Canada

## Performance Report

For the  
period ending  
March 31, 1996

Improved Reporting to Parliament –  
Pilot Document

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## Foreword

This document was prepared as phase two of the Improved Reporting to Parliament Project which has been established within the Treasury Board Secretariat to improve the Expenditure Management information provided to Parliament, and to update the processes used to prepare this information. This is part of a broader initiative known as “Getting Government Right” to increase the results orientation and increase the transparency of information provided to Parliament.

During the period from August 1995 to June 1996, extensive consultations were held with Members of Parliament and other key stakeholders to examine options to improve the information provided to Parliament. A clear requirement was identified to provide a focus on departmental performance and actual results achieved.

In June, 1996 the House of Commons gave its concurrence to tabling, on a pilot basis, separate performance reports from sixteen departments and agencies. These pilot documents will be evaluated, and if Parliament and others endorse the approach, Parliament will be asked to formally approve the introduction of separate performance reports for all departments and agencies beginning in the fall of 1997.

These documents are also available electronically from the Treasury Board Secretariat Internet site: <http://www.tbs-sct.gc.ca/tb/key.html>

Comments or questions about this document, or the Improved Reporting to Parliament Project, can be directed to the TBS Internet site, or to:

Government Review and Quality Services  
Treasury Board Secretariat  
L'Esplanade Laurier  
Ottawa, Canada  
K1A 0R5  
Telephone: (613) 957-7042

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# **Revenue Canada**

## **1995-96 Pilot Departmental Performance Report to Parliament**

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## Preface

This reference document is part of a pilot initiative for Improved Reporting to Parliament. It is primarily aimed at providing useful and timely information about program expectations and results with specific focus on 1995-96 to better assist Parliamentarians in their scrutiny role of departmental expenditures within the context of the New Expenditure Management System.

The document is divided into five sections:

**Section I: Minister's Message**

This section provides our Minister's vision for the Department.

**Section II: Departmental Overview**

This section provides basic information on the Department's overall roles and responsibilities, its objectives, commitments and priorities and a summary of voted appropriations.

**Section III: Corporate Performance Results**

This section provides a broad overview of departmental performance. It includes key departmental outputs as well as results in major re-engineering and restructuring initiatives.

**Section IV: Business Line/Activity Performance**

The Business Line Performance section summarizes performance and results related to key business line objectives.

**Section V: Supplementary Information**

This section provides more information on Revenue Canada's resources, revenues, expenditures and performance.

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## Section I

### Minister's Message

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For many Canadians, Revenue Canada is often their main link to the federal government. Indeed, few other departments deal with so many Canadians each day. For this reason, Revenue Canada has had to be particularly sensitive to the evolving role of government in our society as well as to the realities of an increasingly competitive and global economy.

At the same time, in an era of resource reductions, an important challenge has been to improve and maintain the high quality of service that Canadians have come to associate with the integrity of administration of our programs. Revenue Canada has been innovative, especially in terms of its smarter use of contemporary technology.

Underlying all our efforts is the belief that, if they understand their rights and obligations, and we make compliance as simple as possible, the vast majority of Canadians will freely comply with the law. Emphasis on personal service, and information readily available in both print and electronic form have been fundamental elements of our approach to client satisfaction.

At Revenue Canada, we have been engaged in a massive re-engineering project, involving the administrative consolidation and reorganization of the former departments of Customs and Excise, and Taxation. By integrating the

revenue and customs functions, we have designed an administration that improves service while reducing the compliance burden and costs for both businesses and individual taxpayers. Consolidation allowed us to give citizens and businesses single window access to a host of services in the areas of tax administration, border services, trade administration and social and economic benefit delivery.

With the announcement of the Canada border and revenue agency, our next challenge is to build on these achievements by creating a wholly new kind of national organization that serves the collective interest of both the provincial and federal governments and that will have greater flexibility to tailor its policies and programs to meet its unique mandate and needs. Revenue Canada already performs services for the provinces, including the collection of sales and income taxes. By pursuing this challenge with the provinces, the government hopes that it will encourage the move towards more harmonization and single administration of taxes in Canada. This kind of federal-provincial co-operation can mean less complexity, less cost, and a reduced compliance burden for all Canadians.

I am pleased to present Revenue Canada's 1995-96 Performance Report outlining achievements we have collectively made for the benefit of all Canadians.

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Minister of National Revenue

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## Section II Departmental Overview

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### 1. Introduction

**R**evenue Canada exerts a profound influence on the lives of all Canadians, the social and economic well-being of their families and communities, the health and prosperity of their businesses, and the affordability and sustainability of their social programs.

The reason for this profound influence is that Revenue Canada is mandated to collect revenues; to administer tax laws, both for the federal government and on behalf of some provinces and territories; to administer trade policies and legislation; to provide border services; and to make certain social and economic payments to individuals and corporations.

In doing so, and under its general mandate from the *Department of National Revenue Act*, Revenue Canada administers the *Customs Act*, the *Customs Tariff*, the *Special Import Measures Act*, the *Excise Act*, the *Excise Tax Act*, the *Income Tax Act*, Part I of the *Canada Pension Plan*, Parts IV and VII of the *Employment Insurance Act*, and numerous other pieces of legislation on behalf of other federal departments and provincial and territorial governments.

Revenue Canada collects income taxes for the provinces and territories under agreements entered into by the

Minister of Finance with the provincial and territorial governments concerned according to provisions of Part III of the *Federal-Provincial Fiscal Arrangements Act*. The Department also administers International Tax Agreements signed with a large number of countries aimed at promoting the exchange of information between treaty partners and the avoidance of double taxation of foreign-earned income of their respective citizens.

Revenue Canada protects Canadian individuals, business and society as a whole from the entry of dangerous or illegal goods (e.g., drugs, weapons) and inadmissible people (e.g., criminals, illegal immigrants). The Department also administers border and trade legislation, including international agreements, such as the World Trade Organization (WTO), the Canada U.S. Free Trade Agreement (FTA), and the North American Free Trade Agreement (NAFTA), as well as domestic laws, such as the *Exports and Imports Permits Act* aimed at protecting and supporting sovereignty at the border, Canadian industrial competitiveness, economic policies and society as a whole.

Furthermore, Revenue Canada administers numerous pieces of legislation, in whole or in part, on behalf of other departments, notably: Agriculture and Agri-Food; Industry; Citizenship and Immigration;



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International Trade; Health; and Environment.

In carrying out its mandate, Revenue Canada administers more than 185 acts, regulations, incentives, credits, surtaxes, and international tax treaties.

In 1995-96, the Department served some:

- 21.2 million individual income tax filers;
- 1.1 million corporations;
- 2.2 million Goods and Services Tax (GST) registrants;
- 1.2 million employers;
- 150,000 large importers and exporters;
- 106 million travellers;
- 23,000 registered pension and deferred profit sharing plans;
- 74,000 charities; and

processed:

- \$236.9 billion in trade representing more than 24.8 million transactions resulting from 9.8 million commercial entries;
- 36 million Child Tax Benefit payments;
- 41 million GST credit payments;
- 21.2 million public enquiries (includes approximately 2.1 million automated Tax Information Phone System enquiries).

In 1995-96, the Department collected gross revenue of \$212.4 billion. After refunds, drawbacks and credits, net revenue collected totalled approximately \$165.9 billion, of which \$123.4 billion was federal revenue (as shown in Section V, Appendix 6). This typically represents about 95% of all federal budgetary revenue collected by the Government. Revenue Canada collects: federal income tax; personal income tax on behalf of all provinces except Quebec; corporate income tax on behalf of all provinces except Alberta, Ontario and Quebec; the Goods and Services Tax (GST) in all provinces except Quebec; commodity taxes, Excise duties and import levies; provincial sales, alcohol and tobacco taxes at the border on behalf of certain provinces; employee and employer contributions under the *Canada Pension Plan*; and employee and employer premiums for Employment Insurance.

## **2. Program Objective**

To ensure the fair and timely assessment, collection and, where appropriate, refund of all taxes, duties and other relevant charges and levies; to enhance the competitiveness of Canadian business through the administration of a wide variety of the Government's trade policy instruments and the facilitation of trade, international commerce and tourism; to ensure compliance with Canadian laws and sovereignty at the border, and protect Canadian business, individuals and society generally from

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inadmissible or dangerous goods and people; and to support the social and economic programs and goals of the Government such as competitiveness through fair and equitable administration of legislation, international treaties and agreements and other federal and provincial statutes and regulations.

### **3. Key Program Commitments**

Revenue Canada is committed to provide Canadians with:

#### **a. Effective Revenue Administration**

Administer the taxation regime for the Federal Government and certain provinces and territories by assessing and collecting taxes, duties and other levies and payments; and deliver a number of social and economic benefits designed to be administered through the administration of Revenue Canada's programs.

#### *Assistance to Clients and Assessment of Returns*

- explore alternative means of providing information and answering enquiries, including:
  - continued simplification of publications and other program modifications to reduce the need for clients to contact Revenue Canada;
  - enhance automated voice response enquiries systems and other self-service options; and

- provide service through alternative media such as the Internet

- expand the use of electronic filing technology to accommodate corporate tax returns and move towards electronic individual and commercial transactions in order to deliver faster and more consistent services
- re-engineer major business processes, including the implementation of a single Business Number to streamline and simplify the registration of Revenue Canada's main business clients
- establish a more proactive program of consultation with clients to identify measures to reduce the burden of compliance

#### *Verification and Enforcement*

- implement a comprehensive compliance strategy to maximize the impact of departmental activities on compliance levels
- implement a new approach to large business audits to reduce the burden on businesses and optimize the use of resources
- maximize compliance of small and medium enterprises through improved risk assessment processes and a sector approach to compliance
- manage the scientific and financial reviews of taxpayer requested adjustments within the targeted deadline of end of fiscal year 1996-97
- identify at an earlier stage abusive tax avoidance and tax shelter arrangements and audit all potentially abusive cases
- reinforce the international tax compliance strategy to better reflect

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trading patterns, to ensure Canadian businesses are not burdened by double taxation, and to assist with trade

- reinforce current strategies under the Underground Economy initiative through sector-specific strategies

#### *Revenue Collections*

- re-engineer the revenue collections program to identify additional opportunities for enhancement, including adoption of best practices from local offices, private sector, and other tax administrations
- harmonize the collections provisions of the Income Tax, Excise, Excise Tax and Customs Acts to encourage employers to comply with requirements regarding deductions, remittances and reporting
- develop an Integrated Revenue Collections system to allow clients and their representatives to deal with only one Revenue Canada official for all collections activities for all revenue types
- reduce Income Tax accounts receivable levels to 4% of gross Income Tax revenues by March 1997

#### *Appeals*

- provide clients with a means of redress through an impartial review of Notices of Objection and Appeals within reduced timeframes
- analyze the reasons for objections to ensure optimal practices and techniques are used throughout the Department

#### **b. Smart Borders**

Enforcement of Canadian laws and sovereignty at the border

- protect Canadians, through refocusing of verification and enforcement resources to areas of highest risk and return
- facilitate the movement of legitimate people, goods and conveyances into Canada
- collect government revenues, by ensuring that duties, taxes and other levies at the border are correctly assessed and efficiently collected
- deliver government programs at the border efficiently and cost-effectively through the development of partnerships with clients, stakeholders, other government departments and other customs administrations

#### **c. Supportive Trade Administration Services**

Support of Canadian industrial competitiveness and economic policies

- administer international trade legislation and agreements to which Canada is a signatory
- ensure that Canadian business receives the advantages intended by such agreements and other government trade policy instruments
- protect Canadian industry from unfair trade practices
- administer duty relief measures
- re-engineer the customs commercial process by moving from a paper-base transaction approach to periodic verification for large and frequent importers

Sections III, IV and V will elaborate on Revenue Canada's

achievements in these areas.

#### 4. Financial Summary

##### a. Use of 1995-96 Authorities - Volume II of the Public Accounts

Vote	(dollars)	Main Estimates	Total Available for Use	Actual Use
<b>National Revenue</b>				
1	Operating expenditures	1,779,862,000	1,853,618,528	1,817,933,206
5	Capital expenditures	63,074,000	63,675,063	61,275,135
10	Contributions	94,417,000	94,417,000	91,763,435
(S)	Minister of National Revenue - Salary and motor car allowance	48,645	48,645	48,645
(S)	Contributions to employee benefit plans	199,596,000	209,583,000	209,583,000
(S)	Children's Special Allowance payments		40,134,823	40,134,823
(S)	Spending of proceeds from the disposal of Surplus Crown Assets		472,426	277,414
(S)	Court Awards		361,671	361,671
(S)	Refunds of Amounts Credited to Revenue		520,292	520,292
<b>Total Ministry - Budgetary</b>		<b>2,136,997,645</b>	<b>2,262,831,448</b>	<b>2,221,897,621</b>

##### b. Use of 1995-96 Authorities by Activity

Activity (in millions of dollars)	Estimates <sup>1</sup> 1995-96	Total Available for Use	Actuals 1995-96
Assistance to Clients and Assessment of Returns	561.7	636.0	648.0
Customs Border and Trade Administration Services	376.9	403.4	389.0
Verification and Enforcement	436.8	459.5	452.6
Revenue Collections	212.3	210.7	201.1
Appeals	58.1	57.9	56.2
Administration and Information Technology	605.5	610.4	590.1
Revenues Credited to the Vote	(114.3)	(115.1)	(115.1)
<b>Total Ministry - Budgetary</b>	<b>2,137.0</b>	<b>2,262.8</b>	<b>2,221.9</b>
<b>Human Resources (FTE)</b>	<b>39,299</b>	<b>39,698</b>	<b>38,786</b>

<sup>1</sup> As last reflected in Part III of the 1996-97 Estimates.

### c. Cost of 1995-96 Program

(in millions of dollars)

		Comparison of Total Authorities Available for Use to Actuals				
		Budgetary			Less:	
		Operating <sup>1</sup>	Capital	Transfer Payments	Revenues Credited to the Vote	Total
Assistance to Clients and Assessment of Returns	Available	500.7	.7	134.6		636.0
	Actual	515.4	.7	131.9		648.0
Customs Border and Trade Administration Services	Available	391.6	11.9			403.5
	Actual	381.9	7.1			389.0
Verification and Enforcement	Available	454.0	5.5			459.5
	Actual	444.9	7.7			452.6
Revenue Collections	Available	209.4	1.3			210.7
	Actual	200.6	.5			201.1
Appeals	Available	57.6	.2			57.8
	Actual	56.1	.1			56.2
Administration and Information Technology	Available	566.0	44.4			610.4
	Actual	544.8	45.3			590.1
Revenues Credited to the Vote	Available				(115.1)	(115.1)
	Actual				(115.1)	(115.1)
<b>Total Budgetary</b>	<b>Available</b>	<b>2,179.3</b>	<b>64.0</b>	<b>134.6</b>	<b>(115.1)</b>	<b>2,262.8</b>
	<b>Actual</b>	<b>2,143.7</b>	<b>61.4</b>	<b>131.9</b>	<b>(115.1)</b>	<b>2,221.9</b>

<sup>1</sup> Includes contributions to employee benefit plans and Minister's salary and motor car allowance.

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## Section III Corporate Performance Results

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### Key Program Achievements in 1995-96

Collectively, all of Revenue Canada's initiatives undertaken in 1995-96 demonstrated the Department's commitment to:

- maintaining the integrity of the government revenue base through a responsible mix of service facilitation and enforcement activities;
- optimizing the use of resources in an era of budget restraint;
- reducing overlap and duplication, and reducing the cost of compliance burden to clients;
- supporting international competitiveness of the Canadian economy and Canadian businesses; and
- contributing to government priorities.

More specifically, Revenue Canada made significant achievements in the following endeavours:

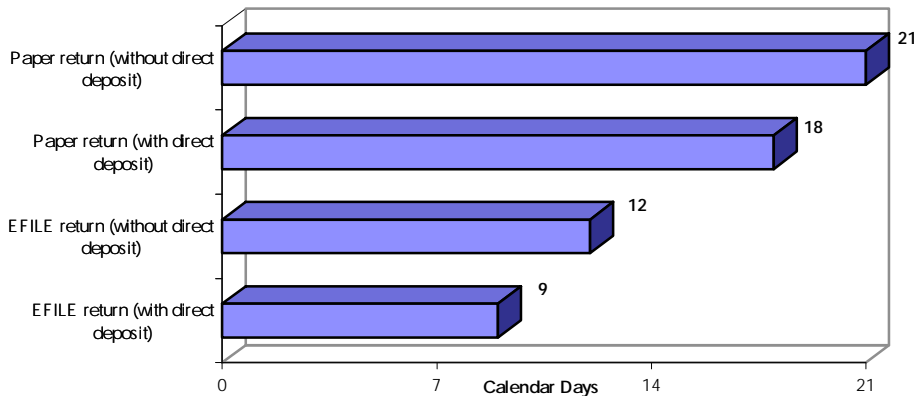
#### a) **Effective Revenue Administration**

*Improved Processing Times:* In the 1996 filing season, Revenue Canada's average processing time for all electronically filed (E-FILE) returns was 11 days compared to 12 days in 1993. The average processing time for all paper returns was 19 days, compared to 33 days in 1993. This improved time is due primarily to an enhanced technology-based processing system that the Department introduced in 1993. The system is providing service to clients by: providing faster Notices of Assessment and refunds to clients, resulting in fewer changed Notices of Assessment, particularly in the case of E-FILE returns; and reducing the need for clients to contact the Department in search of their refund.

The following graph shows the average time it takes to receive a refund:

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### Average Time to Receive a Refund\*



\*The time indicated is calculated from the time Revenue Canada receives the return to the time the client receives his/her refund.

#### *Efficient Handling of Enquiries:*

Revenue Canada responded to more than 21 million enquiries by telephone, counter, correspondence and automated telephone enquiries services from individuals and businesses in fiscal year 1995-96. The telephone is the preferred means of communication by Canadians. It is also Revenue Canada's most cost-effective delivery mode. Of the 15 million telephone enquiries, more than 6 million calls were received during the 1996 filing season - January 1 to April 30.

In addition, during that period, Revenue Canada answered approximately 2.1 million enquiries through the fully automated Tax Information Phone Service (TIPS). This is a computerized voice response system that provides clients with general and personal income tax information on a number of topics, and is available across Canada.

The Department is aware that some clients have had difficulty getting through by telephone. One reason is the increasing use of the redial feature by some callers, resulting in reduced access by others trying to reach Revenue Canada. It has also been observed that an increasing majority of the calls are being made to find out whether or not cheques have been mailed.

As a first step to address this problem, the Department introduced a new Automated Enquiries Response System (AERS) in Montréal which responded to 97,000 calls during the January 1996 GSTC cheque issuance period. For the April 1996 cheque issuance period, AERS was operational in both Montréal and Toronto, and responded to 267,000 calls. With AERS, callers hear a recorded message which provides information on the mailing and delivery dates of GST Credit cheques for that quarter. The system allows for 100% accessibility to

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the recorded message during the peak GSTC enquiry period.

Work has begun to implement AERS nationally, and to expand the system to handle Child Tax Benefit cheque enquiries as well. Meanwhile, the Department continues to explore further opportunities for redesigning and improving departmental telephone systems to meet clients' needs and achieve appropriate standards, at affordable costs.

A number of other service improvements were also introduced during the 1996 filing season. For example, the Quebec Tax Services Office ran a pilot project enabling clients to make appointments for service at the counter. The project was considered a success by both clients and staff and will be expanded next year to other offices. At the Toronto Centre Tax Services Office, a queue management system was introduced, reducing the average counter waiting time by nearly 75%. The system allows Revenue Canada staff to accurately gauge the number of clients waiting to be served and to display the average waiting time at any given moment.

*Simplifying Guides and Publications:*

Revenue Canada publishes a wide variety of returns, schedules, guides, and pamphlets to help Canadians file their personal income tax returns. To cut costs, reduce paperburden, and improve client service, various forms and guides were extensively modified and in some instances completely eliminated. For example, the new all-inclusive T1 General package and other related simplification initiatives have resulted in cost savings of nearly \$2 million.

All Revenue Canada publications are available at Revenue Canada's tax services offices or by phone. The numbers are listed under "Revenue Canada" in the Government of Canada section of the telephone book. Many publications are available on request in alternative formats: braille, large print, audio cassette, or computer disk.

Copies of forms and publications, including the income tax package for their province, are now available to clients on the Internet.

The following chart shows publishing savings in terms of money and paper:



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Publication	Annual saving (\$)	Reduction in pages printed
Replacement of tax tables	1,200,000	288 million
Elimination of telephone listings	400,000	32 million
Simplification of RRSP publications	67,000	15 million
Generic version of T1 General	265,000	N/A
<b>Total</b>	<b>1,932,000</b>	<b>335 million pages</b>

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Targeting the Underground Economy: This initiative was launched in 1993 to deal decisively with the underground economy. During 1995-96, the Department continued and enhanced this initiative. The overall measures directed at the underground economy resulted in \$550 million of additional federal and provincial taxes. Since November 1993, over \$1.4 billion in additional taxes have been assessed. Additional information about this initiative is contained in Section IV, Business Line/Activity Performance.

Registered Pension Plan Harmonization: Revenue Canada continued to work with provincial pension benefit standard regulators to harmonize the filing of an integrated annual information return. Plan administrators in five participating provinces accounting for 65 percent of the registered pension plans in Canada are now able to file only one return with the provincial regulator to satisfy both Revenue Canada and provincial requirements. These regulators have also adopted a single identification number for registered pension plans.

All other provinces are also developing integrated returns and are expected to participate in this initiative before 1998. This initiative has improved client service by eliminating duplication and reducing the paper burden and costs.

Supported Community Volunteer Program: The Community Volunteer Program, a community-based outreach program designed to make it easier for people to file their tax returns, marked its 25<sup>th</sup> anniversary in 1996. Revenue Canada provides training sessions to representatives of community organizations and other interested individuals on how to complete basic income tax returns. The volunteers in turn help eligible clients complete their personal tax returns free of charge. As a result of this program and other strategies which facilitate filing, many more Canadians are becoming aware of their responsibilities under the system of self-assessment. This program also benefits the student volunteers who gain practical work experience as well as a greater understanding and appreciation for the workings of

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Canada's tax system. Since 1995, the number of volunteers has increased by over 25%, and has more than doubled since 1987.

*E-FILE/TELEFILE*: Reported as an initiative since 1990-91, Electronic Filing (E-FILE) is an automated, paperless alternative to T1 filing involving the electronic transmission of tax information -- via secure communication lines -- by tax preparers and other authorized agents. During the 1996 filing season, approximately 4.5 million T1 individual returns were filed electronically, representing about 22% of all returns filed by individuals. In addition to E-FILE, a TELEFILE pilot project was conducted in 1995 in New Brunswick for a group of clients consisting of seniors and credit filers. The pilot allowed these clients to transmit their individual income tax information to Revenue Canada by telephone and will be continued again for 1996 to assess the take-up rate and plan for any future expansion. Approximately 64,000 clients were eligible for the project; during the 1995 filing season, 4% (approximately 2,800) successfully filed using the TELEFILE method. During the 1996 filing season, this number nearly doubled to 7.5% or 4,677 clients.

*Electronic Funds Transfer (EFT)*: The Electronic Funds Transfer (EFT) program began in 1991; it lets businesses remit payroll deductions, corporate instalments and non-residents tax using EDI. Payments for the first six months of 1996 totalled 550,000 for \$10.8 billion compared to \$10.9 billion for all of 1995. The Department also

implemented the GST electronic data interchange (EDI) system in October 1994. The system allows accepted GST registrants to file and pay GST electronically. In 1995, the Department introduced direct deposit for GST refunds. By March 31, 1996, \$3.8 billion in refunds had been deposited directly to the accounts of 43,000 registrants.

*Joint Service Initiative - Net Income Stabilization Account (NISA) Audits*: The Farm Income Protection Act allows farmers to contribute portions of their farm income to a trust account (NISA) during prosperous years and withdraw amounts during less lucrative years. Audits of NISA participants are conducted to identify instances of non-compliance with the provisions governing eligibility of participants making payments to and receiving amounts from their NISA fund. Agriculture and Agri-Food Canada and Revenue Canada signed a Memorandum of Understanding agreeing that Revenue Canada would conduct such audits in conjunction with Income Tax audits commencing in fiscal year 1995-96.

*Enhancing the International Tax Advisor System*: One of the main tools Revenue Canada staff rely on to ensure that the Canadian tax base is adequately protected when dealing with non-resident issues is the computer based expert system known as International Tax Advisor System (ITAS). The Residency Determination Advisor (RDA) component of this system is now fully operational and is designed as a tool to assist officers with residency status queries. A person's residency

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status determines how that person should be taxed. In October 1994, the RDA system was awarded a gold medal at the second Annual Celebration of Information Management Excellence in the Federal Government.

*Children's Special Allowance (CSA) Payments:* These are payments made in respect of children cared for by federal and provincial agencies and institutions, under the authority of the *Children's Special Allowance Act*, in lieu of payments that would otherwise be made to parents under the Child Tax Benefit (CTB) program. The responsibility for, and resources associated with, the CSA program as well as for the determination of CTB eligibility were transferred from Human Resources Development Canada, effective August 28, 1995. The consolidation of these programs under one department is intended to provide a single point of contact for clients, and maximize administrative efficiencies through the elimination of duplicate data bases and processes.

**b) Smart Borders**

*Facilitate movement of low-risk travellers:* Expansion of the Primary Automated Lookout System (PALS) Highway System to 32 border crossings greatly improved the Department's enforcement capabilities by facilitating movement of low-risk travellers and allowing resources to be concentrated on high-risk travellers. About 84% of land travellers now pass through the PALS highway system.

*NATAP Prototype/Intelligent Transportation Systems (ITS) (NATAP):*

The North American Trade Automation Prototype (NATAP) is an electronic commerce initiative founded on common data elements, documents and processes. The Prototype will attempt to demonstrate ways to eliminate much of the duplication occurring today between the trade community and the customs administrations of Canada, the U.S. and Mexico. The project will also test the use of Intelligent Transportation Systems (ITS) and the concept of a seamless border for low risk cargo and pre-approved drivers.

Accomplishments to date include: trilateral agreement and sign-off of common data elements and border clearance processes, development of a NATAP data entry software package for use by the trade community, agreement on a common immigration process for approving and registering drivers, registration and training of numerous trade community participants, and the successful negotiation of a shared funding agreement between the Canadian and the American customs administrations and Departments of Transport. In September 1996, ITS pilot testing will begin at two Canada/U.S. Border sites and four Mexico/U.S. Border sites.

*Travellers Service Program:* For establishing and monitoring service standards, the travellers measurement programs have now been expanded to measure the level of compliance (visitors and returning residents reporting separately); client satisfaction with service received; and, wait-times experienced while waiting for service.

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The results of these measures will appear in future Performance Reports.

An initial training workshop “First Impressions Count” was developed and delivered to front line employees in 1995.

CANPASS: CANPASS is an initiative that expedites the movement of low-risk pre-approved travellers using a special permit to enter Canada through remote border crossings, highway offices or commercial airports, as well as by private aircraft and marine pleasure crafts. As outlined in Section IV, the program was expanded to several sites in 1995-96.

Customs Firearms Initiative: The Department continues to work closely with its federal and provincial partners in the drafting of policy and regulations and on the development of the infrastructure and delivery mechanisms for the firearms legislation including the new Canadian Firearms Registration System.

The Department also is taking steps to increase cooperation with the RCMP and other enforcement agencies

on information sharing and intelligence gathering at the national and provincial levels as demonstrated by our involvement in the new Firearms Intelligence Unit in the Criminal Intelligence Services of Canada, the National Working Group on the Illegal Movement of Firearms and the Ontario Provincial Weapons Enforcement Unit.

Anti-Smuggling Initiative (ASI): Revenue Canada plays a key role in implementing the Government’s National Action Plan to combat smuggling, which was introduced in 1994. The Department works closely with the Solicitor General of Canada, the RCMP, Health Canada, and the Department of Finance in an effort to more effectively combat the smuggling and sale of contraband products.

Revenue Canada has succeeded in implementing a multi-faceted program of control, deterrence and enforcement at the border which produced substantial results as enforcement continued to be directed at tobacco, alcohol, drugs and firearms smuggling. In 1995-96, there were 15,440 seizures involving these commodities with a value of \$752.6 million.

Joint Service Initiatives:

○ Points of Entry Re-engineering Initiative: Revenue Canada and Citizenship and Immigration Canada have undertaken an in-depth review of traveller inspection activities that are

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conducted by both departments at points of entry. This joint review identified commonalities and areas for greater efficiencies within current programs. The findings of the review, and a series of proposed recommendations are being re-examined within the context of the announced Canada border and revenue agency.

○ Agriculture and Agri-Food Canada: The Phase I pilot test with Agriculture and Agri-Food Canada, to improve the level of compliance of commercial agricultural imports, was initiated in May 1995 at Kingsgate, British Columbia and Coutts, Alberta. Evaluation reports concluded that the objectives have been achieved: compliance and referrals have improved; service to importers has improved; and the working relationship between staff of both departments has been strengthened. Phase II commenced in December 1995 at Sarnia, Ontario and Saint-Bernard-de-Lacolle, Quebec. If the results of the Phase II evaluation are equally positive, both departments are considering national implementation on a 24-hour a day basis.

**c) Supportive Trade Administration Services**

*New Business Relationship:*

○ Aerospace and Automotive Application Tests: Tests were implemented in 1993 and 1994, respectively, to develop a customs process which eliminates duplication, reduces paper burden and streamlines processes for these specific industries. As of the end of 1995-96, both Revenue

Canada and the test participants have realized operational efficiencies and non-test participants within these industry sectors have requested that application test features be made available to them.

○ Periodic Verification: Building on the success of the concepts tested within the automotive and aerospace sectors, a periodic verification initiative was developed and implementation began in the Fall of 1995. Where once the focus of verification was restricted to an individual shipment or transaction, transactional reviews are now supplemented with periodic verification (review of transactions over a period of time) which uses audit techniques such as on-site or desk reviews. It has been found that periodic verification techniques are effective tools for identifying compliance irregularities. Canadian trading demographics show that 91% of value of importations are done by large business for whom periodic verification is a viable alternative.

Customs audits are now being conducted in several industry sectors with the aim of establishing their levels of compliance.

○ Small Business: In an effort to re-align Customs procedures and processes with the needs of clients, Revenue Canada undertook to gain a better understanding of its Customs client base.

Comprehensive client demographics studies, which were conducted in conjunction with Statistics Canada, revealed that small businesses

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comprise about 95% of Canada's 150,000 importing clients, but account for only 9% of the value of imported goods. Of these clients, 88% import fewer than 13 times per year. It was recognized that the needs and abilities of small businesses were vastly different from the large businesses.

In order to identify these distinct needs and capabilities, two reports on small businesses were completed. One provided further details on small business importers and their characteristics and the other provided the results of consultations with small business importers who do their own customs clearances.

To better understand the composition of the courier low value shipments (LVS), a survey was initiated. From this survey, a better understanding of this important sector of commercial shipments was obtained and served to support various proposals to streamline customs procedures.

*The Commercial Service Program:* Client and employee consultation, including surveys and focus groups were conducted during 1995-96 to provide Customs Border Services with the necessary guidance to enhance customs commercial services and establish standards for service delivery. These standards will form the basis of all commercial programs, service initiatives, accountability regimes, strategies for continuing client consultation, internal communication and continuous learning. The standards will also serve as a primary tool for program monitoring of service levels and client satisfaction.

As part of our comprehensive approach to service improvement, there will be service orientation training for all Customs Border Services employees this fiscal year. A Problem Resolution Program and Client Satisfaction Rating Cards have also been developed and will be implemented in 1996-97.

*Accelerated Commercial Release Operations Support System (ACROSS):* During 1995-96 extensive system development, testing and implementation activities were made on Accelerated Commercial Release Operations Support System (ACROSS). On April 22, 1996, ACROSS was successfully implemented nationally. Reaction from the importing community has been very positive, particularly with respect to the expanded use of electronic commerce which provides: reduced paper handling costs; transmission of cargo and release data on a national basis 24 hours per day, seven days per week; elimination of hard copy paper import permits required by Foreign Affairs and International Trade; streamlining of client operations (i.e. with ACROSS there is no need to have a physical presence in order to present release data anywhere in Canada); greater system flexibility which will allow Revenue Canada to customize service options to meet individual clients needs; and use of more sophisticated and powerful targeting tools.

*Duty Deferral Program (Bill C-102):* With Bill C-102 (An Act to amend the *Customs Act* and the *Customs Tariff Act* and to make related and consequential amendments to other Acts) receiving

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Royal Assent on December 5, 1995, the Duty Deferral program was implemented January 1, 1996. The number of regulations for the duty deferral program was reduced from 9 to 2. An extensive communication program was implemented for the importing community prior to the implementation of the Bill. The administration and delivery of the program were simplified and resulted in reduced costs for the business community while

promoting export growth and competitiveness.

**d) Other Endeavours**

*Contributing to Government*

*Reductions:* Revenue Canada has met its Program Review reduction of \$80 million for 1995-96. Revenue Canada is not a most affected department and, as such, the Workforce Adjustment Directive remains in place. The Department successfully placed its affected employees for fiscal year 1995-96. The Department is also contributing to the government-wide effort of placing affected employees through its participation on national and regional joint placement committees. In 1995-96, 162 affected employees from other departments were placed within Revenue Canada.

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## **Section IV Business Line/Activity Performance**

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### **A. Assistance to Clients and Assessment of Returns**

#### **1. Objective**

To foster self-assessment and compliance and to process client returns.

#### **2. Description**

To communicate to clients their rights and obligations; to develop and maintain a registry of clients; to provide them with the necessary forms and information for filing returns accurately and on time; to respond to client enquiries; to process and assess their returns when received; to advise clients of results through the issuance of notices of assessment; to process payments; to update client accounts for all assessments and remittances; and to conduct a limited verification of items that were accepted at the assessing stage. Also included are an advisory function to other government departments with respect to the administrative feasibility of new legislation and treaties under negotiation; activities related to the registration of charities, pension and deferred income plans; and the provision of advance rulings on the tax implications of potential transactions.

#### **3. Major Achievements**

○ Responded to 21.2 million enquiries from both individual and business clients, of which 2.1 million enquiries were answered by way of the automated Tax Information Phone System.

○ Introduced the Business Number nationally in 1995 as a way to streamline the registration of Revenue Canada's four main business clients: GST remitters, employers, corporate taxpayers, and importers/exporters. By March 31, 1996, 800,000 accounts had been converted to the new Business Number and 270,000 new clients had been registered using the single number. Not only is this a major tool in the reduction of compliance costs for our clients, the Business Number greatly enhances service to clients and facilitates more efficient enforcement.

○ Established Business Windows in 48 Tax Services Offices as a single point of contact for Revenue Canada business clients for integrated registration and enquiries.

○ In 1995 the Department introduced direct deposit for GST refunds. As of March 31, 1996 \$3.8 billion was deposited directly and 43,000 registrants had chosen to use direct deposit. The Department's electronic funds transfer is growing as many financial institutions are now offering Revenue Canada as one of the payments options on both their personal telephone banking services and, where available, their personal computer banking services.



○ The Department has been nominated for a “Technology in Government” award for the development of a system to resolve invalid Social Insurance Number information. This system was applied to information on file in Human Resource Development Canada, most specifically to data accumulated from 1966 to 1990. As a result 600,000 entries were resolved, and \$2 billion of earnings corrected in client CPP records.

○ The Department, in order to maximize its efficiency has implemented a process which re-engineers the approach used to process individual tax returns. Previously, the system involved a front-end review and some taxpayer contact before an assessment notice was issued. The new processing system will

accept most returns as filed, complemented by enhanced verification procedures. This has resulted in improved client service through a reduction in processing timeframes.

○ The average processing time for individual returns continued to decrease from 33 days to 19 days for paper returns, and from 12 days to 11 days for E-FILE returns between 1993 and 1996.

○ During the 1996 filing season, approximately 4.5 million individual returns were filed electronically, an increase of approximately 500,000 returns from the previous year, representing 22% of all returns filed by individuals.

#### 4. Key Performance Information

**Figure 1-1: Public Enquiries Handled**

Enquiries (000's)	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
Public Enquiries <sup>1</sup>	16,708	16,558	18,458	19,294	19,129
Associated FTE <sup>2</sup>	1,966	1,808	1,876	2,019	2,093
Enquiries Handled per FTE	8,498	9,158	9,839	9,556	9,140
<sup>1</sup>	Excludes approximately 2.1 million enquiries answered by way of automated voice response systems. Beginning in 1995-96, data includes enquiries related to the Goods and Services Tax and employer deductions at source, due to the consolidation of the departmental enquiry programs. The 1994-95 actual reflects a one-time increase in enquiries related to the elimination of the Capital Gains Exemption.				
<sup>2</sup>	Associated FTE includes overtime.				

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**Figure 1-2: Tax Filers by Type**

(000's)	Estimates 1995-96	Actual 1995-96
Individuals <sup>1</sup>	21,190	21,168
Corporations	1,050	1,088
Goods and Services <sup>2</sup>	1,667	1,719
Total Tax Filers	23,907	23,975
Associated FTE	7,177	6,955
Tax Filers per FTE	3,331	3,448

<sup>1</sup> Includes 155,000 trust returns in 1995-96 Estimates and 181,000 trust returns in 1995-96 Actual.  
<sup>2</sup> Excludes 440,000 tax filers registered in the province of Quebec, for a total of 2,107,000 nationally for 1995-96 Estimates and excludes 441,000 tax filers registered in the same province for a total of \$2,160,000 for the 1995-96 Actual.

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**Figure 1-3: Processing Review (Individual), Additional Tax Assessed <sup>1</sup>**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
Returns Reviewed <sup>2</sup>	N/A	278,197	643,400	978,983	945,650
Additional Tax Assessed (\$000's)	N/A	18,278	54,500	75,790	123,000

<sup>1</sup> Includes additional federal and provincial taxes assessed.  
<sup>2</sup> This workload was introduced in 1993-94.

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**Figure 1-4: Matching of Individual Returns, Additional Tax Assessed**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
Returns Reviewed	886,615	1,333,500	1,352,168	1,337,000	1,400,036
Additional Tax Assessed <sup>1</sup> (\$000's)	195,277	227,100	215,687	230,000	250,119

<sup>1</sup> Includes additional federal and provincial taxes assessed.

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## **B. Customs Border and Trade Administration Services**

### **1. Objective**

To enforce Canadian laws and sovereignty at the border, and support Canadian industrial competitiveness and economic policies.

### **2. Description**

To enforce Canadian laws and sovereignty at the border and deliver customs border and trade services designed to advance and support the government's foreign policy and domestic socio-economic objectives, and thereby protect Canadian industry and society, through control of the movement of people, goods, and conveyances entering or leaving Canada and through the detection of contraband; to support Canadian industrial competitiveness by ensuring that Canadian business receives the advantages intended by various international agreements and other government trade policy instruments; and to support domestic economic policy, such as industrial development, by administering duty relief measures with respect to certain imported goods which are exempt from the application of the government's trade policies.

### **3. Major Achievements**

○ Implementation of the Uruguay Round - GATT 1994/WTO.

○ Finalization of the uniform trilateral customs regulations covering advance binding customs decisions, extended appeal rights and clearer origin rules under the NAFTA Agreement.

○ Successful completion in 1995-96 of the Trilateral North American Trade Automation Prototype negotiations to harmonize customs procedures and simplify trade practices through the use of common data, documents and systems.

○ Provision of extensive input into the development of the Canada-Israel Free Trade Agreement which led to a draft agreement in January 1996. Coordination of the beginning stages relating to the implementation of the customs portion of the Canada-Israel Free Trade Agreement.

○ Provision of extensive input into the negotiations towards a future Canada-Chile Bilateral Trade Agreement.

○ Introduction, under the Periodic Verification initiative, of a new methodology to change the focus of verification from a strictly transactional approach, to a review of transactions over time. Officers were trained to use this approach which is a more effective technique to identify compliance with Canada's trade legislation. Customs audits are now being conducted in several industry sectors.

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- Re-engineering of the bonded warehouse program as part of the duty deferral program undertaken by the Department of Finance.
  - Implementation in 1995-96 of Bill C-102 (An Act to amend the *Customs Act* and the *Customs Tariff Act* and to make related and consequential amendments to other Acts) which simplified and reduced the costs of importing for the business community and made the Duty Deferral program more accessible to small and medium businesses.
  - Successful development, testing and completion of EDI release through the Accelerated Commercial Release Operations Support System in 1995-96 (implemented on April 22, 1996).
  - Expansion of CANPASS Highway from two sites (Douglas, B.C. and Boundary Bay, B.C.) to include Pacific Highway, B.C. and Huntingdon, B.C. in 1995-96 and preparation for the opening at Lacolle, Quebec in April 1996; pilot testing of CANPASS Airport at Vancouver International began in October 1995; of CANPASS Private Boats in lower British Columbia mainland began in August 1995; and of CANPASS Small Aircraft at seven southern Ontario airports in 1995-96; and a joint Canada/U.S.A. pilot test of CANPASS Remote Ports began in February 1996.
  - Implementation of automated risk management through the Integrated Customs Enforcement System (ICES), which is now available at 80 sites across Canada encompassing 75% of our business volumes.
  - Improved targeting through expansion of the Primary Automated Lookout System (PALS) to a total of 32 sites (139 lanes) and implementation of the Air Passenger Targeting Program at Mirabel, Dorval, Toronto and Vancouver airports.
  - Extensive work towards developing a comprehensive national Contraband Strategy and considerable financial investment in developing and purchasing contraband technology and equipment (e.g., mobile X-ray, Vivid Stationary X-ray systems, Ion Scan machines) and implementation of enhanced controls and enhanced environment inspections at selected points of entry, have made it more difficult for controlled, dangerous and illegal goods, and inadmissible persons, to enter or leave Canada.
  - Strengthened partnerships in fighting contraband, through the signing of a Memorandum Of Understanding (MOU) with the Canadian Shipping Federation in November, 1995.
  - A number of completed and ongoing initiatives to reaffirm the commitment to client service including: ongoing development of service standards for the travellers stream; development and delivery of service training, “First Impressions Count”, to managers and front-line staff; consultations with thousands of travellers and commercial clients through focus groups, surveys and interviews; development of an impartial and transparent officer complaint

resolution process that is fair to both clients and customs officers; and the recosting of agreements with provinces regarding PST, tobacco taxes and liquor

mark-ups, which resulted in savings for participating provinces.

#### 4. Key Performance Information

**Figure 2-1: Travellers**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
Travellers Processed	119,872,262	107,847,881	103,831,402	105,500,000	105,538,207
Compliance Rate (%)					
– Air	N/A	N/A	87.3	88.0	92.3
– Highway	94.9	95.2	96.4	96.0	96.7
Client Satisfaction (%) <sup>1</sup>					
– Today	N/A	N/A	92.0	92.0	N/A
– Overall	N/A	N/A	85.0	85.0	N/A
<b>1</b>	These performance indicators were developed in 1994-95. The methodology used to measure the levels of client satisfaction was re-engineered during 1995-96 and, as a result, measurements were not taken during that period.				

**Figure 2-2: Commercial**

(in thousands)	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
Releases Processed <sup>1</sup>	N/A	7,090	7,720	8,200	8,182
Accounting Documents Processed <sup>2</sup>	N/A	8,056	9,050	10,015	9,994
Postal Shipments Assessed <sup>3</sup>	2,314	2,226	2,013	1,725	1,759
Courier Shipments Released <sup>4</sup>	N/A	N/A	5,120	6,400	5,971
<b>1</b>	Commercial shipments arriving by highway, air, rail and marine modes and released. New methodology to account for this workload developed in 1993-94.				
<b>2</b>	Customs Accounting Forms (B3s) processed. New methodology to account for this workload developed in 1993-94.				
<b>3</b>	Customs Postal Import Forms (E14s) processed.				
<b>4</b>	Courier shipments released with a value greater than \$20 and less than \$1,200 (a value greater than \$20 and less than \$1,600 after December 1, 1995). New methodology to account for this workload developed in 1994-95.				

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**Figure 2-3: Contraband and Fraud Statistics**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
Contraband Seizures					
– Value (\$000s)	527,000	1,507,000	919,500	900,000	1,002,000
Investigations					
– Cases Investigated	1,292	1,336	1,253	1,302	1,419
– Criminal Prosecutions Completed	225	202	122	140	144
– Prosecution Success Rate <sup>1</sup>	N/A	N/A	92%	N/A	98%
Revenue (physical seizures, ascertained forfeitures, voluntary entries)					
– Value (\$000s)	21,317	68,116	54,713	N/A	57,543
Court Fines					
– Value (\$000s)	2,193	2,000	2,300	N/A	1,521
<b>1</b>	New performance indicator developed in 1994-95.				

**Figure 2-4: Appraisal and Adjustment**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
Commodity Declarations					
Referred to Review	1,839,664	1,726,346	1,812,331	1,945,110	1,816,221
Adjustment Claims Processed	478,189	471,200	405,215	422,931	366,906

**Figure 2-5: Interpretative Policy Determination and Appeals**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
<i>Special Import Measures Act</i> (SIMA) Policy Interpretations	439	422	614	415	275
Valuation Policy Interpretations	256	236	167	190	127
Tariff Classification and Policy Interpretations	12,731	14,562	14,109	17,658	12,569
Tariff and Assessment Appeals	12,690	14,784	10,596	13,899	9,348
Seizure Adjudication Decisions	5,692	6,777	6,569	5,114	4,508

**Figure 2-6: Interpretative Policy Determination and Appeals  
Acceptance of Final Departmental Decisions <sup>1</sup>**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
Accepted (%)	95.5	96.6	94.2	96.0	93.9
Upheld by External Tribunal (%)	3.0	1.7	2.6	2.0	2.8
Overtured by External Tribunal (%)	1.5	1.7	3.2	2.0	3.3

<sup>1</sup> Includes decisions which are potentially appealable to an external body, where the final departmental decision does not fully agree with the appellant's contention.

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## **C. Verification and Enforcement**

### **1. Objective**

To enhance compliance with the laws administered.

### **2. Description**

To carry out a range of programs related to the verification and enforcement of compliance with tax legislation. These programs include a variety of examinations, audits and investigations designed to increase compliance and ensure fairness in the self-assessment system.

### **3. Major Achievements**

○ The total fiscal impact for enforcement activities was \$4.5 billion in 1995-96 compared to \$4.2 billion in 1994-95.

○ In December 1994, the Minister announced several measures to curtail abusive tax shelter arrangements. For example, the Department has worked with the Department of Finance to introduce legislative changes to limit losses claimed by investors, increase penalties for tax shelter promoters not abiding by the rules and extend application of minimum tax to all tax shelter losses or deductions. Also, the Department has significantly increased audits of tax shelters and a communication package was developed to educate investors to the risks associated with certain aggressive tax shelter arrangements. Along with the

decrease in tax shelter take up rates, the value of sales of tax shelters declined from \$2.3 billion in 1994 to \$1.9 billion in 1995.

○ Measures have been put in place to deal with tax havens. As a result, tax recoveries on international transactions have tripled since 1992-93 (\$133 million in 1992-93; \$397 million in 1995-96).

○ Special Investigations completed over 2,100 investigative audits and administrative enforcement actions in the Criminal Investigation and Special Enforcement programs. The number of criminal cases completed totalled 186, yielding \$11 million in fines and 22 mandatory jail sentences. Informants' leads increased by 27% to 28,000 and voluntary disclosures increased by 40% to 888, from 1994-95.

○ Verification activities, including non-filers, office examination and benefit and employment income audits, resulted in additional revenues of \$711 million in 1995-96. The refund examination program prevented or recovered an amount of \$52.0 million in fraudulent or overstated refunds in 1995-96.

○ Taxes, including penalties and interest, assessed through enforcement activities increased by 23 percent since 1992-93.

Furthermore, the Department has made significant progress in 1995-96 in the following initiatives, some of which began prior to 1995-96.

*Targeting the Underground Economy:*  
During 1995-96, the Department



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continued and enhanced this initiative. Overall, measures directed at the underground economy resulted in \$550 million of additional federal and provincial taxes. Since November 1993, over \$1.4 billion in additional taxes have been assessed.

Audits in the targeted sectors generated \$241 million in additional federal and provincial taxes in 1995-96. The principal sectors targeted have been construction, including home renovation, the service and retail sectors.

Programs to identify Non-Filers and Non-Registrants have been strengthened. Program improvements include greater use and matching of data from departmental and external databases. In 1995-96, federal and provincial taxes identified by the Non-Filer and Non-Registrant Program exceeded \$309 million.

The Department has increased information exchanges and is working more closely with provinces and client associations to better target and improve the effectiveness of enforcement actions. In June 1996, the Department along with industry and labour organizations in the construction and home-building sector announced the introduction of a new reporting system. The system combines voluntary compliance with new reporting guidelines on contract payments and a targeted enforcement program.

Tax convictions have been consistently publicized in order to deter non-compliance and encourage

voluntary disclosures. The result has been a tripling of voluntary disclosures since 1992-93.

*Development of an Enforcement*

*Strategy:* The Department has developed an enforcement strategy to address non-compliance. The primary objectives of the enforcement strategy are to foster future voluntary compliance, to ensure that everyone meets their tax obligations and to maintain public confidence in the integrity of Canada's self-assessment system of taxation. Enforcement resources are targeted to files of high risk and areas of identified non-compliance. Through different communication activities, it provides a deterrent to future non-compliance and sends positive messages to those who comply voluntarily.

The enforcement strategy also includes compliance research to assess compliance levels and enhance our knowledge of patterns and trends in compliance, to identify areas of non-compliance and to examine ways in which compliance can be enhanced.

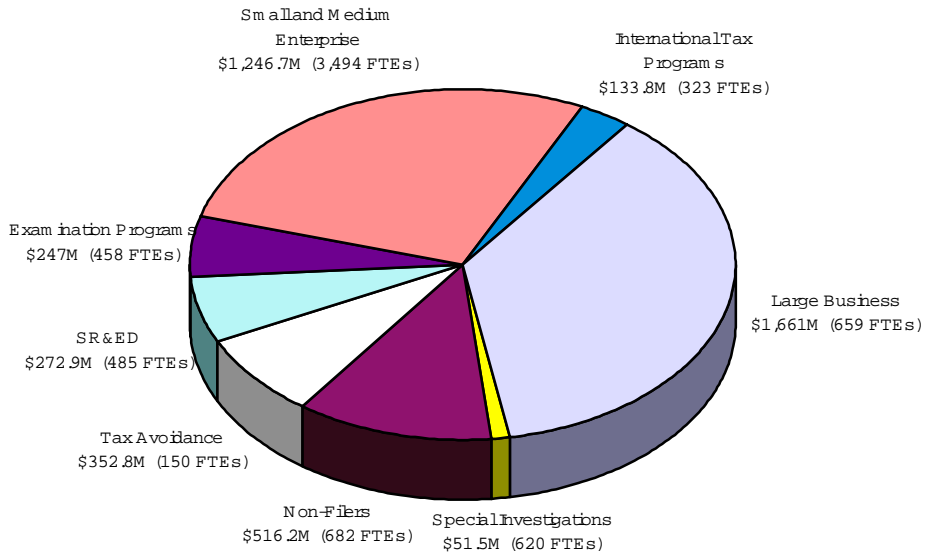
*An Enhanced International Tax*

*Compliance Strategy:* The International Tax Strategy Division was created in 1995-96 to enhance the abilities to meet the challenges posed by increased international trade. The focus is on: tax havens; the relationship between trade and taxation; issues related to globalization, tax harmonization, tax treaties and international tax organizations.

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#### 4. Key Performance Information

**Figure 3-1: Verification and Enforcement Programs - Actual 1995-96 Federal and Provincial Taxes - Total Fiscal Impact of \$4.5 billion <sup>1</sup>**

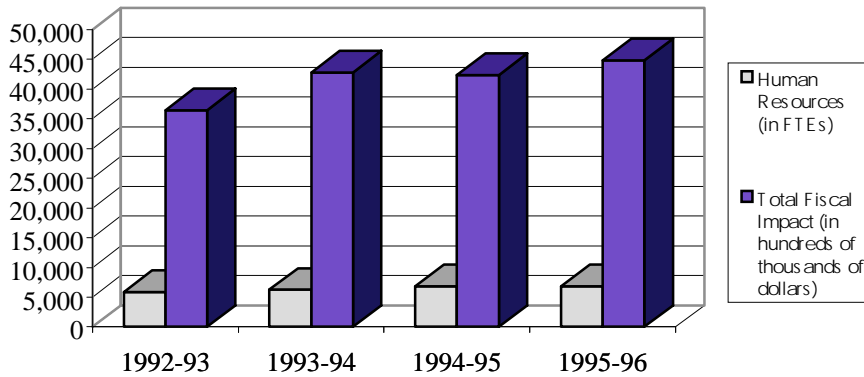


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**1** Total Fiscal Impact includes federal and provincial tax (participating provinces only), federal tax refunds offset or reduced, interest and penalties, and present value of future tax assessable.

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**Figure 3-2: Verification and Enforcement Programs - Annual Total Fiscal Impact and Associated FTEs**



**Figure 3-3: Verification and Enforcement Productivity Gains Between 1992-93 and 1995-96**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Actual 1995-96
Revenue Recovery (\$000) <sup>1</sup>	3,640,414	4,278,023	4,231,276	4,481,780
Resources Utilized in Enforcement (FTE)	5,909	6,269	6,824	6,871
Workload Completed <sup>2</sup> (000's)	901	920	1,194	1,100
<sup>1</sup>	Total Fiscal Impact as defined in Figure 3-1, noting that actual amounts billed or refunded may be different due to availability of taxpayer requested offsetting adjustments or appeals or write-offs of uncollectable amounts.			
<sup>2</sup>	Includes Income Tax and GST Audits, GST Domestic Rebates; and Workloads related to Scientific Research and Experimental Development, Tax Incentives, Tax Avoidance, Non-Filers, Examination, Special Investigations, International Audit, Non-Residents and Other International Tax Programs.			

○ In 1995-96, the revenue recovery improved by 23% from 1992-93 and by 6% compared to the previous year.

○ In 1995-96, the revenue recovery per FTE improved by 5% compared to the previous year while the resources utilized in direct enforcement activities increased by less than 1%.

○ Revenue Canada's overall activities for 1995-96 resulted in \$4.5 billion in additional federal and provincial tax assessed. This includes specific initiatives directed at the underground economy and the auditing of international transactions including the measures put in place to deal with tax havens.

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## **D. Revenue Collections**

### **1. Objective**

To collect tax, levies, duties, and other amounts such as Canada Pension Plan and Employment Insurance payments.

### **2. Description**

To collect tax, levies, duties, and other amounts including collections of amounts deducted at source by employers on behalf of employees; and outstanding balances resulting from assessment or reassessment of both income and GST amounts as well as outstanding levies and duties. Also included is the issuance of rulings on whether individuals are entitled to benefits under the *Canada Pension Plan* and *Employment Insurance Act*, and making other determinations at the request of the Department of Human Resources Development.

## **3. Major Achievements**

○ Income Tax accounts receivable remain constant at 4.2% of gross Income Tax revenues as at March 31, 1996. Customized strategies have been developed by each region to achieve the target of 4% by March 1997. The overall departmental accounts receivable, including Customs levies, Excise and GST taxes, stood at 4.3% of gross revenues.

○ Legislative proposals regarding the harmonization of interest and penalty provisions (70 amendments to the *Customs Act*, the *Excise Act*, the *Excise Tax Act* and the *Income Tax Act*) are under final review by the Department of Finance.

○ An Integrated Revenue Collections System now exists and GST was added to this system in June 1995. Future revenues to be included are Customs and Excise Commercial system accounts.

○ The percentage of employer payroll accounts subject to field examination remained relatively constant at 5.3% in 1995-96.

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#### 4. Key Performance Information

**Figure 4-1: Annual Intake and Closing of Accounts Receivable <sup>1</sup>**

(in thousands)	Estimates 1995-96	Actual 1995-96
<u>Annual Intake</u>		
Number of Accounts	535,000	539,618
Total Amount (\$000)	6,444,000	6,554,694
<u>Annual Closings</u>		
Number of Accounts <sup>2</sup>	472,000	479,470
Total Collections (\$000)	4,795,000	4,806,506
Associated FTE <sup>3</sup>	3,010	2,838
<u>Performance Information</u>		
Total Closings (Number of Accounts) per FTE	157	169
Collections per FTE (\$000)	1,593	1,694
<b>1</b>	Beginning in 1995-96, Income Tax and GST workloads were consolidated. Comparable data not available for prior years. Excludes routine accounts actioned by way of computerized collection notices and Ministère du revenu du Québec activities with respect to GST.	
<b>2</b>	Includes accounts written off as uncollectible; and other sundry work disposal measures.	
<b>3</b>	Associated FTE includes overtime.	

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**Figure 4-2: Accounts Receivable at Fiscal Year End <sup>1</sup>**

(thousands of dollars)	Actual 1993-94	%	Actual 1994-95	%	Actual 1995-96	%
<b>Income Tax</b>						
Balance Outstanding <sup>2</sup>	6,610,356	100	6,363,142	100	6,829,770	100
Allowance for Credit Reassessments	(1,201,495)	18.2	(1,262,484)	19.9	(1,355,966)	19.9
Allowance for Doubtful Accounts	(1,078,162)	16.3	(530,121)	8.3	(575,309)	8.4
Estimated Realizable Value	4,330,699	65.5	4,570,537	71.8	4,898,495	71.7
Gross Revenue Collected	143,442,748		151,372,102		162,273,190	
Total Balance Outstanding as % of Gross Revenue Collected	4.6%		4.2%		4.2%	
<b>Customs Levies; Excise and GST Taxes</b>						
Balance Outstanding	1,656,836	100	1,939,799	100	2,281,352	100
Allowance for Credit Reassessments (GST) <sup>3</sup>			(124,000)	6.4	(133,087)	5.8
Allowance for Doubtful Accounts	(232,972)	14.1	(215,031)	11.1	(343,337)	15.1
Estimated Realizable Value	1,423,864	85.9	1,600,768	82.5	1,804,928	79.1
Gross Revenue Collected	45,004,170		48,490,676		49,890,642	
Total Balance Outstanding as % of Total Gross Revenue Collected	3.7%		4.0%		4.6%	
<b>Total Department</b>						
Balance Outstanding	8,267,192		8,302,941		9,111,122	
Gross Revenue Collected	188,446,918		199,862,778		212,163,832	
Balance Outstanding as % of Gross Revenue Collected	4.4%		4.2%		4.3%	
<b>1</b>	Excludes those amounts not payable under taxes in dispute legislation, and non-tax revenue receivable.					
<b>2</b>	Includes Scientific Research Tax Credit accounts receivable of \$49.9 million in 1995-96; \$50.7 million in 1994-95 and \$602.9 million in 1993-94.					
<b>3</b>	Data not available prior to 1994-95.					

**Figure 4-3: Age of Accounts Receivable <sup>1</sup>  
(Major Revenue Categories Only)**

March 31, 1995									
(millions of dollars)	Individuals	%	Corporations	%	Payroll Deductions	%	GST	%	Total
Less than 1 year	2,161.0	56.1	950.0	61.6	277.8	38.9	294.2	21.3	3,683.0
1 to 2 years	631.0	16.4	200.5	13.0	138.5	19.4	205.7	14.9	1,175.7
Over 2 years	1,061.9	27.5	391.6	25.4	298.5	41.7	883.3	63.8	2,635.3
<b>Total March 31, 1995</b>	<b>3,853.9</b>		<b>1,542.1</b>		<b>714.8</b>		<b>1,383.2</b>		<b>7,494.0</b>
March 31, 1996									
(millions of dollars)	Individuals	%	Corporations	%	Payroll Deductions	%	GST	%	Total
Less than 1 year	2,322.0	53.5	804.4	57.9	297.4	39.4	358.0	21.7	3,781.8
1 to 2 years	734.2	16.9	158.9	11.4	142.8	18.9	251.4	15.2	1,287.3
Over 2 years	1,283.7	29.6	426.9	30.7	314.8	41.7	1,040.4	63.1	3,065.8
<b>Total March 31, 1996</b>	<b>4,339.9</b>		<b>1,390.2</b>		<b>755.0</b>		<b>1,649.8</b>		<b>8,134.9</b>
<b>1</b>	Excludes those amounts not payable under taxes in dispute legislation, and non-tax revenue receivable.								

**Figure 4-4: Dollar Range of Accounts Receivable <sup>1</sup>  
(Major Revenue Categories Only)**

March 31, 1995									
(millions of dollars)	Individuals		Corporations		Payroll		GST		Total
		%		%	Deductions	%		%	
Less than \$1,000	436.5	11.3	12.5	0.8	19.7	2.8	29.5	2.1	498.2
\$1,000 to \$9,999	1,122.0	29.1	85.4	5.5	122.0	17.1	286.3	20.1	1,615.7
\$10,000 to \$49,999	979.1	25.4	163.8	10.6	251.8	35.2	485.2	35.1	1,879.9
\$50,000 to \$99,999	358.7	9.3	76.6	5.0	113.3	15.8	194.6	14.1	743.2
greater than \$100,000	957.6	24.9	1,203.8	78.1	208.0	29.1	387.6	28.0	2,757.0
<b>Total March 31, 1995</b>	<b>3,853.9</b>		<b>1,542.1</b>		<b>714.8</b>		<b>1,383.2</b>		<b>7,494.0</b>

March 31, 1996									
(millions of dollars)	Individuals		Corporations		Payroll		GST		Total
		%		%	Deductions	%		%	
Less than \$1,000	464.9	10.7	13.6	1.0	19.9	2.6	32.8	2.0	531.2
\$1,000 to \$9,999	1,273.2	29.3	91.6	6.6	132.6	17.6	326.0	19.8	1,823.4
\$10,000 to \$49,999	1,116.6	25.7	176.2	12.6	265.7	35.2	577.3	35.0	2,135.8
\$50,000 to \$99,999	412.3	9.5	83.0	6.0	121.8	16.1	234.9	14.2	852.0
greater than \$100,000	1,072.9	24.7	1,025.8	73.8	215.0	28.5	478.8	29.0	2,792.5
<b>Total March 31, 1996</b>	<b>4,339.9</b>		<b>1,390.2</b>		<b>755.0</b>		<b>1,649.8</b>		<b>8,134.9</b>

<sup>1</sup> Excludes those amounts not payable under taxes in dispute legislation, and non-tax revenue receivable.

**Figure 4-5: Uncollectable Write-offs <sup>1</sup> by Revenue Category**

(thousands of dollars)	Actual 1992-93	Actual 1993-94	Actual 1994-95	Actual 1995-96
<b>Income Tax</b>				
Individuals Tax	262,203	339,363	381,315	471,579
Corporation Tax	159,234	121,082	229,205	298,450
Payroll Deductions	135,545	126,994	116,259	120,658
Scientific Research Tax Credits	26,095	62,346	586,249	0
Other <sup>2</sup>	2,587	648	3,278	3,832
<b>Total Write-offs</b>	<b>585,664</b>	<b>650,433</b>	<b>1,316,306</b>	<b>894,519</b>
As a % of Net Revenue Collected	0.49%	0.55%	1.02%	.65%
<b>Customs Levies; Excise and GST Taxes</b>				
	26,384	13,869	88,517	100,509
As a % of Net Revenue Collected	.10%	.05%	.32%	.37%

<sup>1</sup> Excludes non-tax write-offs.

<sup>2</sup> Includes Non-Resident Tax, Petroleum and Gas Revenue Tax, Resource Royalties Tax, and other miscellaneous amounts.

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## **E. Appeals**

### **1. Objective**

To provide taxpayers and Goods and Services Tax registrants with a redress process.

### **2. Description**

To provide clients with a means of redress, involving the resolution of Notices of Objection and Appeals by an impartial review of an assessment or reassessment contested by a client. Also included is the disposal of applications from employers or employees regarding the determination of eligibility under the provisions of the *Canada Pension Plan Act* and the *Employment Insurance Act*.

### **3 Major Achievements**

○ Between 1994-95 and 1995-96, average processing times were reduced by 5% to 167 days for Income Tax objections. The re-engineering of objections-related processes and procedures underway is expected to generate further improvements in the coming years.

○ The information systems for Excise/GST and Income Tax Appeals were merged in 1995-96. These programs are expected to be integrated in the Case Management System in 1997-98. Also, risk management capabilities of the existing Excise/GST

and Income Tax system have been enhanced, with further improvements to be integrated in the new Case Management System and Decision Support System already under development.

○ A new unit has been created in Headquarters to monitor workloads and identify the underlying reasons which give rise to disputes. Formal feedback mechanisms are being developed to communicate findings to all relevant areas of the Department to ensure that optimal practices and techniques are used.

○ In 1995-96, productivity of Excise/GST Objections and Appeals activities was greatly improved. At the objection stage, it increased by 56%, going up from 27 to 42 disposals per FTE, and by 53% at the Appeals stage, moving up from 15 to 23 disposals per FTE.

### **4. Key Performance Information**

The Appeals workload is influenced by such factors as rapidly changing socio-economic circumstances, fiscal or legislative responses to such changes, key government enforcement and compliance initiatives, and the increasingly litigious nature of Canadian society. These influences are generally beyond the Department's control and may trigger fluctuations in the intake of objections and appeals.



**Figure 5-1: Income Tax, Excise/GST Objections**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual <sup>1</sup> 1995-96
<b>Income Tax</b>					
Intake	49,879	50,814	67,667	55,000	102,973
Completions	53,141	50,742	50,710	65,000	113,173
Closing Inventory	35,270	35,342	52,299	34,075	42,158
Associated FTE	571	527	555	602	605
Completions per FTE	93	96	91	108	187
Percentage of objections:					
- Allowed in full	43%	35%	34%		13%
- Allowed in part	23%	22%	22%		16%
- Confirmed	34%	43%	44%		71%
- Percentage of objections appealed	5%	7%	7%		3%
Breakdown of inventory workload					
- Active	14,603	13,365	14,470		19,708
- Pending <sup>2</sup>	29,667	21,977	37,829		22,450
<b>Excise/GST <sup>3</sup></b>					
Intake	3,728	4,154	4,293	5,300	5,404
Completions	2,305	3,516	4,208	4,500	5,207
Closing Inventory	4,461	5,099	5,184	6,199	4,847
Associated FTE	120	128	155	134	124
Completions per FTE	19	27	27	33	42
Percentage of objections appealed	10%	10%	9%	10%	9%
Breakdown of inventory workload					
- Active	3,533	3,684	3,762		2,405
- Pending <sup>2</sup>	928	1,415	1,422		2,442
<b>1</b>	The 1995-96 actual figures for income tax includes a one time increase in intake and completions related to two large groups of files, one dealing with the taxation of child support payments and the other with scientific research and experimental development claims resulting in an unusually high number of completions per FTE.				
<b>2</b>	Awaiting legal advice, court decision, etc.				
<b>3</b>	Excludes workload and resources utilized by Ministère du revenu du Québec activities with respect to GST.				

**Figure 5-2: Income Tax, Excise/GST Appeals to the Courts<sup>1</sup>**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
<b>Income Tax</b>					
Intake	2,784	3,700	3,524	2,941	3,736
Completions	3,690	3,335	3,451	3,509	3,464
Closing Inventory	6,687	7,052	7,125	5,729	7,397
Associated FTE	132	126	118	110	108
Completions per FTE	28	26	29	32	32
<b>Excise/GST</b>					
Intake	305	410	416	435	484
Completions	179	332	250	330	444
Closing Inventory	914	992	1,158	1,185	1,089
Associated FTE	14	21	17	20	19
Completions per FTE	13	16	15	16	23

<sup>1</sup> Includes Appeals for Tax Court of Canada, Canadian International Trade Tribunal, Federal Court - Trial Division, Federal Court of Appeal and Supreme Court of Canada.

**Figure 5-3: Judgements (Tax Court of Canada/Canadian International Trade Tribunal)**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Actual 1995-96
<b>Income Tax</b>				
Judgements in favour of the Minister	944	916	930	1,004
Total Judgements Rendered	1,265	1,257	1,328	1,467
Percentage in favour of the Minister	75%	73%	70%	68%
Consent to judgements in favour of taxpayer (allowed in full)				
	544	336	295	277
Consent to judgements (allowed in part)				
	741	651	525	626
Discontinuances				
	675	683	869	723
<b>Excise/GST</b>				
Judgements in favour of the Minister	56	103	100	108
Total Judgements Rendered	95	147	160	174
Percentage in favour of the Minister	59%	70%	63%	62%
Consent to judgements in favour of taxpayers (allowed in full)				
	39	44	60	30
Discontinuances				
	66	163	80	178

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**Figure 5-4: CPP/EI Determinations**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
Intake	8,093	8,479	10,708	10,000	9,396
Completions	7,160	8,676	9,940	8,723	9,050
Closing Inventory	2,566	2,369	3,137	7,546	3,483
Completions as a % of					
Intake	88%	102%	93%	87%	96%
Percentage Appealed	21%	22%	26%	20%	35%

**Figure 5-5: CPP/EI Appeals to the Courts <sup>1</sup>**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Estimates 1995-96	Actual 1995-96
Intake	1,509	1,952	2,676	1,745	3,209
Completions	901	1,295	2,566	1,950	2,928
Closing Inventory	1,860	2,517	2,627	2,274	3,088
Associated FTE <sup>2</sup>	n/a	25	34	30	38
Completions per FTE	n/a	52	75	65	77

<sup>1</sup> Includes Appeals for Tax Court of Canada, Federal Court-Trial Division, Federal Court of Appeals and Supreme Court of Canada.

<sup>2</sup> Associated FTE includes overtime.

**Figure 5-6: CPP/EI Judgements**

	Actual 1992-93	Actual 1993-94	Actual 1994-95	Actual 1995-96
Total Judgements Rendered	582	880	1,594	1,724
Judgements in favour of the Minister	428	676	1,268	1,364
Percentage in favour of the Minister	74%	77%	80%	79%
Consent to Judgements	158	211	341	403
Withdrawals	161	204	631	535

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## **F. Administration and Information Technology**

### **1. Objective**

To provide executive direction, information technology, and financial, administration and human resource services necessary to administer the law uniformly and economically.

### **2. Description**

To provide executive direction and a range of support and central services to the other Activities. These include electronic data processing and information technology, internal audit and program evaluation, financial management, resource management, office systems, security, human resources, training, laboratory and legal services.

### **3. Major Achievements**

*Human Resources Impact of Program Review:* As noted in Section III, Revenue Canada met its Program Review reduction of \$80 million while placing all affected departmental staff, as well as placing 162 affected employees from other departments.

○ *Revenue Canada Network (RCNET):* RCNET is an initiative to provide integrated multi-media network capabilities to all Revenue Canada sites and, by the end of 1995-96, RCNET installations had been completed in 250

offices. Use of the network significantly reduces departmental telecommunications costs. For example, the RCNET project plan anticipated payback after four years at which time an \$8 million per year reduction of telecommunications costs would be achieved. Progress to date indicates that this target will be met as planned by the end of 1997-98. Further benefits are expected as discussions continue with other government departments so that they, as well as private companies, may share in the opportunities offered by this national network and its electronic commerce platform.

○ *Consultation Framework:* In 1995-96, Revenue Canada implemented a Framework to guide consultation activities throughout the Department and to provide a focal point where consultation results could be considered and built into departmental decision-making processes.

Key results from the Framework are: improved coordination and preparation for consultation activities; more consistent reporting of results; and more client-focused policies, programs and service delivery. A calendar of planned consultation activities was prepared, allowing managers to take advantage of opportunities to conduct joint consultations as well as use the results of other consultation activities to their benefit.

○ *Recognition:* In 1995-96, the Department received a number of external awards in recognition for excellence and exemplary results in a number of fields and endeavours as

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detailed in Section V, Supplementary.

○ *Audit/Evaluation*: In 1995-96, 17 audit and evaluation studies were completed which provided senior management with information on program results as detailed in Section V, Supplementary Information.

○ *Cost-Effective Administration*: Actual results for the first full-year under the new consolidated Department show that this Activity's human resource consumption is in line with the Estimates target for 1995-96, as shown in Figure 6-1 below.

#### 4. Key Performance Information

**Figure 6-1: Administration and Information Technology Activity as a Percentage of Departmental Total**

(in thousands)	Estimates 1995-96	Actual 1995-96
Total Activity FTEs	6,636	6,597
Total Departmental FTEs	39,299	38,786
Total Activity FTE, as a % of Total Department FTE	16.9%	17.0%

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## Section V

### Supplementary Information

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#### Appendix 1: Details of Spending by Object

(thousands of dollars)	Actual 1994-95	Estimates 1995-96	Actual 1995-96
<b>Personnel</b>			
Salaries and wages	1,601,109	1,535,350	1,554,181
Contributions to employee benefit plans	202,699	199,596	209,583
Minister's Salary and Motor Car Allowance	49	49	49
	1,803,857	1,734,995	1,763,813
<b>Goods and services</b>			
Travel	46,885	28,895	30,913
Postage	48,526	56,473	50,651
Other communications and transportation	63,525	53,531	66,595
Information	37,859	39,804	39,861
Professional and special services	117,987	100,672	103,137
Rentals	12,964	14,111	8,826
Purchased repair and maintenance	49,180	32,466	46,574
Utilities, materials and supplies	37,914	31,075	33,034
Other subsidies and payments	1,027	1,776	275
	415,867	358,803	379,866
<b>Capital</b>			
Controlled Capital <sup>1</sup>	2,323	9,288	8,903
Minor Capital <sup>2</sup>	65,205	53,786	52,554
	67,528	63,074	61,457
<b>Transfer payments</b>			
Grants (statutory payments) <sup>3</sup>			40,135
Contributions	101,276	94,417	91,763
	101,276	94,417	131,898
<b>Gross Expenditures</b>	2,388,528	2,251,289	2,337,034
<b>Less: Revenues credited to the Vote</b>	(102,295)	(114,291)	(115,136)
<b>Net Expenditures</b>	2,286,233	2,136,998	2,221,898

<sup>1</sup> Controlled capital contains budgetary expenditures for investment in: the acquisition of land, buildings and engineering structures and works; the acquisition of creation of other capital assets considered essential to ongoing program delivery; and major alterations, modifications or renovations that extend the use of capital assets or change their performance or capability.

<sup>2</sup> Minor capital is the residual after the amount of controlled capital has been established. In accordance with the Operating Budget principles, these resources would be interchangeable with Personnel and Goods and Services expenditures.

<sup>3</sup> Responsibility for Children's Special Allowance Statutory Vote Payment was transferred effective August 28, 1995 from Human Resource Development Canada (P.C. Order 1995-342).

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**Appendix 2: Human Resource Utilization by Activity**

	Estimates 1995-96 <sup>1</sup>	Actual 1995-96
Assistance to Clients and Assessment of Returns	10,969	11,125
Customs Border and Trade Administration Services	7,618	7,383
Verification and Enforcement	7,947	8,028
Revenue Collections	5,051	4,601
Appeals	1,078	1,052
Administration and Information Technology	6,636	6,597
<b>Total</b>	<b>39,299</b>	<b>38,786</b>
<b>1</b>	As last reflected in Part III of the 1996-97 Estimates	

**Appendix 3: Transfer Payments**

(thousands of dollars)	Estimates 1995-96	Actual 1995-96
Grants (statutory payments)		
Children's Special Allowance <sup>1</sup>	---	40,135
Contributions		
GST Quebec	94,417	91,763
	94,417	131,898
<b>1</b>	Responsibility for Children's Special Allowance Statutory Vote Payment was transferred effective August 28, 1995 from Human Resource Development Canada (P.C. Order 1995-342).	

#### Appendix 4: Sources of Non-Tax Revenues

(thousands of dollars)	Actual 1994-95	Estimates 1995-96	Actual 1995-96
<b>Revenues credited to the Vote</b>			
Canada Pension Plan	55,829	50,499	50,004
Employment Insurance	46,466	63,792	65,131
<b>Total Revenues Credited to the Vote</b>	<b>102,295</b>	<b>114,291</b>	<b>115,135</b>
<b>Receipts credited to the Consolidated Revenue Funds</b>			
Refunds of previous years' expenditures--			
Refunds of previous years' expenditures	2,229	---	1,288
Adjustment to Payable at Year-End	20,943	---	1,401
Return on investments--			
Rental of Public Building and Property	355	421	339
Rental of Parking Space	216	252	225
Privileges, Licences and Permits--			
Customs Brokers' Licence Fees	585	466	407
Services and Service Fees--			
Advance Income Tax Rulings	1,636	2,228	1,207
Administration of Provincial Tax Credits <sup>1</sup>	9,532	9,950	9,678
Customs Bonded Warehouse Fees	916	700	755
Customs Special Service Fees	1,636	2,300	1,417
Other Direct Charges	8,599	7,874	1,880
Proceeds from Sales--			
Sale of Unclaimed Goods, Seals, etc.	1,316	2,140	563
Other, Proceeds from Sales	841	1,221	561
Other Non-Tax Revenue--			
Income Tax Fines and Forfeitures	4,686	7,638	9,563
Customs Seizures	12,448	16,599	10,455
Recovered Employee Benefit Plan Contributions	---	16,604	16,744
Duty Free Shops	2,896	3,600	3,341
Other	6,728	7,523	17,507
<b>Total Receipts credited to the Consolidated Revenue Fund</b>	<b>75,562</b>	<b>79,516</b>	<b>77,331</b>
<b>Total</b>	<b>177,857</b>	<b>193,807</b>	<b>192,466</b>

<sup>1</sup> Includes \$9,531,795.78 for the Administration of Provincial Tax Credits during 1994-95 and \$9,677,599.17 during 1995-96, which were received after the close of the fiscal years. These amounts will be reported in the 1996-97 Public Accounts.



**Appendix 5: Revenue Collections by Type During Fiscal Years 1995-96 and 1994-95**

Source of Revenue (thousands of dollars)	Gross Collections 1995-96	Refunds Drawbacks and Credits <sup>1</sup> 1995-96	Net Collections 1995-96	Net Collections 1994-95
<b>Income taxes</b>				
Individuals <sup>2</sup>	138,003,137	18,769,767	119,233,370	112,812,062
Corporations	22,073,521	5,013,067	17,060,454	14,507,688
Non-Residents	1,653,686	42,811	1,610,875	1,439,408
Petroleum and Gas Revenue Tax	0	0	0	(25)
Resource Royalties Tax	6,511	0	6,511	4,282
Miscellaneous <sup>3</sup>	536,335	43,333	493,002	329,554
<b>Excise Taxes and Duties</b>				
Goods and Services Tax (GST)	37,990,502	21,673,749	16,316,753	16,731,603
Customs Import Duties	3,676,900	705,834	2,971,066	3,576,773
Sales Tax	698	142,818	(142,120)	(92,152)
Motive Fuels	4,395,479	(1,953)	4,397,432	3,819,512
Excise Duties	2,222,923	12	2,222,911	2,334,330
Other Excise Taxes	912,323	137,066	775,257	661,893
<b>Other</b>				
Softwood Lumber Products				
Export Charge	76		76	110
Air Transportation Tax <sup>4</sup>	682,723		682,723	588,807
Provincial Sales, Tobacco and Alcohol Taxes	9,018		9,018	8,705
Non-Tax Revenue	215,345		215,345	211,220
<b>Total Revenues</b>	<b>212,379,177</b>	<b>46,526,504</b>	<b>165,852,673</b>	<b>156,933,770</b>
1	Includes Child Tax Benefit Payments of \$5,196,905,976 in 1994-95, and \$5,286,295,027 in 1995-96. Also includes Goods and Services Tax Credits of \$2,815,611,735 in 1994-95 and \$2,798,940,905 in 1995-96.			
2	Includes Canada Pension Plan contributions and Employment Insurance Premiums.			
3	Includes revenues from trusts and estates, and special returns not processed by the normal systems.			
4	Air Transportation Tax is subsequently transferred to Transport Canada on a monthly basis.			

**Appendix 6: Allocations of Revenues Collected During Fiscal Years  
1995-96 and 1994-95**

Source of Revenue (thousands of dollars)	Gross Collections 1995-96	Refunds Drawbacks and Credits <sup>1</sup> 1995-96	Net Collections 1995-96	Net Collections 1994-95
Federal				
Income Tax	100,885,521	23,868,978	77,016,543	70,534,224
Goods and Services Tax	37,990,502	21,673,749	16,316,753	16,731,603
Other Taxes, Duties and Non-Tax Revenue	12,106,391	983,777	11,122,614	11,100,383
Provincial				
Income Tax <sup>2</sup>	31,859,504		31,859,504	28,724,832
Other Taxes <sup>3</sup>	9,094		9,094	8,815
Canada Pension Plan Contributions <sup>4</sup>	10,607,273		10,607,273	10,463,822
Employment Insurance Premiums <sup>4</sup>	18,920,892		18,920,892	19,370,091
<b>Total Revenues Allocated</b>	<b>212,379,177</b>	<b>46,526,504</b>	<b>165,852,673</b>	<b>156,933,770</b>
1	Includes Child Tax Benefit Payments of \$5,196,905,976 in 1994-95, and \$5,286,295,027 in 1995-96. Also includes Goods and Services Tax Credits of \$2,815,611,735 in 1994-95 and \$2,798,940,905 in 1995-96.			
2	Provincial Income Tax is allocated from the collection of Individuals' and Corporation Tax.			
3	Other Provincial Taxes include sales, tobacco and alcohol taxes, as well as the Softwood Lumber Products Export Charge, collected on behalf of the provinces.			
4	Canada Pension Plan Contributions and Employment Insurance Contributions are allocated from the collections of Individuals' Tax.			

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## Appendix 7: Statement of Accounts Receivable at Fiscal Year End

Tax Receivable	As at March 31, 1996 (\$000)	As at March 31, 1995 (\$000)
Income Taxes		
Individuals <sup>1</sup>	4,339,901	3,853,907
Corporations	1,392,541	1,545,285
Scientific Research Tax Credit <sup>2</sup>	49,942	50,720
Source Deductions	755,006	714,804
Non-Residents	260,827	163,681
Miscellaneous <sup>3</sup>	31,368	34,404
Retirement Compensation		
Arrangement Tax	38	38
Energy Taxes		
Petroleum and Gas	147	303
Resource Royalty	-	-
GST and Other Excise Taxes and Duties	1,878,547	1,644,335
Customs Duties	402,805	295,464
<b>Total Tax Revenue Receivable</b>	<b>9,111,122</b>	<b>8,302,941</b>
Sundry (Non-Tax Revenue) <sup>4</sup>	226,517	214,366
<b>Total Accounts Receivable <sup>5</sup></b>	<b>9,337,639</b>	<b>8,517,307</b>

1 Excludes the prepayment of the Child Tax Benefit (CTB) and the Goods and Services Tax Credit (GSTC).

2 Represents "returns assessed" under Part VIII of the Income Tax Act relating to scientific research project expenditures that have not been accepted as tax credits under SRTC legislation.

3 Includes taxes and penalties assessed under T3-T4-T5 series of returns.

4 Excludes Revenue Internal to the Government (1995-96) \$1,275.00 and (1994-95) \$57,310.00.

5 Excludes amounts not payable under taxes in dispute legislation (\$3,981.4 million at March 31, 1996 and \$2,554.3 million at March 31, 1995).

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## Appendix 8: Major Capital Expenditures <sup>1</sup>

(thousands of dollars)	Actual 1994-95	Estimates 1995-96	Actual 1995-96
<b>New Facilities Projects</b>			
Saint-Bernard-de-Lacolle, Quebec	184	4,000	2,913
Pigeon River, Ontario	228	2,258	2,960
<b>Existing Facilities Projects</b>			
Facilities Improvements - ASI	235	1,530	1,530
Health and Safety Projects	---	1,500	1,500
Other Projects	1,676		
	2,323	9,288	8,903

<sup>1</sup> Major Capital is included within the Administration and Information Technology activity.

## Appendix 9: Details of Major Capital Projects <sup>1</sup>

(thousands of dollars)	Previously Estimated Total Cost <sup>2</sup>	Currently Estimated Total Cost <sup>3</sup>	Actual to March 31, 1996 <sup>4</sup>
<b>New Facilities Projects</b>			
Saint-Bernard-de-Lacolle, Quebec	19,882	18,687	4,844
Pigeon River, Ontario	3,800	3,607	3,462
<b>Existing Facilities Projects</b>			
Facilities Improvements - ASI	1,765	1,765	1,765
Health and Safety Projects			1,500

<sup>1</sup> Major Capital is included within Activity 6 (Administration and Information Technology).

<sup>2</sup> Includes 7% GST.

<sup>3</sup> Excludes 7% GST.

<sup>4</sup> Total Spending (all years) to March 31, 1996.

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## Appendix 10: Results of Program Evaluation Studies

Employee Recognition Program: An evaluation of the current employee recognition programs in the Department was undertaken in order to establish an appropriate focus and direction for a revised consolidated program for the Department. A blueprint was developed for a new recognition program for consideration by senior management.

GST Telephone Technical Enquiries: The objective of this evaluation was to assess, through a national survey, the quality of service with respect to the accuracy and completeness of answers given to clients, the accessibility and timeliness of services, and the attitudes of officers in terms of courtesy and professionalism. The study was carried out by conducting a national survey of actual responses to 1,600 simulated questions asked by Departmental staff posing as members of the public.

The evaluation identified areas for improving the accuracy of responses, but noted that accessibility, timeliness and officer attitude were highly rated. Recommendations were made in the areas of technical training, accessibility to public information, approaches to difficult enquiries, and automated voice response systems.

Re-engineering of Land-Border and Airport Monitoring for Travellers: The purpose of this study was to evaluate the Border Services Travellers Responsiveness and Compliance monitoring programs. The first program monitors the level of client satisfaction, waiting times and officer opinions on

service while the second program monitors the level of compliance and the level of waive through. Both monitoring programs are carried out at least twice a year at all major land border and airport facilities.

The evaluation found that there were significant benefits resulting from, and a high level of support for, the programs. Recommendations included combining both programs to make more efficient use of resources and technology, and improving reports and expanding their distribution.

Business Number Review: The Business Number initiative was designed to replace up to four different account numbers with a single number. The Review was designed to provide feedback to project management on the experiences encountered and the best practices identified in an eight city pilot project. The review confirmed the success of the Pilot initiative and recommendations were made for modification of pilot delivery and to guide planning for national implementation.

Report on the Follow-Up Review of INFO-TAX: This follow-up review focused on evaluating the changes that were made to the automated Tax Information Phone System based on the recommendations that were contained in the initial review of this program. The follow-up review confirmed that program enhancements emanating from the initial review had resulted in

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increased client satisfaction and administrative efficiency.

Joint Service Initiative (JSI) - Revenue Canada, Customs and Agriculture and Agri-Food Canada (AAFC): Revenue Canada opened 22 land border points on a 24-hour, seven days a week basis, which allowed it to expand the services provided on behalf of AAFC to agri-food importers. Under the Joint Service Initiative, Customs inspectors are trained by AAFC personnel to perform enhanced agricultural release functions. These functions include reviewing specialized documentation, as well as, physical verification of specific low-risk imports. A pilot project confirmed that the JSI improved compliance with legislation, enhanced service to importers and freed up AAFC personnel to focus on high-risk imports at no additional cost to either department. Plans are now in place to implement this JSI nationally.

Underground Economy: An Evaluation Framework was developed in 1995-96 and a Program Evaluation will be undertaken during 1996-97. The

evaluation will assess the effectiveness of the seven initiatives of Revenue Canada's strategy to address the Underground Economy. In addition, an internal audit will be conducted on the national and local procedures for the collection and reporting of information used for monitoring the Underground Economy strategy.

Goods and Services Taxes (GST) Fairness Provisions: In 1994-95, the Income Tax Fairness provisions were evaluated to assess their application and impact. As a result of this evaluation, the Department has revised its policy framework for fairness requests, implemented a computerized system for the tracking of fairness requests, delegated the authority to achieve administrative efficiencies in fairness requests, and developed a management information system to facilitate fairness monitoring initiatives. A similar review on the GST fairness legislation is being conducted in 1996-97. Policy and procedural provisions have recently been issued in response to opportunities for improvement.

## **Appendix 11: Results of Internal Audits**

Year-End Spending Audit: A review of 1994-95 year-end spending expenditures was conducted with emphasis on compliance with the Financial Administration Act and value for money. The review concluded that policies and procedures have been developed and communicated, and that managers understood and complied with them. The transactions examined

revealed that, in all material respects, there was compliance with the Financial Administration Act, and due regard for value for money.

Environment Review: This assessment evaluated the extent to which Revenue Canada has addressed environmental issues identified in the 1992-93 and 1993-94 Government Internal Audit

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Plans. It concluded that Revenue Canada has started to address the environmental issues and are considering suggested improvements. An updated departmental strategy on environmental issues provides a framework for further progress.

Anti-Smuggling Initiative in Customs Border Services: The audit assessed the integrity and reliability of the reporting systems which track the results achieved from ASI, and determined if the resources were utilized as intended. The audit concluded that resources intended for ASI had been allocated and expended as planned. Opportunities were identified to enhance the collection and reporting of ASI statistical information.

Valuation Audit: The audit provided an assessment of the effectiveness of the Valuation management framework. The framework is well established and provides the necessary internal controls, including management practices, approaches and tools to ensure the appropriate delivery of a decentralized program.

Review of Access to On-line C&E Information: The review identified that the On-line Access Security Framework for the C&E component of the organization met the overall government security objectives. As part of the consolidation exercise, improvements are continually being sought to address security issues to establish a consolidated departmental On-line Access Security Framework.

Customs Revenue Generating Initiatives (RGI): The audit examined the extent to which the RGI objectives were met and assessed the integrity and reliability of the reporting systems which track the results, assessed the adequacy of the management framework, and determined the efficiency of human resource usage. The Customs RGI are firmly grounded and achieved the intended incremental revenues. Opportunities for improvement in the monitoring and reporting of "ongoing" revenue were identified.

GST EFT/EDI: The audit verified that the information technology and related processes used to capture GST returns and remittances in electronic format provide: adequate control; efficient, effective and economic operation; adequate security; sufficient information for management; and, all functionality described in the requirements documentation. Significant efforts have been expended in seeking EDI best practices on the local, provincial, national and international levels throughout the duration of the development initiative.

ACROSS (Accelerated Commercial Release Operations Support System) Phase I: The Pre-Implementation Audit of ACROSS Phase I assessed the adequacy of controls in terms of: management framework; completeness, accuracy and authorization; security; auditability; timeliness and recoverability; and Value Added Networks (VANs). In general, the controls were found to be adequate. Some improvements were suggested for implementation prior to production.

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Integrated Revenue Collections Project (Phase I): Phase I of the project concentrated on integrating GST Collections into the Automated Collections and Source Deductions Enforcement System (ACSES). The objective of this review was to contribute to the effective management of the project and the quality of the system being developed. The project was effectively managed and controlled.

## **Appendix 12: Revenue Canada, Recipient of External Awards**

### Public Service Awards of Excellence:

These awards recognize the best, most exemplary contributions to the federal public service and are selected from recipients of departmental suggestion and merit (Minister's) awards. The department received the 1995 Award for the OUR MISSING CHILDREN program. Customs Border Services, the RCMP, and Citizenship and Immigration received recognition for their interdepartmental efforts in implementing and operating this program.

### Commissioner of Official Languages

Certificates of Merit: Since 1992, the Commissioner of Official Languages has awarded Certificates of Merit to federal organizations whose employees and managers have made sustained efforts in support of the Official Languages Act. In 1995, the following offices have received recognition:

- The Client Services unit at the Saskatoon Tax Services Office;
- The Client Services unit at the Winnipeg Tax Services Office: and

- The Vancouver Tax Services Office.

Federal Awards: These awards were established to formally recognize leadership, innovation and excellence in the management and use of information technology within the federal public service. In 1995, the Department received the following recognition:

- Gold Medal - The Electronic Data Interchange Project, a joint initiative of the Information Technology Branch and Customs Border Services.
- Bronze Medal - Business Number, a joint initiative of the Information Technology Branch and the Assessment and Collections Branch



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- Bronze Medal - Information Technology Branch in the *Building an Open Architecture and Core Infrastructure* Category

Public Policy Forum Tributes: In 1995-96, the Public Policy Forum announced a dinner tribute to Revenue Canada in recognition of being one of the first federal departments to undertake comprehensive reform with a cost-effective, customer-focused orientation in the delivery of its services and programs. The tribute and the presentation of the Policy Forum's plaque took place in June 1996. Revenue Canada was only the second federal department to receive this tribute.