



Revenue Canada

Performance Report

For the period ending
March 31, 1998

Canada

Improved Reporting to Parliament Pilot Document

The Estimates of the Government of Canada are structured in several parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve.

The *Report on Plans and Priorities* provides additional detail on each department and its programs primarily in terms of more strategically oriented planning and results information with a focus on outcomes.

The *Departmental Performance Report* provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the spring *Report on Plans and Priorities*.

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Foreword

On April 24, 1997, the House of Commons passed a motion dividing on a pilot basis what was known as the annual *Part III of the Estimates* document for each department or agency into two documents, a *Report on Plans and Priorities* and a *Departmental Performance Report*.

This initiative is intended to fulfil the government's commitments to improve the expenditure management information provided to Parliament. This involves sharpening the focus on results, increasing the transparency of information and modernizing its preparation.

This year, the Fall Performance Package is comprised of 80 Departmental Performance Reports and the government's "*Managing For Results*" report.

This ***Departmental Performance Report***, covering the period ending March 31, 1998, provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the department's *Part III of the Main Estimates* or pilot *Report on Plans and Priorities* for 1997-98. The key result commitments for all departments and agencies are also included in *Managing for Results*.

Results-based management emphasizes specifying expected program results, developing meaningful indicators to demonstrate performance, perfecting the capacity to generate information and reporting on achievements in a balanced manner. Accounting and managing for results involve sustained work across government

The government continues to refine and develop both managing for and reporting of results. The refinement comes from acquired experience as users make their information needs more precisely known. The performance reports and their use will continue to be monitored to make sure that they respond to Parliament's ongoing and evolving needs.

This report is accessible electronically from the Treasury Board Secretariat Internet site:
<http://www.tbs-sct.gc.ca/tb/key.html>

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Revenue Canada

Performance Report

**For the
period ending
March 31, 1998**

**The Honourable Herb Dhaliwal
Minister of National Revenue**

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Executive Summary

Revenue Canada is a key instrument of governance with a demonstrated ability to respond to the challenges of the 1990s and beyond. The Department remains fully committed to supporting the Government's agenda and program of change, and to providing exemplary service to the provinces and territories that rely on the Department for the efficient and effective administration of their tax laws and socio-economic programs. Revenue Canada carries out this commitment by:

- ensuring that its revenue administration continues to contribute effectively to Canada's fiscal health and prosperity; providing fair, accessible and responsive programs and service to help maintain public confidence in government;
- providing a wide range of services at the international border that contribute to building a better society; and
- working closely with the private sector, through mutually beneficial partnerships, in developing modern approaches to program delivery and reducing the cost burden of compliance.

As evidence of this commitment, several of Revenue Canada's outstanding achievements are described in this report. For instance, in 1997-98, the Department collected \$245 billion in revenue. Of this, federal revenue totalled \$146 billion, typically representing 95% of government revenue. Based on the actual spending at \$2.4 billion, the Department's cost to collect \$100 of revenue came to \$1.05 in 1997-98, compared to \$1.30 in 1992-93. Additionally, relative to specific commitments that were outlined in the 1997-98 Report on Plans and Priorities, the following results have been achieved:

- **Commitment:** implement a single administration of a combined federal/provincial sales tax in Nova Scotia, New Brunswick, and Newfoundland and Labrador beginning April 1, 1997.
Achievement: effective April 1, 1997, the Harmonized Sales Tax (HST) program was successfully implemented. Generally, both the provinces and businesses have expressed satisfaction with the overall implementation and administration of HST.
- **Commitment:** address the underground economy activity through sector-specific strategies and implementation of new procedures for reporting payments to subcontractors.
Achievement: for the 1997-98 fiscal year, the underground economy initiative completed 10,446 audits with federal tax assessments totalling approximately \$130 million.
- **Commitment:** increase the total fiscal impact of enforcement to \$5.2 billion by 1999-2000.
Achievement: the Department is on track: in 1997-98, fiscal impact of enforcement activity totalled \$5 billion.

- Commitment: maintain accounts receivable at a level not in excess of 4% of gross revenue.

Achievement: the overall accounts receivable is reduced to 4.2% of gross revenues as at March 31, 1998, compared to 4.3% at March 31, 1997, but slightly short of commitment.
- Commitment: provide clients with a means of redress through an impartial review of notices of objection and appeals within reduced time frames.

Achievement: as part of the Appeals Renewal Initiative implemented in May 1997, time taken to process non-complex tax objections improved by 30%.
- Commitment: re-engineer the travellers process to facilitate tourism through the streamlined movement of low-risk travellers.

Achievement: as part of the travellers re-engineering process, expanded pilot application of interactive video systems provided authorized travellers with increased flexibilities in terms of point of entry.
- Commitment: re-engineer the commercial process to speed the processing of low-risk goods while maintaining appropriate controls and reduce the burden and cost of compliance for Canadian business.

Achievement: machine release system (MRS) within the Accelerated Commercial Release Operations Support System (ACROSS) was implemented for low-risk shipments in 1997-98. Participation has gradually increased in this MRS program and has now reached 9.78% of all EDI releases of which there are approximately 15,500 releases per business day.

In addition to these achievements, each business line reports achievements relative to the commitments made in the 1997-98 Report on Plans and Priorities. For example, in the area of improved service to the public:

- client accessibility was improved at the Montréal, Toronto, and Vancouver call sites through an interactive voice response (IVR) system with computer telephone integration (CTI). This system is accessible 24 hours a day, seven days a week to offer clients an automated response to simple, repetitive enquiries; and
- the Automated Customs Information System (ACIS), an automated telephone system that provides recorded verbal information handled more than 800,000 calls during 1997-98, making it easier for clients to correctly process customs transactions.

On the eve of becoming an agency, Revenue Canada looks forward to future opportunities in its continuing search to better serve the public, businesses, provinces and territories.

Chart of Key Results Commitments

Revenue Canada's results commitments fall within the broad accountabilities of Effective Revenue Administration and Smart Border Administration. Achievements relative to these commitments are detailed in each of the Department's business lines (see Section III).

Revenue Canada		
provides Canadians with:	to be demonstrated by:	achievement reported in:
<i>Effective revenue administration</i>		
Administration of the taxation regime for the Federal Government and certain provinces and territories by assessing and collecting taxes, duties, and other levies and payments, and delivering a number of social and economic benefits in a fair and timely manner.	<ul style="list-style-type: none"> trends in costs to collect \$100 trends in the volume of enquiries processed from individuals and businesses implementation of electronic service delivery options and client participation rates in these options total fiscal impact of enforcement activities taxes assessed as a result of targeting the underground economy early identification and audit of tax avoidance and tax shelter arrangements maintaining accounts receivable at a level of not more than 4% of gross revenues the percentage of appeals processed within the approved time frames level of client satisfaction in respect of the independence, timeliness and fairness of the redress processes 	<p>page 14 page 22, Figure 1-1</p> <p>pages 18, 19 and 20</p> <p>pages 40 and 41, Figures 3-1, 3-2, and 3-3 page 36</p> <p>page 34</p> <p>page 46, Figure 4-2</p> <p>page 51</p> <p>page 51</p>
<i>Smart border administration</i>		
Enforcement of Canadian laws and sovereignty at the border and support of Canadian industrial competitiveness and economic policies	<ul style="list-style-type: none"> trends in the volume of travellers and commercial shipments processed level of client satisfaction with services provided compliance rate for travellers entering Canada quantity/value of contraband goods detected and interdicted availability of electronic service delivery options and client participation rates in such options use of streamlined options for processing low-risk travellers and commercial shipments 	<p>page 30, Figures 2-1, and 2-2 page 30, Figure 2-1</p> <p>page 30, Figure 2-1</p> <p>page 30, Figure 2-3</p> <p>pages 25, 27, 28, and 29</p> <p>page 25</p>

Section I

Minister's Message

For many Canadians, Revenue Canada is their main link to the federal government. Indeed, few other departments interact with so many Canadians each day. For this reason, Revenue Canada has tried, even in an era of budget restraint, to maintain the high quality of service which Canadians have come to associate with our programs.

We continue to place the emphasis on personal service, accessibility to information, fairness, and respect for the rights and needs of all our clients. These are fundamental elements of our approach to helping our clients meet their obligations under the self-assessment system. We work in partnership with all Canadians, especially provincial governments, to support their economic well-being and to provide a competitive advantage for Canadian business in the global economy. In doing so, we invest in people and in technology, looking to find innovative ways to improve service to clients.

With the proposed Canada Customs and Revenue Agency, our next challenge is to build on these achievements by creating an organization with greater flexibility to tailor its policies and programs to more efficiently meet client needs. This organization will be committed to fairness, confidentiality, and integrity, with a more business-like, efficient, open, and transparent customs and revenue administration.

As evidence of this commitment to you, I am proud to submit Revenue Canada's 1997-98 Performance Report highlighting the diligence with which resources entrusted to us were dedicated to serving all Canadians.

Minister of National Revenue

Section II

Departmental Overview

Mandate, Mission and Vision

Revenue Canada is mandated to collect revenues; to administer tax laws, both for the federal government and for 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.

Its mandate emanates from the *Department of National Revenue Act*, under which 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 for other federal departments and provincial and territorial governments.

More specifically, Revenue Canada collects federal income taxes; personal income taxes for all provinces except Quebec; corporate income taxes for all provinces except Alberta, Ontario, and Quebec; goods and services tax (GST) in all provinces except Quebec; and harmonized sales tax (HST) with Nova Scotia, New Brunswick, and Newfoundland. It also collects commodity taxes; excise duties for certain provinces; employee and employer contributions under the *Canada Pension Plan*; and employee and employer premiums for Employment Insurance. 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, for other departments, notably: Agriculture and Agri-Food Canada; Industry Canada; Citizenship and Immigration Canada; Department of Foreign Affairs and International Trade; Health Canada; Human Resources Development Canada and Environment Canada.

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

In 1997-98, for example, the Department served some:

- 22 million individual income tax filers;
- 1.1 million corporations;
- 1.9 million goods and services tax (GST) registrants;
- 1.3 million employers;
- 158 thousand commercial importers;
- 109 million travellers;
- 23 thousand registered pension and deferred profit-sharing plans; and
- 74 thousand charities.

The Department processed:

- \$283 billion in imported goods representing more than 31.3 million transactions resulting from 11.3 million commercial entries;
- 35.5 million Child Tax Benefit (CTB) payments;
- 32.9 million Goods and Services Tax Credit (GSTC) payments;
- 467 thousand Children's Special Allowance payments; and
- 27.2 million public enquiries.

In 1997-98, the Department collected gross revenue of \$245 billion. After refunds, drawbacks, and credits, net revenue collected totalled approximately \$194 billion, of which \$146 billion was federal revenue (details in Section VI, Appendix 3). This typically represents about 95% of all federal budgetary revenue collected by the Government.

Our mission

Our mission is to promote compliance with Canada's tax, trade, and border legislation and regulations through education, quality service, and responsible enforcement, thereby contributing to the economic and social well-being of Canadians.

Our values

Our values include integrity, professionalism, respect and co-operation.

Integrity is the cornerstone of our administration, and it means treating people fairly and applying the law fairly. Integrity requires that we act with honesty and openness.

Professionalism is the key to success in achieving our mission, and it means being committed to the highest standards of achievement. Professionalism requires that we act with dedication and skill.

Respect is the basis for our dealings with colleagues and clients and it means being sensitive and responsive to the rights of individuals. Respect requires that we act with courtesy and consideration at all times.

Co-operation is the foundation for meeting the challenges of the future, and it means building partnerships and working together toward common goals. Co-operation requires that we act with leadership and innovation.

Our vision

Revenue Canada will be recognized and respected by clients for its integrity, fairness, and innovation in administering high-quality, yet affordable programs. Our progressive stance will encourage new inter-governmental and international partnerships fostering greater government efficiency and a stronger economic union.

Operating Environment

The March 1996 federal budget announced the Government's intention to establish a national revenue agency. This will have a significant impact on the way in which Revenue Canada will do business in the future, particularly in terms of the scope of the programs and services to be provided. Bill C-43, An Act to Establish the Canada Customs and Revenue Agency, was introduced in Parliament on June 4, 1998. As a key operational challenge, the creation of the Agency dominated the management agenda in 1997-98. Following the passage of legislation, the challenge will be to manage one of the largest organizational transitions, involving a diverse workforce, since the transformation of Canada Post from a government department to a Crown Corporation.

As in previous years, Revenue Canada faced ongoing challenges emanating from new legislation and government priorities. The introduction of any new or revised tax and trade legislation and arrangements, federal/provincial or international, has a significant impact on departmental operations and resource needs. For this reason, Revenue Canada continued to liaise with the departments of Finance and Foreign Affairs and International Trade to ensure that proposed legislative changes and international trade agreements are administratively feasible and economically viable, as well as to assess the implications for the fiscal framework.

Revenue Canada must, at the same time, continue to respond to key economic factors which influence the nature of program delivery and the success in fulfilling its mandate. The amount of work the Department must do is largely a function of such external influences as growth in population and per-capita income, changes in interest rates, labour force participation, and unemployment rates. For example, over the past 10 years individual income tax returns have grown by 31% from 16.8 million in 1987-88, to 22 million in 1997-98. Corporate income tax returns have grown by 38% from 0.8 million to 1.1 million in the same period. The work is also affected by the increasing use of the tax system as a vehicle for implementing various socio-economic programs, such as: the GST Credit; the Child Tax Benefit; the Scientific Research and Experimental Development Tax Credit; duty remissions and drawback programs.

Driven by the need to optimize compliance, the Department must carefully balance resource allocations and linkages between facilitation, revenue generation, and enforcement activities. This often brings forth opportunities for the use of automation, technology, and process redesign where early investment costs are heavy but returns are attractive. A number of re-engineering projects designed to improve services are already implemented and in progress.

Recruitment and retention of skilled staff, specifically information technology (IT) professionals and auditors, remain ongoing problems. These knowledge-based staff are critical to operations and the difficulties that the Department has experienced in recruiting and retaining staff have a direct impact on its performance. New collective bargaining agreements will help alleviate the problem.

Objectives

In fulfilling its mandate, Revenue Canada has set itself the following objectives:

- to ensure the assessment and collection and appropriate refund of all taxes, duties, and other relevant charges and levies in a fair and timely manner;
- to enhance the competitiveness of Canadian business through administration of a wide variety of trade policy instruments, as well as the facilitation of international commerce and tourism;
- to ensure compliance with legislation; maintain sovereignty at the border; and protect Canadian business, individuals, and society generally from inadmissible or dangerous goods and people; and
- to support the social and economic programs as well as the goals of the Government.

Strategic Goals and Priorities

In planning its future direction and in keeping with its mandate and objectives, Revenue Canada identified the following long-term goals in its 1998-99 Report on Plans and Priorities.

Quality Service and Client Education: To provide accessible, responsive, and reliable services at an affordable cost. To facilitate voluntary compliance, Revenue Canada aims to ensure that clients are aware of and fully understand their obligations and entitlements under the laws it administers. A well-balanced program of service, client education, and assistance is essential to achieving these ends.

Responsible Enforcement and Border Protection: To deliver fair, responsible, and effective enforcement programs in a manner that safeguards the integrity of revenue programs and protects Canadians' personal security. Enforcement programs and border protection safeguard Canadians' economic and personal security by maintaining the integrity of the tax system, enforcing Canadian sovereignty at the border, and creating a level-playing field for Canadian business. Enforcement programs aim to identify the most serious cases of non-compliance, take appropriate corrective measures, and generally serve to deter non-compliance.

Fair Administration: To apply the principle of fairness diligently and consistently in all departmental programs. The confidence of Canadians in the fairness of our customs and revenue administration influences the willingness of individuals and businesses to devote the time and effort required to voluntarily comply with the law. The Department's aim is to apply the principle of fairness diligently and consistently in all programs in order to sustain public confidence and to encourage voluntary compliance.

Simple and Efficient Processes: To minimize the administrative cost and compliance burden imposed on our clients through streamlining and simplifying our legislation, programs, and operations. This means having simple and efficient processes that help promote the competitiveness of Canadian business and that are aligned with the way in which individuals and businesses conduct their affairs.

Knowledgeable, Skilled People: To ensure that people have the knowledge, skills, and support needed to work effectively in an environment that promotes and recognizes exemplary performance. Continued success in realizing service, program, and process improvements will rest first and foremost on the proven professionalism and service ethic of the people at Revenue Canada. The Department's aim is to provide support to Revenue Canada's large and diverse work force, the kind of support that will ensure that its employees remain highly skilled and motivated.

Effective and Responsive Corporate Support: To provide effective support for programs and initiatives through responsive, modern, and integrated corporate policies, systems, and processes. The Department must have the right policies, processes, and systems in place to deliver the broad range of services for which it is responsible.

In support of these goals, the Department's 1998-99 Report on Plans and Priorities identified six key priorities for action externally, involving:

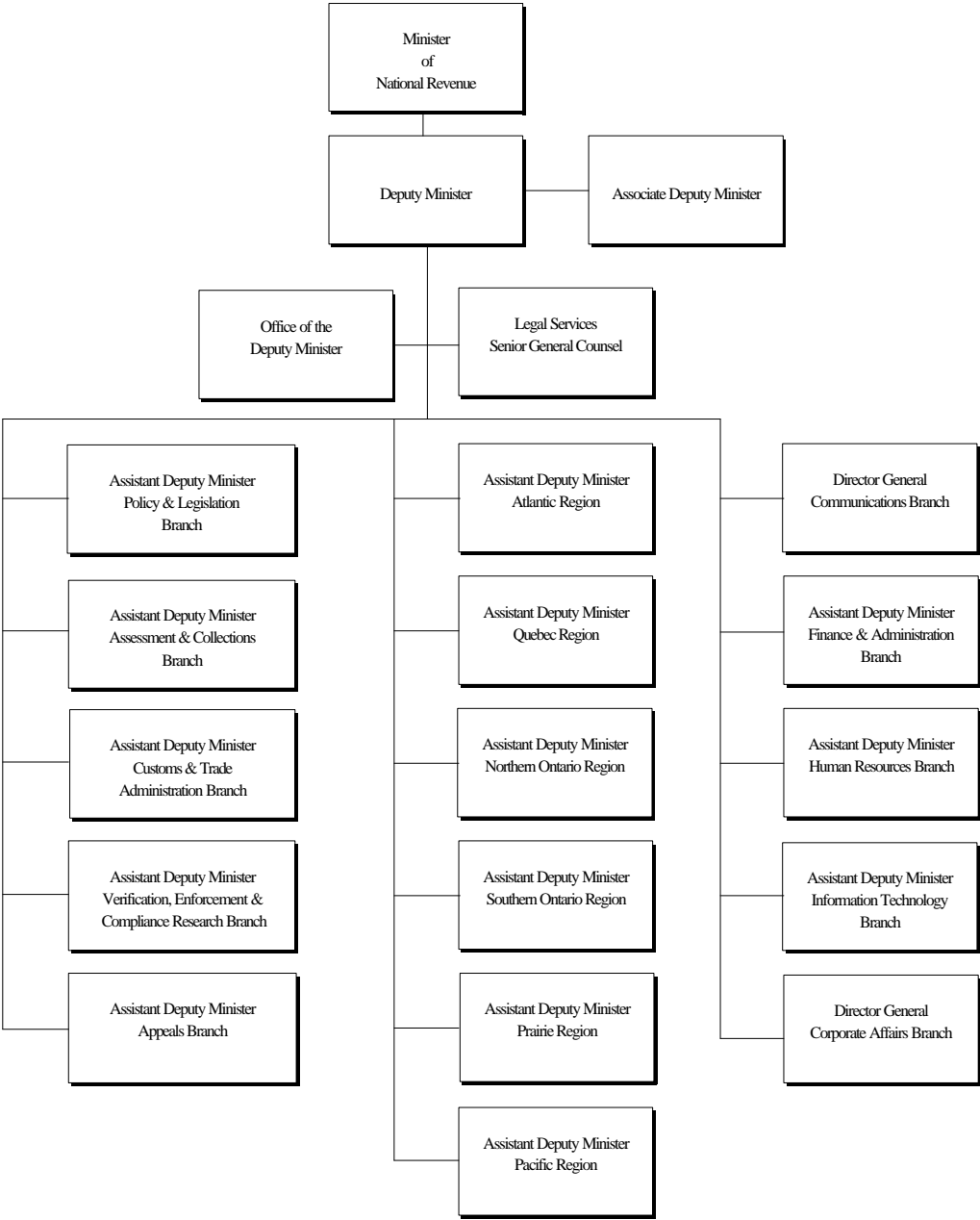
- creating the Canada Customs and Revenue Agency;
- modernizing service delivery;
- reinforcing our commitment to fairness;
- enhancing our approach to compliance;
- defining the future direction of Customs; and
- strengthening our international relations.

In addition to the six priorities, Revenue Canada's 1998-99 Report on Plans and Priorities also identified the following four other priorities to guide actions internally:

- managing key human resource issues;
- improving internal communications;
- enhancing management processes; and
- ensuring IT readiness for Year 2000.

Departmental Organization

The Department carries out its mandate through one Program, *National Revenue*, and six business lines maintaining clear accountabilities as illustrated by the following organization chart and Table 5, Section IV:



Section III

Departmental Performance

Performance Expectations

In its 1997-98 Report on Plans and Priorities (RPP), Revenue Canada committed to:

- implement a single administration of a combined federal/provincial sales tax in Nova Scotia, New Brunswick, and Newfoundland and Labrador beginning April 1, 1997;
- address the underground economy activity through sector-specific strategies and implementation of new procedures for reporting payments to subcontractors;
- increase the Total Fiscal Impact of enforcement to \$5.2 billion by 1999-2000;
- maintain accounts receivable at a level not in excess of 4% of gross revenue;
- provide clients with a means of redress through an impartial review of Notices of Objection and Appeals within reduced time frames;
- re-engineer the travellers process to facilitate tourism through the streamlined movement of low-risk travellers; and
- re-engineer the commercial process to speed the processing of low-risk goods while maintaining appropriate controls and reduce the burden and cost of compliance for Canadian business.

These planned achievements are described in detail under each business line.

Business Line Performance Accomplishments

With the focus on results, heightened by the recent improved reporting to parliament project, Revenue Canada's performance reporting continues to be streamlined at the business line level.

Accordingly, the Department's performance is reflected under its six business lines:

- Assistance to Clients and Assessment of Returns;
- Customs and Trade Administration (previously referred to as Customs Border and Trade Administration Services in the 1997-98 RPP);
- Verification and Enforcement;
- Revenue Collections;
- Appeals; and
- Administration and Information Technology.

As part of its continuing performance management strategy, Revenue Canada is in the process of developing a more comprehensive framework of performance indicators. For example, Revenue Canada is looking at the cost to collect which, as a basis of international comparison, is the most popular indicator of productivity and efficiency and thus could be a useful guide, both for those who plan tax policy and those charged with its administration. The costs to collect \$100 could become an over-arching performance measure, notwithstanding its susceptibility to external influences.

Revenue Canada has been successful in improving this cost measure from \$1.30 in 1992-93 to \$1.05 in 1997-98. However, if an allowance is made for the cost of administering the key benefit programs, such as, the Child Tax Benefit, the Goods and Services Tax Credit, and the Children's Special Allowance, the revised cost for overall revenue administration would be reduced accordingly for the two years involved.

As shown below, the Department's actual spending at \$2.4 billion totalled slightly below its total authorities but nearly \$.2 billion higher than planned in the 1997-98 Main Estimates. The Supplementary Estimates during the year authorized such items as the carryforward of unused funds from 1996-97 and additional funds approved to implement some policy and legislative initiatives announced in the 1997 federal budget. Additional details about financial performance are in Section IV.

Revenue Canada	1997-98
Planned Spending	\$2,268,860,645
<i>Total Authorities</i>	<i>\$2,464,198,125</i>
Actual Spending	\$2,441,901,221

Assistance to Clients and Assessment of Returns

The objective of this business line is to foster self-assessment and compliance and to process client returns. It involves efforts 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; to conduct a limited verification of items that were accepted at the assessing stage, and to administer a number of income redistribution programs. Also included in this business line are: an advisory function to other government departments regarding 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.

Report on Major New Initiatives

The following provides a description of major new initiatives undertaken in 1997-98 as well as an update on major initiatives that were outlined in the 1997-98 Report on Plans and Priorities.

Individual Enquiries Re-Engineering for Greater Accessibility: As a result of the Department's re-engineering initiatives, the Montréal, Toronto and Vancouver call sites were implemented to address high volume calls for goods and services tax credit (GSTC) and individual income tax (T1) refund enquiries. These sites maximize the use of emerging technology by using an interactive voice response (IVR) system with computer telephone integration (CTI). The IVR system is accessible 24 hours a day, 7 days a week, and offers clients an automated response to simple, repetitive enquiries. More complex calls that cannot be handled in the IVR are transferred to an agent for resolution. The client always has the option of bypassing the IVR to speak directly to an agent. CTI automatically provides an agent with information extracted from the Department's computer data bases in order to address a client's request. Subsequent implementation in the 1998-99 fiscal year will provide service for the Canada Child Tax Benefit (CCTB) and General Enquiries programs.

Revenue Canada has also developed a strategy to improve access to our telephone service, as well as the accuracy of replies provided to our clients. That strategy involves activity in three key areas:

- increasing existing capacity: through the establishment of a National 1-800 Overflow Call Centre and injection of more resources into tax service offices with the lowest accessibility rates;
- improving operational efficiency: through initiatives focused on maximizing use of automated front-end systems to provide information to clients; implementing telephone management practices; and providing staff with better working tools such as On-line Reference and Single Log-on Panel systems; and

- reducing the need to call: by way of expanding information on the Internet, making the notices easier to understand; and enhancing the community volunteer program which is designed to provide free income tax preparation assistance to low income individuals with simple tax returns.

Standardized Accounting and T2 Redesign: The Department is developing a strategy to have a comprehensive single accounting system for all business programs including: Corporation Tax, Excise Tax and Excise Duties, GST, Source Deductions and Customs. Standardized Accounting provides the accounting functionality for the T2 Redesign which will result in greater efficiencies in processing Corporate Tax returns.

When these projects are fully implemented, the Department expects improved client service and substantial savings in program costs. The scope of these major re-engineering initiatives requires the development of a phased-in implementation approach. With the requirement for simultaneous implementation, T2 Redesign supported by Standardized Accounting will be fully operational by mid-1999, and will offer Corporate EFILE-an electronic return filing option developed in co-ordination with the provinces of Alberta and Ontario.

Document and Payment Processing (Scanning): Image-based systems for processing payments and information returns are being developed. Approximately 80% of the payment volume and 15 million T4 and T5 forms received annually by Revenue Canada will be processed using this technology. Initially, the systems will be used to process the 1998 T4 and T5 information returns, with other applications being developed in later years. When fully implemented, Revenue Canada will be able to realize substantial savings.

TELEFILE: TELEFILE is an automated voice response system which allows Revenue Canada to accept income tax returns over the telephone. Clients enter their tax data by pressing the numbers on a Touch-Tone^(TM) telephone keypad. TELEFILE was implemented nationally on January 12, 1998, for the filing of 1997 income tax returns. During the first year of national expansion of TELEFILE, close to 400,000 clients using this filing option benefited from improved processing times. Participants saw their previous average processing time go from 22 days in the 1997 filing season to 11 days in the 1998 filing season. TELEFILE reduces processing costs for the Department and provides the platform for an electronic file-from-home service.

Child Support Reform: Revenue Canada implemented the February 1997 Federal Budget proposal to replace the Working Income Supplement with the National Child Benefit Supplement, which provides additional assistance to all low income Canada Child Tax Benefit (CCTB) clients. This change came into effect in July 1998.

In addition, Revenue Canada and the Department of Justice Canada implemented a Defaulter Tracing System to help trace child support defaulters. This highly innovative system allows two-way electronic transfer of data between the departments. It supports the timely and efficient exchange of selected information, while maintaining a high degree of security over tax information.

Between May 1, 1997, and May 1, 1998, the Department of Justice Canada transmitted to Revenue Canada requests for data about 11,788 defaulters. Revenue Canada was able to match 9,798 (83%) of the referred defaulters to a tax record and provide the requested information.

British Columbia Family Bonus (BCFB) Program: The British Columbia Family Bonus (BCFB) was extensively modified in response to the creation of the Canada Child Tax Benefit (CCTB) and National Child Benefit (NCB). Revenue Canada made significant changes to its delivery systems with the result that, as of July 1998:

- the BCFB payment was integrated with the CCTB payment, allowing clients to receive one monthly payment instead of two;
- the calculation of the benefit was revised, to harmonize with the NCB; and
- a new benefit component, the British Columbia Earned Income Benefit (BCEIB) was added to support the NCB objective of promoting greater attachment to the workplace.

Revenue Canada issued over 2.5 million payments totalling more than \$400 million during 1997-98. The ongoing costs of administering this program, which are fully recovered from the Province of British Columbia, will amount to well under 1% of the annual benefit payments to clients.

Register of Electors Project: Based on the results from the 1997 income tax return filing season, this initiative has been highly successful. As of July 2, 1998, 80% of the 1997 income taxfilers consented to share individual identification information (name, address, and date of birth) with Elections Canada.

Business Number (BN) Registry: In order to improve the competitiveness of Canadian business, provide one-stop service, and reduce the compliance burden on business, Revenue Canada spearheaded an expansion of the use of BN as the common client identifier for all levels of government. The Department implemented a national business registry system in April 1998. Also, the Department developed an open expandable technical infrastructure to support electronic transactions so that federal-provincial program delivery can be integrated while the independence of the agencies and programs can be maintained. This will allow the development of an electronically-linked web of government programs for businesses using the BN and a central registry for federal, provincial, and municipal accounts.

The Business Registration on-line (BRO) workstation was created to provide a self-help, convenient, and secure electronic process to register businesses for the BN and the four major Revenue Canada accounts. The ability to register for multiple programs reduces overlap and duplication and lowers costs at all levels of government and businesses. The creation of the BN and the BRO workstations enables Revenue Canada to work with provinces as equal partners to deliver an integrated registration program covering both federal and provincial government programs anywhere in Canada.

NISA (Net Income Stabilization Account) Application for Farmers: For the 1997 tax year, Revenue Canada, in partnership with Agriculture and Agri-Food Canada (AAFC), introduced harmonized filing for NISA and income tax purposes through the use of a single form filed with Revenue Canada. Benefits to clients include reduction in paper burden, savings of time and money, and the potential to EFILE information that is to be used by NISA. This simplified process reduces reporting demands on the agricultural sector. In addition, the partnership reduces the cost of running the NISA program by approximately \$500,000 annually.

Currently, the Department is working with AAFC to increase its involvement with NISA programs in strengthening administrative efficiencies with the provinces in disaster relief programs for farmers.

Harmonized Sales Taxes (HST): Effective April 1, 1997, the Harmonized Sales Tax (HST) program was successfully implemented in New Brunswick, Nova Scotia, Newfoundland and Labrador. Generally, both the provinces and business have expressed satisfaction with the overall implementation and administration of HST. Reports from the business community have been quite favourable, specifically in relation to the input tax credits (ITCs) and the resulting simplified filing system. Businesses have noted that the combined system has made it administratively easier, reduced their costs, and improved their competitive ability. The Canadian Federation of Independent Business has shown strong support for HST.

GST Legislative Amendments: Bill C-70 received Royal Assent on March 20, 1997. Since its passage, the Department has revised many of its memoranda and guides, as well as issued new ones to reflect the changes contained in the new legislation. Staff have been trained to respond promptly and accurately to any issues raised because of the amended law. To date, there have been no major problems identified emanating from the revised legislation.

Report on Specific Results Commitments

In addition to the major new initiatives, the following results have been achieved against the specific commitments made in the 1997-98 Report on Plans and Priorities (RPP).

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> To continue the aggressive application of technology in order to seek reductions in the administrative burden and costs experienced by business and individual clients through various re-engineering initiatives, resulting in substantial operational efficiencies for the Department by 1999-2000: 	<ul style="list-style-type: none"> In 1997-98, an initial pilot tested both the electronic filing of individual income tax (T1) returns via the Internet for EFILE agents and the electronic filing of T1 returns by individuals from home. Following the evaluation of the initial pilot year, the pilot has been extended to 1998-99 to more clearly determine the Internet's potential as an alternative delivery vehicle for electronically-filed T1 returns and to analyze the use of the Internet for future electronic commerce initiatives.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> To maintain a more proactive program of consultation with clients to identify measures to reduce the burden of compliance: To continue to improve service and operational performance by being client-focused and by supporting simplification initiatives such as the provision of one-stop service across the country, so clients can get information and forms, as well as make payments in one location: 	<ul style="list-style-type: none"> During the 1998 filing season, approximately 5.5 million individual income tax (T1) returns were filed electronically, comprised of 5.1 million by EFILE and 400,000 by TELEFILE. This represents about 26% of all returns filed by individuals and is an increase of 700,000 returns from the previous filing season. Average processing times for all TELEFILE, EFILE and paper returns were 11, 15, and 28 days respectively, all within the established parameters and timeframes. Also, see Individual Enquiries Re-Engineering for Greater Accessibility initiative described earlier in this section. Revenue Canada consults with segments of clients through various advisory committees such as; Seniors Advisory Committee, and Persons with Disabilities Advisory Committee. In 1997, the scope of the Small Business Advisory Committee was expanded to include six regional committees. Their function is to advise the Department of any regional issues concerning simplification and/or barriers to compliance; and where feasible, work with the Department to develop solutions to these issues. See the Individual Enquiries Re-Engineering for Greater Accessibility described earlier in this section. In November 1997, the Department published the new <i>Guide for Canadian Small Businesses</i>, to better respond to the information needs of Canada's two million small businesses. This publication is targeted at new and prospective small businesses, and provides an overview of tax- and customs-related information.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> • To simplify statements and improve service by consolidating accounts allowing business to offset liability in one area such as income tax, with overpayments or refunds from another such as GST: • To enhance the identification of individual tax returns that have a greater risk of non-compliance: • To continue to efficiently and effectively administer federal and provincial benefit programs and utilize the expertise developed to help other departments and levels of government deliver targeted income support payments: • To evaluate and implement measures designed to ensure that clients receive their full entitlements under the benefit programs administered by the Department: 	<p>It also outlines the entitlements and obligations of small business operators and identifies Revenue Canada programs available to them. Feedback from clients on this new guide has been positive.</p> <ul style="list-style-type: none"> • The Department is developing a comprehensive single accounting system for all business programs. Once all revenue lines have been integrated to this accounting system, clients will be provided consolidated statements and options to offset refunds against payments. • In 1997-98, the use of artificial intelligence techniques, and other improvements in file selection for Processing Review continued to be refined. Program results show that the dollars per review for returns selected by the scoring system were 176% of the dollars per review on those returns selected at random. Thus, higher risk returns continue to be successfully identified. • Under Revenue Canada's administration, three new provincial income support programs were launched during 1997-98: the Alberta Family Employment Tax Credit, New Brunswick Child Tax Benefit, and the Newfoundland Harmonized Sales Tax Credit, bringing the total to four (see Figure 1-6). All administrative costs related to these programs are paid by the provinces, except for the Newfoundland Harmonized Sales Tax Credit. In addition, new programs are being developed for Saskatchewan, the Northwest Territories, and Nova Scotia. • Based on the results of a 1997-98 child tax benefit (CTB) compliance measurement sample, a comprehensive quality assurance and compliance strategy has been developed to secure the data and resources needed to help detect and correct both overpayments and underpayments of benefits.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> • To maintain services levels to clients, a re-engineering project was undertaken in the GST/HST Rulings and Interpretations Program to set the foundation for a more effective and efficient program. The re-engineering program will see a concentration of resources in a smaller number of offices in each region to deliver accurate and timely responses to clients: • To complete, in collaboration with the Department of Finance Canada, a comprehensive review of the <i>Excise Act</i>, and related provisions of the <i>Excise Act</i>, pertaining to the taxation of alcohol and tobacco products. The objective is to modernize and streamline many antiquated provisions and at the same time safeguard the significant tax revenues from these products. Changes should contribute to a reduction in administration and compliance costs for both industry and government: 	<ul style="list-style-type: none"> • The GST/HST Rulings and Interpretations program provides service to clients from Headquarters in Ottawa and tax services offices in the regions. Interpretations and Rulings services sites in the regions were reduced from 37 to 8 regional centres to concentrate resources for development of expertise and industry and sector specialization. The concentration of resources will now allow for the training and development required for specialization in each centre. These centres will provide clients with access to departmental technical specialists for their queries. A standardized national workload management and reporting system has been developed and implemented nationally. The system incorporates the new work processes that will allow delivery of accurate and timely responses to clients. • Draft legislation and regulations will be completed in the fall of 1998 for the approval of ministers. A document based on proposed revisions to legislation and regulations will be released then for public comment.

Key Performance Statistics

Figure 1-1: Public Enquiries Handled

Enquiries (000s)	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98	Estimates 1997-98
Enquiries handled by Agent ¹	18,458	19,129	19,730	20,114²	17,146
Enquiries handled by Automation		2,100	3,800	7,093³	7,000
Total Enquiries	18,458	21,229	23,530	27,207	24,146
Associated FTE (includes overtime)	1,876	2,093	2,082	2,349	1,877
¹ Starting in 1995-96, data includes enquiries related to goods and services tax and employer deductions at source, due to consolidation of the departmental enquiries programs, which was further refined in 1997-98. ² The increase in enquiries over the 1997-98 Estimates is attributable to initiatives for greater accessibility implemented in 1997-98. ³ 1997-98 includes 2.8 million enquiries answered by way of tax information phone service (T.I.P.S.); 4.2 million by way of the automated enquiries response system (AERS); and 93,000 by way of the new, recently installed interactive voice response (IVR) system, but excludes visits to the departmental Internet sites.					

Figure 1-2: Taxfilers by Type

(000s)	Actual 1996-97	Actual 1997-98	Estimates 1997-98
Individuals and Trusts	21,322	21,951	22,037
Corporations	1,110	1,140	1,125
Goods and Services ¹	1,763 ²	1,873	1,984
Total Taxfilers	24,195	24,964	25,146
Associated FTE (includes overtime)	6,931	6,338	6,612
Taxfilers per FTE	3,491	3,939	3,803
¹ Excludes Taxfilers registered in the Province of Quebec. ² Actual decreased due to the elimination of GST de-registrations from the 1996-97 data base.			

Figure 1-3: Processing Review (Individual), Additional Tax Assessed

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98	Estimates 1997-98
Returns Reviewed	643,400	945,650	899,907	968,030	950,000
Additional Tax (Federal and Provincial) Assessed (\$000s)	54,500	123,000	97,800	72,200¹	125,000
¹ The Department now uses state-of-the-art software to identify, prior to assessing a return, those returns with the greatest risk in terms of mistakes or non-compliance. This means that more claims are now verified prior to the issuance of Notices of assessment, thereby reducing the tax assessed during processing review, resulting in a shift in the review of these claims to a pre-assessment review program.					

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

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98	Estimates 1997-98
Returns Reviewed	1,352,168	1,400,036	1,437,560	1,668,814	1,735,000
Additional Tax (Federal and Provincial) Assessed (\$000s)	215,687	250,119	305,454	267,100	253,300

Figure 1-5: Income Tax Rulings and Interpretations ¹

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98	Estimates 1997-98
Advance Rulings Completed	532	484	514	399	500
Written Interpretations	2,661	3,000	3,087	2,936	3,000
Telephone Interpretations	15,637	16,434	19,739	20,567	20,500
Total Rulings and Interpretations	18,830	19,918	23,340	23,902	24,000
Associated FTE (includes overtime)	101.4	101.6	106.4	103.6	101.0
Fees Collected from Advance Rulings (\$000s)	1,636	1,207	1,221	1,018	1,400

¹ New table not previously included in the 1997-98 RPP.

Figure 1-6: Provincial Benefit Programs Administered in 1997-98

Program	Client Population	Annual Benefits (\$ millions)
Alberta Family Employment Tax Credit	157,000	75
British Columbia Family Bonus	218,000	441
New Brunswick Child Tax Benefit	43,000	26
Newfoundland Harmonized Sales Tax Credit	120,000	8

Customs and Trade Administration

The objective of this business line is to enforce Canadian laws and sovereignty at the border, as well as support Canadian industrial competitiveness and economic policies. This program delivers customs and trade administration services designed to advance and support the government's foreign policy and domestic socio-economic objectives. This protects Canadian industry and society through control of the movement of people, goods, and conveyances entering or leaving Canada and through the detection of contraband. This program also administers portions of the immigration program at Canada's border, under the direction of Citizenship and Immigration Canada. It supports Canadian industrial competitiveness by ensuring that Canadian business receives the advantages intended by various international agreements and other government trade policy instruments, including investigating industrial trading practices. It supports domestic economic policy, such as in the area of 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.

Report on Major New Initiatives

The following provides a description of major new initiatives undertaken in 1997-98 as well as an update on major initiatives that were outlined in the 1997-98 Report on Plans and Priorities.

Accord Processing Centre (APC): The first APC project is the Commercial Vehicle Processing Centre (CVPC) being constructed and scheduled for completion at Fort Erie, Ontario, in the first quarter of 1999. In Phase I, the Public Bridge Authority will operate the CVPC as a staging facility, controlling traffic flows and reducing traffic congestion. Enhancing the flow of exported goods from Canada to the U.S. will support Canadian industrial competitiveness. Future phases for the CVPC in Fort Erie are dependent on the evolution of the preclearance zone concept.

Under the auspices of the APC initiative, analysis of several existing European international zone agreements is in progress and legislative amendments being considered for the Vancouver Air Intransit initiative will determine the parameters for the preclearance zone concept (under the Vancouver Air Intransit project, U.S. Customs will have limited authority to search, seize, and detain U.S. bound passengers and goods in Canada under U.S. customs laws).

Other potential sites along our shared borders, which could benefit from the development of the APC initiative, are being identified.

Tariff Simplification: The new *Customs Tariff*, implemented January 1, 1998, is now a single schedule; duties were reduced on a wide range of manufacturing inputs; the "not made in Canada" requirement for reduced or duty-free status was eliminated for many provisions; obsolete tariff codes were removed; the Machinery Program was streamlined; duty rates were harmonized wherever possible; the number of tariff provisions was reduced from 11,000 to approximately 8,100; and more than 300 tariff regulations were eliminated. Administration

of the *Customs Tariff* was simplified by changes to the *Customs Act*. Importers may make adjustments to entries and receive refunds without need of an appeal. In addition, the appeal process has been reduced to a single level of redress for true disputes.

Net savings in duties to Canadian businesses and consumers are estimated to be \$90 million in 1998. Competitiveness will improve through reduced costs and less regulatory and administrative burden for both the business community and the Government.

Asia Pacific Economic Co-operation (APEC): The Department played a major role in drafting a public report on the Sub-Committee on Customs Procedures' (SCCP) plans, objectives and accomplishments for 1997, *A Blueprint for APEC Customs Modernization: Working with Business for a Faster, Better Border*. This document is available on the SCCP Web site, which was developed by the Department in 1997. Revenue Canada has committed to maintain the Web site for the SCCP for the 1998-99 fiscal year.

Throughout 1997, the Department showcased key initiatives at ministerial meetings. As chair of the SCCP, Revenue Canada attended the APEC Economic Leaders' meeting in Vancouver, British Columbia, held in November 1997, cleared all delegates to the meeting, and set up a booth to highlight the Department's initiatives related to APEC during 1997. The Department implemented eleven of twelve of the SCCP's Collection Action Plan initiatives in support of trade facilitation for APEC members, resulting in improved accuracy, certainty, speed, and transparency of Customs procedures, and reduced costs for traders.

Report on Specific Results Commitments

In addition to the major new initiatives, the following results have been achieved against the specific commitments made in the 1997-98 Report on Plans and Priorities (RPP).

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> To improve quick and non-intrusive client-oriented processes for low-risk commercial shipments, particularly for just-in-time manufacturing processes through enhanced electronic data interchange (EDI) technology: 	<ul style="list-style-type: none"> The machine release system (MRS) within Accelerated Commercial Release Operations Support System (ACROSS) was implemented for low-risk shipments in 1997-98. Participation has gradually increased in this MRS program and has now reached 9.78% of all electronic data interchange (EDI) releases of which there are approximately 15,500 releases per business day.
<ul style="list-style-type: none"> To facilitate the entry of low-risk travellers to Canada while interdicting the non-compliant element, through the use of advance technology, the 	<ul style="list-style-type: none"> A number of alternative reporting and monitoring technologies were identified and evaluated in laboratory or field trials, such as interactive video systems, biometrics, and licence plate readers.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<p>redeployment of resources from low- to high-risk areas, and partnerships in the private and public sector:</p>	<p>A number of collaborative opportunities have been identified with technology providers, other departments or agencies, and facilities operators.</p>
<ul style="list-style-type: none"> • To make it more difficult for controlled, dangerous and illegal goods and inadmissible persons to enter or leave Canada through a more effective enforcement program and use of high risk analysis: 	<ul style="list-style-type: none"> • In 1997-98, the following inventories were added: 14 roll-in cargo X-ray systems at major container examination sites, and 13 more Ionscans at major airports and container examination facilities. As well, the Detector Dog Service (DDS) has been expanded to include the addition of 6 passive detector dog teams in air operations and 2 active detector dog teams to areas of higher risk. Use of detection tools and techniques resulted in 60 X-ray drug seizures for \$36 million; 1,005 DDS drug seizures for \$145 million; and 64 Ionscan drug seizures for \$228 million. • 15 intelligence threat assessments were completed on smuggling of contraband (including narcotics, tobacco, and jewellery) and on commercial fraud. • The number of drug and contraband seizures increased by 19%, although the quantity and values were not as significant; the number of seizures in marine mode (ship and cargo) as well as the number of seizures in the land mode has significantly increased as a result of targeting unit and intelligence unit referrals. • Significantly more drugs were seized enroute to Canada by the Department's foreign partners as a result of improved international information exchanges. • The gross weight of drugs seized in all modes doubled compared to 1996-97. • The number of control delivery events with police services originating from Customs seizures increased by 83%;

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> • To support Canadian industrial competitiveness and domestic economic policy through transparent administrative and regulatory practices, removal of trade irritants and increasing Canada's participation in the global market place: • To enhance the quality of services by focusing on client needs and implementing new approaches to client services by making it easier for the commercial client to comply with customs requirements: 	<ul style="list-style-type: none"> • The missing children and child pornography programs reported increases in cases and interceptions; and the Export Control program reported an increased presence in the field, resulting directly in an increase in detentions and international referrals/retrievals related to the export of controlled commodities, contraband and stolen vehicles. • See APEC initiative described earlier in this section. In addition, as a player of Team Canada International Business Development Strategy, Revenue Canada is contributing to improved market access, expanded exports, and increased investment opportunities for Canadian export businesses. Working with G7 and other international fora to promote the adoption of best practices and common data elements will help Canadian exporters to take advantage of international trade agreements. • Increased use of extended hours provided customer support for all EDI systems 24 hours a day, 7 days a week. This is a major service improvement for EDI business growth, market pressures, and the need to remain compliant. • Implemented a toll-free Client Service hotline, allowing clients to verify the status of the Department's EDI systems. • Bell Canada GEMDES system is used to inform customers by fax/email of important messages, outages, and general information. These current status reports allow importers to better manage their operations and avoid possible contravention due to misunderstandings.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
	<ul style="list-style-type: none"> • Feedback from customs information days from industry and public attendees clearly indicates that the information being disseminated is both relevant and appreciated, with requests for more sessions to learn the customs process and requirements so importers and exporters can reduce the likelihood of errors and non-compliance. • World-wide circulation of the convention guide led to numerous requests for additional information from foreign government agencies and industries, who used the guide to discover the benefits and ease of holding their conventions in Canada. Knowledge of the appropriate procedures avoids inadvertent errors and contraventions. • The Canadian Automated Export Declaration (CAED) System was implemented nationally in January 1998. CAED is an automated method for exporters to report their exports directly to the Government of Canada. It replaces a paper-based system which was costly and inefficient. The preferred reporting option is via the internet which is free to Canadian exporters. To date, more than 400 exporters are on the system. • Implemented an internet work station (IWS) to provide an email service to the clients. Well-informed clients who are comfortable with customs operations seldom contravene the import rules and regulations. • The Department launched the preliminary implementation of the Virtual Customs Office (VCO) on October 21, 1997. The VCO is a Revenue Canada Internet site that provides an electronic customs service 7 days a week, 24 hours a day. The VCO contains general information on importing and exporting, including tariff treatments, duty rates, an exchange rate converter, customs notices, and news releases.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> • To develop a modern and responsive legislative base, designed to support the re-engineering process: 	<p>The importer/exporter can also access connections to other Internet sites such as other government departments, foreign customs administrations, transportation and freight forwarder sites. The importer/exporter may be able to complete and print Form B3, Canada Customs Coding Form and submit it to the local customs office. The importer/exporter can also print such forms as Form A - Certificate of Origin and Form B2, Canada Customs Adjustment Request, and complete them by hand.</p> <ul style="list-style-type: none"> • The Commercial Cash Entry Processing System (CCEPS), a self-service automated system which facilitates the document preparation process required for the clearance of commercial importations, was piloted in Vancouver, B.C. in April 1997. Personal computers are located at counters in designated customs offices. Based on importation information that the importer will input for the goods, CCEPS calculates the applicable duties and taxes, it then generates a completed hard copy of Form B3, Canada Customs Coding Form. Once the importer has accounted for the goods, the importer will receive a copy of the form stamped "duty paid" and can take delivery of the goods. • See Tariff Simplification initiative described earlier in this section.

Key Performance Statistics

Figure 2-1: Travellers

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98	Estimates 1997-98
Travellers Processed (000s) ¹	103,831	105,538	109,145	109,448	107,000
Compliance Rate (%) ²					
Air	87.3	92.3	93.6	92.0	92.0
Highway	96.4	96.7	97.6	97.2	98.0
Client Satisfaction (%) ³	92.0	n/a	91.5	91.3	92.0
¹ Individuals entering Canada reporting to customs by any mode. ² Travellers, by any mode, who comply with the laws administered by customs. This measurement is a result of statistical sampling carried out systematically at points of entry across Canada. ³ Travellers who, when surveyed, indicate that they are reasonably to very satisfied with the service they received.					

Figure 2-2: Commercial

(000s)	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actuals ⁵ 1997-98	Estimates 1997-98
Releases Processed ¹	7,720	8,182	8,017	9,045	10,380
Accounting Documents Processed ²	9,050	9,994	10,299	11,279	10,900
Postal Shipments Assessed ³	2,013	1,759	1,879	1,858	2,000
Courier Shipments Released ⁴	5,120	5,971	7,113	8,208	8,000
¹ Commercial shipments arriving by highway, air, rail, and marine modes and released. ² Customs Coding Forms (B3s) processed. ³ Customs Postal Import Forms (E14s) processed. ⁴ Courier shipments released with a value greater than \$20 and less than \$1,600. ⁵ The variance in releases processed is likely due to factors affecting the economy, namely a low dollar, globalization of trade, and the Asian economic crisis.					

Figure 2-3: Contraband

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual ² 1997-98	Estimates 1997-98
Contraband ¹ Seizures					
Value (\$000s)	919,500	1,002,000	694,000	534,725	900,000
¹ Includes drugs, alcohol, jewellery, and tobacco. ² The value of seizures in 1997-98 was less than estimated. Intelligence agencies globally report that the criminal organizations responsible for smuggling drugs started shipping smaller size shipments more frequently. Overall, drug seizures have increased over previous years but the weight and values have not been as significant. Also, the decrease in provincial taxes in some provinces is likely to have affected the profitability of tobacco smuggling; however, continuing cross-border smuggling on the west coast is evidenced by provincial tobacco task forces report.					

Figure 2-4: Appraisal and Adjustment

(000s)	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98	Estimates 1997-98
Commercial Entry Accounting Documents Processed	8,970	9,764	10,299	11,279	10,900
Commodity Declarations Presented ¹	23,209	24,860	27,937	31,309	30,861
Commodity Declarations Referred to Review ²	1,812	1,816	1,685	1,191	1,685
Adjustment Claims Processed ³	405	367	307	268	315
¹ Individual lines of transaction presented on entry accounting documents. ² Lines for review for a specific reason or randomly. ³ Includes appeals either importer-generated requests for adjustments (refunds, non-revenue changes, voluntary amendments) or Customs-generated adjustments, and all Drawbacks Claims and Certificates.					

Figure 2-5: Interpretative Policy Determination and Appeals

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98	Estimates 1997-98
<i>SIMA</i> Complaints from Canadian Industries ^{1,(a)}	30	24	19	26	24
<i>SIMA</i> Investigations (on a country basis) ^{2,(a)}	n/a	n/a	7	6	25
<i>SIMA</i> Measures (on a country basis) ^{3,(b)}	n/a	n/a	22	30	72
Valuation Policy Interpretations	167	127	90	84	87
Tariff Classification and Policy Interpretations	14,109	12,569	9,567	12,191	11,185
Tariff, Valuation and <i>SIMA</i> Appeals	10,596	9,348	5,162	3,390	4,500
¹ <i>SIMA</i> (<i>Special Import Measures Act</i> / anti-dumping) figures include initial enquiries and formal complaints whether or not they lead to an investigation. The downward trend in <i>SIMA</i> Complaints may be related to the health of the Canadian economy in recent years. ² A country may be included more than once in this figure if it is subject to more than one investigation. ³ Number of re-investigations. A country may be included more than once in this figure if it was subject to more than one <i>SIMA</i> / Anti-Dumping measure. Notes: (a) Estimates for 1997-98 were based on the number of countries involved in the <i>SIMA</i> complaints on hand which were reasonably expected to lead to investigations. However, the cases which were initiated, although complex in their nature, involved fewer countries than expected. (b) The number of countries reviewed was less than originally estimated due to revisions to certain <i>SIMA</i> measures made by the Canadian International Trade Tribunal (CITT)					

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

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98	Estimates 1997-98
Accepted (%)	94.2	93.9	96	95.7	96
Upheld by External Tribunal (%)	2.6	2.8	2.8	3.0	2
Overtaken by External Tribunal (%)	3.2	3.3	1.2	1.3	2
¹ Includes decisions that are potentially appealable to an external body, where the final departmental decision does not fully agree with the appellant's contention.					

Verification and Enforcement

The objective of this business line is to enhance compliance with the laws administered. This involves 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.

Report on Major New Initiatives

The following provides a description of major new initiatives undertaken in 1997-98 as well as an update on major initiatives that were outlined in the 1997-98 Report on Plans and Priorities.

Increased Enforcement: Increasing the level of coverage of unincorporated, self-employed businesses remains a high priority for Revenue Canada. The Department's goal is to return to the coverage levels of the late 1980's by 1999-2000. Audits in this segment of the population resulted in total fiscal impact of \$335 million in 1997-98. Of the audits conducted, 83% resulted in tax being assessed. The interim coverage goal for 1997-98 was not achieved due to a number of factors including:

- high rates of attrition among audit staff and difficulties in hiring qualified auditors due to market conditions, wage rate differentials, and external demand for expertise;
- increased audit times due to additional complexity in audits focused on sectors identified with the underground economy; and
- increased training for auditors to implement new audit programs including combined audits covering both income tax and GST and compliance reviews of one tax at the time of an audit of the other tax.

The Department remains committed to increasing the level of audit coverage in this segment of the population.

In addition to conducting audits, initiatives such as community visits, seminars, and taxpayer education help the Department's balanced approach to addressing compliance which should result in a long term increase in voluntary compliance. The Department conducted 37 community visits which resulted in some 6,600 taxpayers being reached. Voluntary disclosures continue to increase; in 1997-98, there were 1,227 voluntary disclosures which resulted in tax revenue of \$60 million, double the amount from the previous fiscal year.

With administrative consolidation of the revenue lines within Revenue Canada, the Department is now doing combined GST and income tax audits of small businesses. For medium-sized businesses, compliance reviews of the other tax are conducted. This has improved the delivery of services to taxpayers and resulted in better compliance coverage.

In February 1998, Revenue Canada signed a Memorandum of Understanding with Human Resources Development Canada (HRDC) allowing HRDC to provide information to Revenue Canada. This information will enable Revenue Canada to better target non-compliance. The February 1998 federal budget introduced mandatory reporting system for the construction industry, commencing in 1999. This will further enable Revenue Canada to better target non-compliance.

Combating Tax Avoidance: In 1997-98, the Department continued to challenge arrangements designed to circumvent the application of tax law. The general anti-avoidance rule was applied to arrangements designed to avoid the application of *Part 1.3* tax on large corporations. Transactions made to withdraw corporate surplus free of tax, including certain borrowings by foreign multi-nationals from Canadian subsidiaries or affiliates, were reassessed. The *Fraudulent Conveyance Act* was used to challenge an abusive application of the tax laws to avoid collection of tax. An arrangement that was widely used by large corporations to claim excessive interest deductions through foreign currency borrowings was successfully stopped by a recent Federal Court case. Actions taken on donation/loan-back arrangements resulted in legislation designed to deter loan-back transactions with private foundations.

Additional resources applied to the tax avoidance program will maintain the Department's ability to deal with the continuing evolution of tax avoidance arrangements and the new workload brought on by the growth of international commerce.

Revenue Canada's 1997-98 Report on Plans and Priorities noted that as the GST legislation matures, the Department expects to detect arrangements designed to avoid the GST. The Department is currently reviewing the possible avoidance of excise tax in the jewellery trade and certain arrangements involving the automotive trade. Reviews of the commercial activity of certain tax shelter arrangements may result in recoveries of claimed GST input tax credits.

In 1994, the Minister announced an increased level of attention to tax shelters. Broad audit coverage, a concerted public awareness campaign, and timely legislative amendments designed to deter the promotion of abusive tax shelters have resulted in a reduction in tax shelter offerings from \$6.9 billion in 1995 to \$3.2 billion in 1997. In 1997-98, audits of 580 tax shelters involving more than 4,500 investors resulted in federal tax recoveries exceeding \$90 million, up from \$50 million in 1996-97.

Enhancement of the International Tax Program: Legislation was introduced regarding foreign investment reporting requirements. Trusts and foreign affiliates reporting forms were released in October 1997 and the first filing is required for April 1998. An enhanced outreach program included client workshops in Canada and abroad. Information packages were developed for distribution to prospective immigrants through missions abroad. Information sessions were conducted for Immigration and Foreign Affairs personnel posted abroad. The Foreign Source Income Matching Program utilized 15 FTE and generated \$5,387,278 additional tax based on a review of 24,675 returns. This program also allowed the Department to identify about 2,000 non-filers.

The Department worked with other tax authorities and international organizations to improve compliance and to extend the principles of good tax administration to other countries and in doing so, increased the number of countries with which it exchanges information.

Systems and risk assessment profiles were enhanced to increase the Department's ability to protect tax revenue related to income earned by non-residents. Resources devoted to international tax enforcement activities are increasing. Additional revenue assessed on international transactions totalled \$529 million in 1997-98, including \$346 million from international audits, \$82 million from non-resident audits, and \$101 million from assessment of non-resident waivers and dispositions.

Pursuing New Directions For Scientific Research And Experimental Development Program:

The Department continued implementation of significant changes in the administration of the scientific research and experimental development (SR&ED) program. These changes are designed to increase the timeliness of payments, enhance certainty and consistency, and reduce the costs of compliance and paper burden.

The Department launched several new initiatives for a more client-centered approach including:

- pre-claim project review to review projects before tax credits are claimed;
- an account executive service whereby a specific science advisor assumes continual responsibility to facilitate the company's SR&ED claims; and
- staffing of national technology sector specialists to improve liaison with industry sectors and to identify and resolve industry-wide concerns.

The Department is building stronger partnerships with industry and holding consultations with industry organizations to give them an opportunity to provide input into the development of performance standards, documentation requirements, and interpretation of the *Income Tax Act* as it applies to the SR&ED program.

Report on Specific Results Commitments

In addition to the major new initiatives, the following results have been achieved against the specific commitments made in the 1997-98 Report on Plans and Priorities (RPP).

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> • To promote public trust in the fairness, integrity, and efficiency of Canada's revenue system by encouraging voluntary compliance, by ensuring 	<ul style="list-style-type: none"> • A number of new reporting requirements were initiated to address identified compliance issues related to foreign investments, government service contracts, and the construction industry. Implementation of these new requirements should lead to increased voluntary compliance in these

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<p>that taxpayers pay their fair share of taxes, and by maintaining public confidence in the integrity of the taxation system:</p> <ul style="list-style-type: none"> • To ensure compliance and maintain the integrity of the self-assessment system in the face of growth and changes in the economy, by maintaining responsible levels of enforcement activity: • To continue research into patterns and trends in compliance and implement a process to provide reports on local compliance issues: • To increase audit coverage for unincorporated and self-employed businesses to better address non-compliance issues in that sector: 	<p>areas. In addition, many of the specific program changes and initiatives described in this section contribute to the overall level of compliance, thereby enhancing confidence in the fairness and integrity of the tax system.</p> <ul style="list-style-type: none"> • The underground economy initiative reduced the number of sectors being targeted and developed specific strategies for each sector to maximize the impact of audit efforts on compliance. Some 10,446 audits were completed under this initiative with federal tax assessments totalling approximately \$130 million. The Department continues to conduct community visits to increase the visibility of our efforts to address the underground economy and encourage and help businesses to voluntarily comply. The Department conducted 37 community visits that reached 6,600 taxpayers. • Given the greater complexity and variety of issues normally associated with large businesses, and in order to maximize the potential benefits of the new approach to large business audit, the Department has expanded its large file program to include all large conglomerates and corporations with gross revenues of more than \$250 million. As a result, the large file program now covers about 540 large businesses compared to the 220 previously covered. • Research on self-employed individuals continues; compliance problems were identified among consultants employed by the federal government resulting in implementation of mandatory reporting requirements on all government service contracts. • See Increased Enforcement initiative described earlier in this section.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> To implement new measures to enhance compliance with respect to reporting of foreign source income: 	<ul style="list-style-type: none"> Developed information packages for distribution to prospective immigrants through local offices and missions abroad. Conducted information sessions for Immigration and Foreign Affairs personnel posted abroad. Developed new selection tools to identify high-risk audits. Developed the world income compliance workbook to assist in foreign-source audits. Legislation passed to require reporting of foreign investments.
<ul style="list-style-type: none"> To increase targeting of avoidance issues, including meeting the challenges of international commerce and the evolution of tax avoidance arrangements: 	<ul style="list-style-type: none"> See Combating Tax Avoidance initiative described earlier in this section.
<ul style="list-style-type: none"> To increase the use of professional experts as needed to ensure that necessary expertise is available to deal with complex and specialized issues: 	<ul style="list-style-type: none"> As part of an initiative to enhance service in the SR&ED program, 14 national technology sector specialists were engaged to ensure national consistency and act as key contact points with industry associations. In addition, to improve the base of consultants, approximately \$6.1 million was spent to contract leading experts in the field. This involved canvassing approximately 70 industry associations for names of experts interested in participating in an interchange program with the Department.
<ul style="list-style-type: none"> To respond to several legislative changes proposed in the 1996 federal budget related to flow through shares, resource allowance, Canadian film or video production tax credit, and non-refundable tax credits for non-residents: 	<ul style="list-style-type: none"> Additional audit staff were added in the field, training was provided to auditors, new prescribed forms were issued that incorporated information on the new budget measures, enquiry lines were set up, and computer systems were upgraded. Provisions in the 1996 federal budget created a mechanism that allows a corporation to assign its Canadian Film or Video Production Tax Credit (FTC) to a lender. This allows a corporation to use the tax credit as security to obtain interim financing for a film or video production. Working with the Department of Canadian

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> To continue to focus on current initiatives underway including Audit Improvement Plan, Non-Resident Withholding and Recovery Taxes, and International Tax Advisor System: 	<p>Heritage, the major banking institutions were provided with details regarding the new provision. The film industry and financial community responded favourably to the initiative. As a result, increased participation in the FTC program was expected. To ensure that claims were processed on a timely basis, additional staff were required to handle the increased workload. Training was provided to audit staff to ensure that appropriate advice was provided to claimants. In addition to regular contact with claimants and financial institutions, the Department participated in a number of industry conferences that provided a forum to disseminate information to many film producers and financiers.</p> <ul style="list-style-type: none"> A Memorandum of Understanding with Human Resources Development Canada (HRDC) was signed in February, 1998 for the provision of information by HRDC to help identify higher-risk areas of non-compliance. In 1997-98, some 22 quality assurance reviews were completed in all regions covering Business Audit, Basic Files, Excise / GST Audit, and Office Examination programs, leading to an action plan to promote the best practices highlighted during the reviews and to improve any areas of concern noted. Quality assurance reports are also reviewed by Headquarters program areas to determine any training and program implications. Significant improvement was made to risk assessment processes, particularly those relating to GST. The Department is continuing to organize auditors in the TSOs on an industry basis. Sector profiles are being developed. The implementation of the combined audit and compliance review programs is continuing to improve the delivery of services to taxpayers as well as compliance coverage.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> To further refine the compliance strategy through studies of the impact of penalties, information, service and other activities on compliance, and through the establishment of a Compliance Advisory Committee: To enhance risk assessment capabilities through access to increased information and analysis to identify risk factors, and through development of a data warehouse that will allow extraction and analysis of data from a wide variety of departmental systems and external sources: To enhance identification of persons not filing income tax returns or not registering for GST, through analysis and matching data from various sources: 	<ul style="list-style-type: none"> Ratification of the Fourth Protocol with the U.S., which abolished withholding requirements on Old Age Security payments to U.S. residents, led to the development of a guide clarifying withholding requirements on pension payments. A communication strategy was developed with HRDC to inform non-residents about pension payments. The international tax advisor system was enhanced by the implementation of the Waivers on Withholding component. The Compliance Advisory Committee was established and had its inaugural meeting in July, 1997. Research is continuing on the impact of penalties on compliance. Analysis of compliance effects of recent amnesty programs in a number of U.S. states has been completed. A project on the compliance impact of an outreach program for new immigrants is being developed. Achievements include: the implementation of a new GST/HST risk assessment and automated workload delivery system; enhancements in the identification of unreported income and world income issues; new data linkages; initiation of an information cube to provide increased accessibility to strategic information on compliance trends and issues; and initiation of a project to integrate compliance information in a user-friendly decision support environment. The Department continues to match additional information sources to identify true non-filers (i.e., persons who have never filed), and has allocated over 40% of program FTE to the identification of these non-filers and non-registrants. File selection of known non-filers was enhanced by incorporating non-filer profile analysis with matching data to determine tax potential. Assessed 437,000 income tax returns, representing \$192 million in net federal tax; 3,700 businesses were registered for GST representing \$38 million in net federal tax.

Key Performance Statistics

Figure 3-1: Verification and Enforcement Programs - Actual 1997-98 Federal and Provincial Taxes-Total Fiscal Impact of \$5 billion ¹

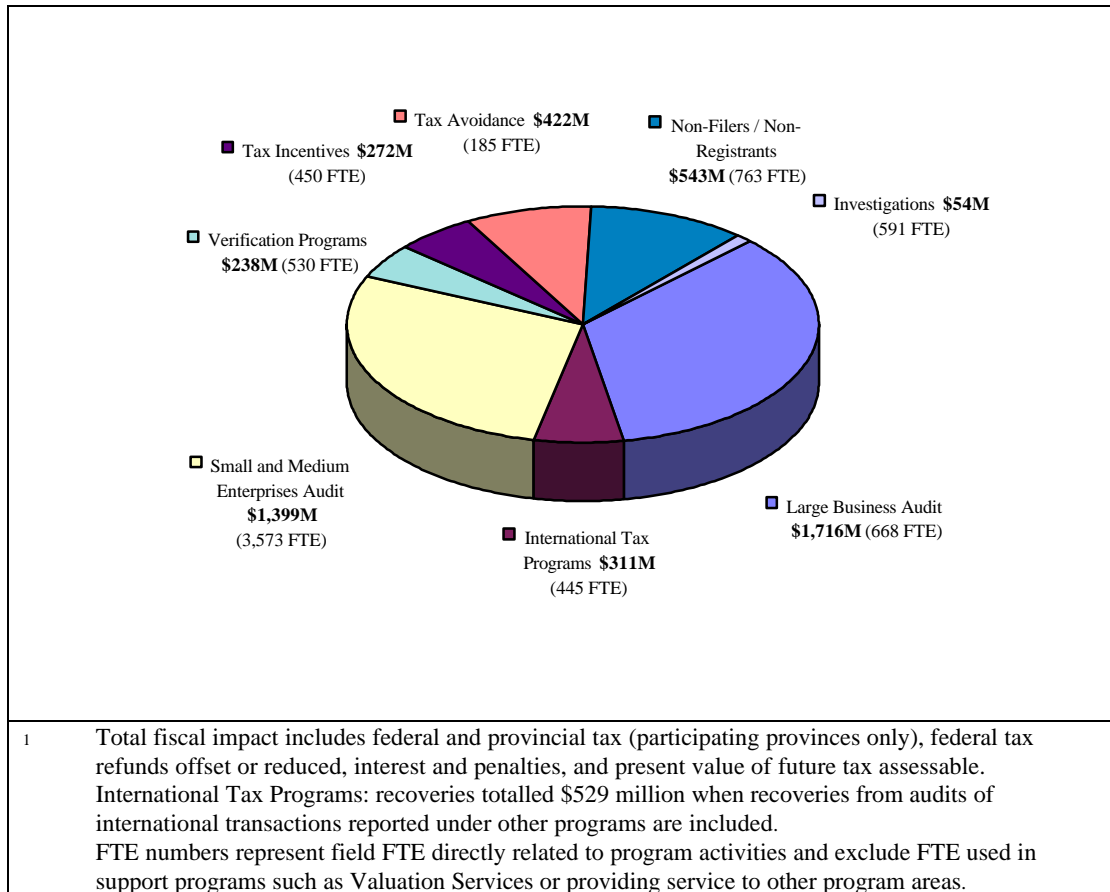


Figure 3-1 illustrates results relative to Figure 11 of the 1997-98 RPP, but includes Customs Investigations activities results and FTE levels. Additionally, results of Customs Investigations activities are also shown separately below, relative to Figure 7 of the 1997-98 RPP (under the Customs Border and Trade Administration Services business line).

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98	Estimates 1997-98
Customs Investigations Activities					
Cases Investigated	1,253	1,419	1,497	1,080	1,300
Criminal Prosecutions Completed	122	144	227	248	145
Successful Prosecution Rate	92%	98%	97%	95%	95%

**Figure 3-2: Verification and Enforcement Programs -
Total Fiscal Impact, Outputs and Associated FTE**

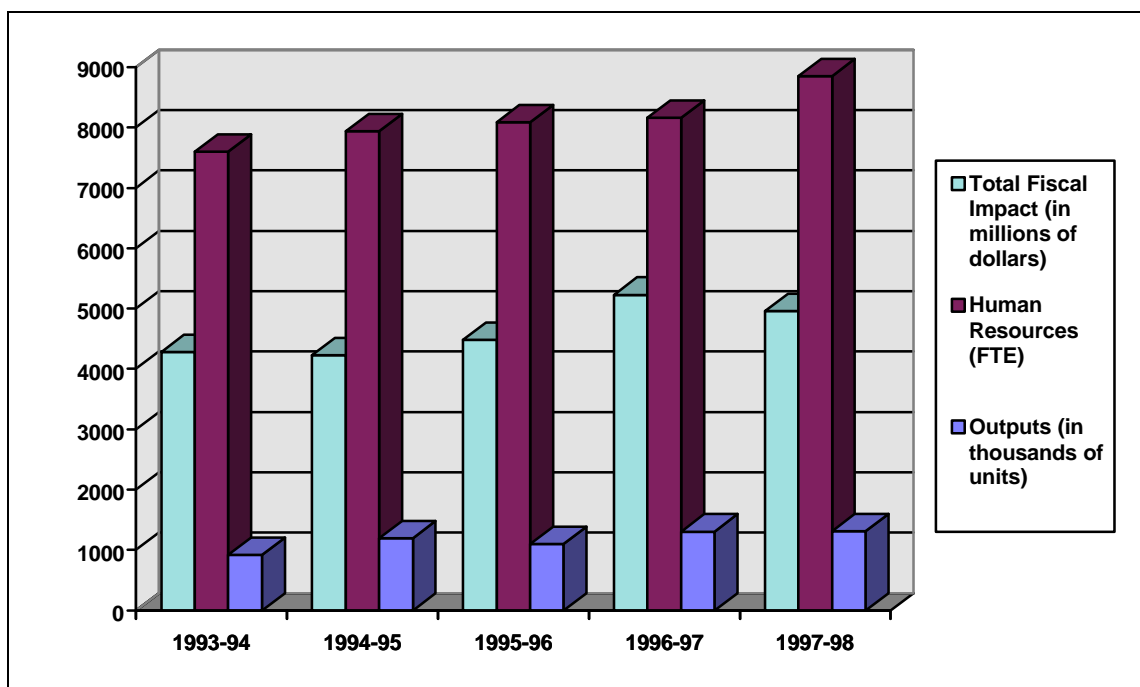


Figure 3-3: Summary of Program Results

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98	Estimates 1997-98
Total Fiscal Impact (\$ millions) ¹	4,231.3	4,481.8	5,229.2	4,955.0	4,850.9
Major Outputs (Workload Completed)					
Files Audited	146,825	209,655	214,519	284,586	226,429
Non-Filers / Non-Registrants - Returns / Registrations	493,280	391,504	487,671	440,573	336,400
Investigations - Enforcement Actions	2,559	2,098	2,194	2,492	2,095
GST Domestic Rebates Processed	277,000	238,903	269,924	254,459	236,628
Non-Resident Returns Processed	251,665	227,203	298,376	294,380	262,423
International Tax - Other Outputs	22,660	31,030	33,568	38,248	35,432
Total Outputs	1,193,989	1,100,393	1,306,252	1,314,738	1,099,407
Associated FTE ²	7,942	8,087	8,159	8,846	9,012
¹ 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. ² Associated FTE represent all FTE utilized to conduct direct and indirect activities.					

Revenue Collections

The objective of this business line is to collect tax, levies, duties, and other amounts such as Canada Pension Plan and Employment Insurance payments. This involves collecting amounts deducted at source by employers on behalf of employees; and outstanding balances resulting from assessment or reassessment of both income tax and goods and services tax (GST) amounts, as well as outstanding levies and duties. This program also issues rulings on whether individuals are entitled to benefits under the *Canada Pension Plan* and *Employment Insurance Act*, and makes other determinations at the request of Human Resources Development Canada (HRDC).

Report on Major New Initiatives

The following provides a description of major new initiatives undertaken in 1997-98 as well as an update on major initiatives that were outlined in the 1997-98 Report on Plans and Priorities.

Collections Re-Engineering: A national phone contact centre began handling individual income tax (T1) accounts receivable in August 1997, followed by GST in October 1997. The Department will continue to implement other revenue categories to the national Collections Call Centre workload. Additionally, opportunities will be identified for enhancing tax services offices (TSOs) operations, including sharing best practices identified in TSOs, the private sector, and other tax administrations.

GST/HST Delinquent Filer Program: In the first year of implementation, the revenue generation goals were surpassed. Before the implementation of the program, it was estimated that this initiative would generate an additional \$300 million annually. Allocation of additional resources and the concerted efforts of staff resulted in the generation of \$790 million in 1997-98: \$720 million by the TSOs and \$70 million by the Call Centre.

Further, in an effort to stem the growth in the number of overdue returns, escalating and more timely enforcement follow-up measures were implemented. For example, the second reminder letter was eliminated and earlier personal contact was initiated through the National Collections Call Centre. The effect of these changes encourages compliant behaviour from new registrants.

Reduced Remitting Frequency for Small Employers: The quarterly remittance initiative was introduced to reduce the cost of compliance to small employers and foster a high level of compliance by making it easier for them to meet their obligations. The remitting period for the compliant small employer was extended from monthly to quarterly.

Report on Specific Results Commitments

In addition to the major new initiatives, the following results have been achieved against the specific commitments made in the 1997-98 Report on Plans and Priorities (RPP).

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none">• To re-engineer the revenue collections program to identify additional opportunities for enhancement, including adopting of best practices from local offices, the private sector, and other tax administrations:	<ul style="list-style-type: none">• See Collections Re-Engineering initiative described earlier in this section.• Also in October 1997, Revenue Canada hosted a conference to share best practices, knowledge and experiences with members of Pacific Association of Tax Administrations (PATA) and initiated benchmarking in debt collection activities with these countries.
<ul style="list-style-type: none">• To establish a centralized Collection Call Centre in Ottawa to replace the existing multiple routine letter procedures with earlier telephone contact:	<ul style="list-style-type: none">• See Collections Re-Engineering initiative described earlier in this section.
<ul style="list-style-type: none">• Examine feasibility of replacing collection letters with earlier personal contact:	<ul style="list-style-type: none">• Earlier telephone contact initiated through the automated national Collections Call Centre has replaced the issuance of reminder notices.
<ul style="list-style-type: none">• To implement a collections follow-up system utilizing risk scoring and account streaming logic to route accounts according to compliance patterns or potential for loss:	<ul style="list-style-type: none">• Completed the T1 Risk Profiling System to be used in prioritizing actions on accounts to ensure that accounts with the largest risk of loss will be dealt with first.• Work is continuing with the design and implementation of a risk profiling system, encompassing all business revenue types. This will classify accounts by risk scoring and account-streaming logic and route accounts according to compliance patterns or the potential for loss.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> • To develop procedures to include customs and excise commercial accounts into the Integrated Revenue Collections System: • To continue the development of an all-encompassing statistical reporting system to help manage and analyze the Department's accounts receivable inventory so that informed decisions can be made and meaningful strategies developed: • To maintain accounts receivable at a level not in excess of 4% of gross revenue: • To reduce the burden of compliance: 	<ul style="list-style-type: none"> • Integration of collections procedures for the other revenue types (excise, customs) has been undertaken in each TSO. • GST statistics have now been included in the Statistical Tracking and Analysis and Reporting system (STARS). This enhances the Department's ability to more efficiently manage intake, production and inventory of accounts receivable. • The ratio for income tax receivables has increased to 4.1% of gross revenues on March 31, 1998, from 4% on March 31, 1997. However, the overall department accounts receivable were reduced to 4.2% of gross revenues on March 31, 1998 compared to 4.3% on March 31, 1997. • Collections provisions in the Department's core legislations (the <i>Income Tax Act</i>, the <i>Customs Act</i>, the <i>Excise Act</i>, and the <i>Excise Tax Act</i>) are to be harmonized to give collection officers identical remedies and authority to facilitate collection and enhance compliance. The work is nearing completion.

Key Performance Statistics

Figure 4-1: Annual Intake and Closing of Accounts Receivable in Tax Services Offices ¹

	Actual 1995-96	Actual 1996-97	Actual 1997-98³	Estimates 1997-98
<u>Annual Intake</u>				
Number of Accounts	539,618	591,136	554,998	553,988
Total Amount (\$000s)	6,554,694	7,261,064	7,061,566	7,412,475
<u>Annual Closings</u>				
Collections:				
Number of Accounts	183,075	157,366	195,021	253,988
Total Collections (\$000s)	4,806,506	5,344,936	5,963,383	6,212,632
Other Closings: ²				
Number of Accounts	296,395	389,263	296,932	300,000
Total Amount (\$000s)	1,129,397	1,500,402	1,083,041	1,200,000
Total Closings:				
Number of Accounts	479,470	546,629	491,953	553,988
Total Amount (\$000s)	5,935,903	6,845,338	7,046,424	7,412,632
Associated FTE (includes overtime)	2,838	2,980	3,335	3,544
Total Closings (Number of Accounts) per FTE	169	183	148	156
Total Collections per FTE (\$000s)	1,694	1,794	1,788	1,753
¹ Excludes ministère du Revenu du Québec activities with respect to GST. ² "Other Closings" include, accounts written off as uncollectable and other sundry work disposal measures. ³ A new Collections Call Centre including risk profiling of T1 accounts was introduced in the fall of 1997-98 to replace the issuance of reminder letters with early telephone contact for both T1 and GST Failure to Pay accounts, with the objective of reducing the number of accounts going to Tax Services Offices and reducing the time it takes to resolve accounts. The implementation of the Call Centre and the training of new staff affected the closings per FTE.				

Figure 4-2: Analysis of Accounts Receivable at Fiscal Year End ¹

(\$ thousands)	Actual 1995-96	%	Actual 1996-97	%	Actual 1997-98	%
Income Tax						
Balance Outstanding ²	6,829,770	100	6,952,046	100	7,617,820	100
Allowance for Credit						
Reassessments	(1,355,966)	19.9	(1,387,751)	20.0	(1,522,527)	20.0
Allowance for Doubtful Accounts	(575,309)	8.4	(556,853)	8.0	(632,946)	8.3
Estimated Realizable Value	4,898,495	71.7	5,007,442	72.0	5,462,347	71.7
Gross Revenue Collected	162,273,190		172,308,142		185,991,447	
Total Balance Outstanding as % of Gross Revenue Collected	4.2%		4.0%		4.1%	
Customs, Excise, GST and HST						
Balance Outstanding	2,281,352	100	2,631,302	100	2,582,353	100
Allowance for Credit						
Reassessments (GST)	(133,087)	5.8	(151,465)	5.8	(151,119)	5.8
Allowance for Doubtful Accounts	(343,337)	15.1	(315,695)	12.0	(461,399)	17.9
Estimated Realizable Value	1,804,928	79.1	2,164,142	82.2	1,969,835	76.3
Gross Revenue Collected	49,890,642		52,185,616		58,785,629	
Total Balance Outstanding as % of Total Gross Revenue Collected	4.6%		5.0%		4.4%	
Total Department						
Balance Outstanding	9,111,122		9,583,348		10,200,173	
Gross Revenue Collected	212,163,832		224,493,758		244,777,076	
Balance Outstanding as % of Gross Revenue Collected	4.3%		4.3%		4.2%	
¹ Excludes those amounts not payable under tax in dispute legislation and non-tax revenue receivables. ² Includes scientific research tax credit accounts receivable of \$5.2 million in 1997-98, \$13.3 million in 1996-97, and \$49.9 million in 1995-96.						

**Figure 4-3: Distribution of Accounts Receivable ¹ by Age
(Major Revenue Categories Only)**

As at March 31, 1996 (\$ millions)									
Age	Individuals	%	Corporations	%	Payroll Deductions	%	GST ²	%	Total
Less than 1 year	2,322.0	53.5	804.4	57.9	297.4	39.4	639.1	33.1	4,062.9
1 to 2 years	734.2	16.9	158.9	11.4	142.8	18.9	251.4	13.0	1,287.3
Over 2 years	1,283.7	29.6	426.9	30.7	314.8	41.7	1,040.4	53.9	3,065.8
Total March 31, 1996	4,339.9		1,390.2		755.0		1,930.9		8,416.0

As at March 31, 1997 (\$ millions)									
Age	Individuals	%	Corporations	%	Payroll Deductions	%	GST ³	%	Total
Less than 1 year	2,391.8	53.4	703.9	50.2	331.7	41.1	771.6	33.8	4,199.0
1 to 2 years	804.1	18.0	151.3	10.8	152.0	18.8	344.9	15.1	1,452.3
Over 2 years	1,281.5	28.6	546.5	39.0	323.7	40.1	1,168.2	51.1	3,319.9
Total March 31, 1997	4,477.4		1,401.7		807.4		2,284.7		8,971.2

As at March 31, 1998 (\$ millions)									
Age	Individuals	%	Corporations	%	Payroll Deductions	%	GST	%	Total
Less than 1 year	2,760.6	54.4	682.6	53.0	358.3	40.6	737.5	30.8	4,539.0
1 to 2 years	826.2	16.3	101.1	7.8	159.2	18.0	271.6	11.4	1,358.1
Over 2 years	1,488.9	29.3	505.5	39.2	366.0	41.4	1,382.7	57.8	3,743.1
Total March 31, 1998	5,075.7		1,289.2		883.5		2,391.8		9,640.2

1 Excludes those amounts not payable under tax in dispute legislation, corporate share purchase tax credits, and non-tax revenues receivable.

2 March 31, 1996 re-stated to include \$281.1 million GST component of customs import duties.

3 March 31, 1997 re-stated to reflect proper ageing.

**Figure 4-4: Distribution of Accounts Receivable ¹ by Dollar Range
(Major Revenue Categories Only)**

As at March 31, 1996 (\$ millions)									
Dollar Range	Individuals	%	Corporations	%	Payroll Deductions	%	GST ²	%	Total
Less than \$1,000	464.9	10.7	13.6	1.0	19.9	2.6	38.4	2.0	536.8
\$1,000 to \$9,999	1,273.2	29.3	91.6	6.6	132.6	17.6	381.7	19.8	1,879.1
\$10,000 to \$49,999	1,116.6	25.7	176.2	12.6	265.7	35.2	675.7	35.0	2,234.2
\$50,000 to \$99,999	412.3	9.5	83.0	6.0	121.8	16.1	274.8	14.2	891.9
\$100,000 and greater	1,072.9	24.7	1,025.8	73.8	215.0	28.5	560.3	29.0	2,874.0
Total March 31, 1996	4,339.9		1,390.2		755.0		1,930.9		8,416.0

As at March 31, 1997 (\$ millions)									
Dollar Range	Individuals	%	Corporations	%	Payroll Deductions	%	GST	%	Total
Less than \$1,000	448.2	10.0	14.5	1.0	20.2	2.5	41.5	1.8	524.4
\$1,000 to \$9,999	1,328.9	29.7	102.8	7.3	135.3	16.7	407.9	17.8	1,974.9
\$10,000 to \$49,999	1,123.5	25.1	197.1	14.1	283.9	35.2	730.8	32.0	2,335.3
\$50,000 to \$99,999	433.0	9.7	80.0	5.7	135.5	16.8	296.2	13.0	944.7
\$100,000 and greater	1,143.8	25.5	1,007.3	71.9	232.5	28.8	808.3	35.4	3,191.9
Total March 31, 1997	4,477.4		1,401.7		807.4		2,284.7		8,971.2

As at March 31, 1998 (\$ millions)									
Dollar Range	Individuals	%	Corporations	%	Payroll Deductions	%	GST	%	Total
Less than \$1,000	316.5	6.2	9.3	0.7	18.5	2.1	47.0	2.0	391.3
\$1,000 to \$9,999	1,220.1	24.0	85.3	6.6	134.8	15.3	424.2	17.7	1,864.4
\$10,000 to \$49,999	1,400.0	27.6	181.4	14.1	301.3	34.1	803.7	33.6	2,686.4
\$50,000 to \$99,999	567.7	11.2	97.2	7.5	145.9	16.5	348.6	14.6	1,159.4
\$100,000 and greater	1,571.4	31.0	916.0	71.1	283.0	32.0	768.3	32.1	3,538.7
Total March 31, 1998	5,075.7		1,289.2		883.5		2,391.8		9,640.2

1	Excludes those amounts not payable under tax in dispute legislation, corporate share purchase tax credits, and non-tax revenues receivable.
2	March 31, 1996, re-stated to include \$281.1 million representing the GST component of customs import duties.

Figure 4-5: Uncollectable Write-offs ¹ by Revenue Category

(\$ thousands)	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98
Income Tax				
Individuals Tax	381,315	471,579	731,887	469,833
Corporation Tax	229,205	298,450	160,714	157,968
Payroll Deductions	116,259	120,658	137,022	141,910
Scientific Research Tax Credits	586,249	-	38,933	8,103
Other ²	3,278	3,832	10,366	2,370
Income Tax Write-offs	1,316,306	894,519	1,078,922	780,184
As a % of Net Revenue Collected	1.02%	0.65%	0.73%	0.48%
Customs, Excise, GST and HST				
	88,517	100,509	205,422	272,349
As a % of Net Revenue Collected	0.32%	0.37%	0.71%	0.84%
¹ Includes taxes and associated penalties and interest; excludes non-tax write-offs.				
² Includes non-resident tax, petroleum and gas revenue tax, resource royalties tax, and other miscellaneous amounts.				

Figure 4-6: Debts Forgiven by Revenue Category ¹ (Fairness Initiative)

(\$ thousands)	Actual 1996-97	Actual 1997-98
Income Tax		
Individuals Tax	31,975	32,885
Corporation Tax	4,076	6,733
Payroll Deductions	3,995	14,129
Other ²	91	322
Income Tax Debts Forgiven	40,137	54,069
As a % of Net Revenue Collected	.03%	.03%
Customs, Excise, GST and HST		
	10,792	17,793
As a % of Net Revenue Collected	.04%	.06%
¹ Includes penalties and interest only for late payment of taxes - Revenue Canada does not have authority to forgive taxes that were properly assessed. Excludes non-tax debts forgiven; data not available prior to 1996-97.		
² Includes non-resident tax, petroleum and gas revenue tax, resource royalties tax, and other miscellaneous amounts.		

Figure 4-7: Employer Accounts Program

	Actual 1995-96	Actual 1996-97	Actual 1997-98
Number of Employer Accounts	1,232,830	1,260,834	1,300,908
Gross Employer Remittances of Income Tax, Canada Pension Plan Contributions, and Employment Insurance Premiums (\$000)	117,626,598	121,929,775	128,608,689
Number of Field Examinations/Office Reviews ¹	454,132	463,118	471,990
Coverage Rate	36.8%	36.7%	36.3%
Associated FTE (includes overtime)	707	696	687
Additional Amounts Assessed (\$000)	506,384	572,324	588,637
Additional Amounts Assessed per FTE (\$000)	716	822	857
Routine Account Support FTE	195	194	206
Number of Accounts supported per FTE	6,322	6,499	6,315
Number of Pension Audits Completed	6,762	7,158	7,655
Number of Amended Statements of Earnings (T4s)	42,475	33,643	41,534
Associated FTE (includes overtime)	36	35	40
Audits per FTE	188	205	191
¹ Includes payroll examinations carried out in the field as well as tax services office enforcement actions.			

Figure 4-8: Goods and Services Tax/Harmonized Sales Tax Delinquent Filer Program ¹

	Actual 1997-98 ¹
Number of GST Registrants	1,873,207
Number of GST Office Reviews	412,557
Associated FTE (includes overtime)	253
Reviews per FTE	1,631
Additional Amounts Collected (\$000)	719,500
Additional Amounts Collected per FTE (\$000)	2,844
¹ Data not available before 1997-98; includes tax services office accounts only.	

Figure 4-9: Canada Pension Plan and Employment Insurance Rulings

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98
Intake	94,026	98,100	89,869	91,692
Completions	92,192	96,965	89,323	92,424
Closing Inventory	7,057	8,192	8,738	8,006
Associated FTE (includes overtime)	261	351	351	356
Completions per FTE	353	276	254	260
Completions as a % of Intake	98%	99%	99%	101%

Appeals

This business line provides clients of the Department with a dispute resolution process that is fair, impartial, objective, open, transparent and timely. This fair and impartial redress process is for clients who contest income tax and goods and service tax (GST) assessments and reassessments, requirements to pay *Canada Pension Plan* (CPP) contributions and *Employment Insurance* (EI) premiums, and entitlements to rebates, refunds and credits under the various statutes administered by the Department. Responsibility for the resolution of disputes involving customs seizures and ascertained forfeitures was added in June 1997.

Report on Major New Initiatives

The following provides a description of major new initiatives undertaken in 1997-98 as well as an update on major initiatives that were outlined in the 1997-98 Report on Plans and Priorities.

Appeals Business Process Re-design: A number of proposed process improvements identified by a 1996 task force review were incorporated into the broadened mandate of a renewal initiative announced by the Minister in April 1997. The Appeals Renewal Initiative (ARI), which began in May 1997, emphasizes access by clients to an open, timely, fair, and impartial redress system. Originally, it encompassed income tax and GST, but later expanded to include CPP/EI and customs adjudications programs (and trade administration disputes by 1998-99).

Efficiency gains have been realized through optimal workload assignment (e.g., the time taken to process non-complex income tax objections improved by 30%). The redress process was made more transparent by offering to provide clients with more information (e.g., copies of relevant audit or assessing working papers). An advisory committee of private sector individuals was established to provide consultation and feedback on the administration of redress activities.

To help resolve files more efficiently, field appeals officers were given direct access to legal advice from Department of Justice Canada regional lawyers. Two service standards were implemented: client contact within 30 days of filing an objection to income tax, GST, CPP/EI decisions, and customs seizures and ascertained forfeitures; and a 90-day completion time for straightforward non-audit income tax objections.

Development work began on the redesign of the computerized workload and inventory management system, which is scheduled to be implemented in the fourth quarter of 1998-99.

A program evaluation review in November 1997 indicated that the ARI components had been effectively introduced and were well accepted by field offices. The evaluation also reported that the tax practitioner community was strongly supportive of the changes.

Report on Specific Results Commitments

In addition to the major new initiatives, the following results have been achieved against the specific commitments made in the 1997-98 Report on Plans and Priorities (RPP).

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none">• To review and streamline processes and harmonize policies and procedures to simplify administration, eliminate duplication, and improve the timeliness of service to clients:	<ul style="list-style-type: none">• Various reports (e.g., an appeals officer's written reasons on disposing of an objection, and summaries of significant litigation issues for risk management purposes) have been harmonized. Revisions to the Branch's computerized information systems now enable objections that are based on similar issues or facts to be processed as a group. The computerized coding of GST and income tax workflow intakes and disposals has been harmonized.
<ul style="list-style-type: none">• To improve and consolidate information systems used for income tax, Excise/GST, and CPP/EI objections and appeals, and ensure that all the relevant management information required to facilitate decision-making is available:	<ul style="list-style-type: none">• The integrity of computerized workload and inventory information has improved through increased emphasis on the accuracy of statistical production inputs. Further improvements in information reporting are anticipated from the implementation of a new case management system in the fourth quarter of 1998-99.
<ul style="list-style-type: none">• To examine the nature of objections and appeals received to identify the underlying reasons that give rise to disputes, and share information with other relevant branches to improve departmental operations:	<ul style="list-style-type: none">• A new program performance unit is being set up. A framework to review the effectiveness and efficiency of program inputs is being implemented, and systematic performance monitoring activity will begin in 1998-99.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> • To implement an improved risk management process in order to protect government revenues from risks that arise during the dispute resolution process. Revenue Canada, in co-operation with the Department of Finance Canada and the Department of Justice Canada, and in conformity with Treasury Board risk management policies, has developed an improved risk management regime. Policies, procedures, processes, and computer systems are being modified to implement these improved practices: 	<ul style="list-style-type: none"> • Enhanced procedures for monitoring and reporting litigation risks have been implemented in Headquarters and field offices, and detailed information on significant litigation activities is being shared with the Department of Finance Canada and the Department of Justice Canada. The introduction of a new case management system in late 1998-99 will further improve the ability to manage risk.
<ul style="list-style-type: none"> • To continue to strive for the settlement of disputes as early as possible, to avoid the necessity of proceeding to court: 	<ul style="list-style-type: none"> • To enable clients to more fully understand the rationale for the Department's position and facilitate the resolution of issues, appeals officers now offer to provide clients with the relevant contents of audit or assessing files that are the subject of dispute. This improved communication also includes access by appeals officers to regional Department of Justice Canada lawyers to discuss points of law or other legal issues related to specific cases. (On average, only 6% of income tax and 10% of GST disputes have proceeded to court during the past four years.)
<ul style="list-style-type: none"> • To examine alternative dispute resolution in conjunction with the Department of Finance Canada and the Department of Justice Canada: 	<ul style="list-style-type: none"> • A report of various alternative dispute resolution mechanisms, such as mediation, has been completed. In co-operation with the Department of Justice Canada, a mediation pilot project at the objections stage for specific fact-based situations is scheduled for implementation in early 1999.

Key Performance Statistics

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

	Actual 1994-95	Actual ¹ 1995-96	Actual 1996-97	Actual 1997-98
Income Tax				
Intake	67,667	102,973	51,804	49,567
Completions	50,710	113,173	53,406	48,632
Closing Inventory	52,299	42,158	40,448	41,383
Associated FTE	555	605	561	647
Completions per FTE	91	187	95	75²
Percentage of objections:				
- Allowed in full	34%	13%	35%	36%
- Allowed in part	22%	16%	22%	22%
- Confirmed	44%	71%	43%	42%
- Percentage of objections appealed	7%	3%	8%	7%
Breakdown of Inventory Workload				
- Active	14,470	19,708	16,588	14,784
- Pending ³	37,829	22,450	23,860	26,599
Excise/GST ⁴				
Intake	4,293	5,404	4,941	4,236
Completions	4,208	5,207	5,080	4,534
Closing Inventory	5,184	4,847	4,705	4,407
Associated FTE	155	124	118	115
Completions per FTE	27	42	43	39²
Percentage of objections appealed	9%	9%	12%	10%
Breakdown of Inventory Workload				
- Active	3,762	2,405	2,114	1,862
- Pending ³	1,422	2,442	2,591	2,545
¹ The 1995-96 actual figures for income tax include 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, which resulted in an unusually high number of completions per FTE. The variances in intake and completions, and the percentage of income tax objections that were allowed in full, confirmed that the percentage that were appealed during 1996-97 is directly attributable to one case finalized during 1995-96 that dealt with the issue of taxing child support payments. These percentages remain in line with the results achieved in 1994-95.				
² The decline in completions per FTE can be at least partly attributed to vacant positions particularly in the AU category, which, when staffed, increased training time and learning curves and took more experienced officers from their regular duties to assist the new officers. In addition, the percentage of complex files to less complex files has increased with a corresponding decrease in completions per FTE				
³ Awaiting legal advice, court decision, etc.				
⁴ 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 ¹

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98
Income Tax				
Intake	3,524	3,736	4,468	3,436
Completions	3,451	3,464	4,562	4,157
Closing Inventory	7,125	7,397	7,304	6,583
Associated FTE	118	108	105	102
Completions per FTE	29	32	43	41
Excise/GST				
Intake	416	484	649	463
Completions	250	444	488	574
Closing Inventory	1,158	1,089	1,238	1,127
Associated FTE	17	19	14	14
Completions per FTE	15	23	35	41
¹ 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 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98
Income Tax				
Judgements in favour of the Minister	930	1,004	1,176	1,257
Total Judgements Rendered ¹	1,328	1,467	1,711	1,808
Percentage in favour of the Minister	70%	68%	69%	70%
Consent to Judgements in favour of taxpayer (allowed in full)	295	277	349	344
Consent to Judgements (allowed in part)	525	626	585	764
Discontinuances	869	723	1,442	1,240
Excise/GST				
Judgements in favour of the Minister	100	108	125	181
Total Judgements rendered ¹	160	174	171	254
Percentage in favour of the Minister	63%	62%	73%	71%
Consent to Judgements in favour of taxpayers (allowed in full)	60	30	59	44
Consent to Judgements (allowed in part)	-	-	55	85
Discontinuances	80	178	102	190
¹ Total Judgements rendered does not include consent to judgements and discontinuances.				

Figure 5-4: CPP/EI Determinations

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98
Intake	10,708	9,396	7,586	6,436
Completions	9,940	9,050	8,803	6,648
Closing Inventory	3,137	3,483	2,266	2,054
Completions as a Percentage of Intake	93%	96%	116%	103%
Percentage Appealed	26%	35%	29%	33%
Associated FTE	166	152	150	112
Completions per FTE	60	60	59	59

Figure 5-5: CPP/EI Appeals to the Courts ¹

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98
Intake	2,676	3,209	2,692	2,169
Completions	2,566	2,928	3,000	2,261
Closing Inventory	2,627	3,088	2,765	2,673
Associated FTE	34	38	36	31
Completions per FTE	75	77	83	73
¹ Includes appeals for Tax Court of Canada, Federal Court – Trial Division, Federal Court of Appeal, and Supreme Court of Canada.				

Figure 5-6: CPP/EI Judgements ¹

	Actual 1994-95	Actual 1995-96	Actual 1996-97	Actual 1997-98
Total Judgements Rendered	1,594	1,724	1,817	1,310
Judgements in favour of the Minister	1,268	1,364	1,354	968
Percentage in favour of the Minister	80%	79%	75%	74%
Consent to Judgements	341	403	380	331
Withdrawals	631	535	803	636
¹ Includes appeals to Tax Court of Canada, Federal Court – Trial Division, Federal Court of Appeal, and Supreme Court of Canada.				

Administration and Information Technology

This business line provides executive direction, information technology, financial, administration, and human resource services necessary to administer the law uniformly and economically. A range of support and central services to the other business lines is provided including 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.

Report on Major New Initiatives

The following provides a description of major new initiatives undertaken in 1997-98, as well as an update on major initiatives that were outlined in the 1997-98 Report on Plans and Priorities.

Promoting Electronic Commerce: In support of the Department's goal of enhancing electronic service delivery, an Electronic Commerce (EC) centre of expertise has been established. It will concentrate on the technical aspects of EC, thereby ensuring a continued and significant focus within the Department.

Readiness for Year 2000: The Department is on track in achieving Year 2000 preparedness. Business line applications are 58% complete in achieving compliancy for Year 2000. Conversion of all applications will be completed by December 1998 and evaluations of Year 2000 readiness will be conducted on an on-going basis. (See latter part of this section for more details).

Canada Customs and Revenue Agency: Consultations with the provinces/territories and private sector groups on the Agency proposal were held throughout 1997-98, based on consultation packages that were widely distributed in April 1997 and January 1998. Recipients were invited to comment on the proposals in writing. In addition, the Minister and senior officials held a number of open meetings to allow members of the public to give their feedback in person. The Minister and officials also met personally with most provincial Ministers of Finance and their officials.

Consultations with provinces have been very positive. In general, they are in favour of the concept because of the potential for reducing overlap and duplication in tax administration. Further discussions are under way with several provinces to jointly assess the possibility of the Agency administering new programs for them.

There is strong support for the Agency initiative from the private sector groups, which include business and professional associations and academics. They like the potential for reduced compliance costs that will result from single administration and can also see significant benefits from streamlined administrative processes.

In October 1997, the Minister established an advisory committee of representatives from these groups to offer advice on aspects of the proposal. There is strong support from committee members for the overall Agency proposal. The Department also held extensive consultations with its unions, employees, and managers, and the one common theme that has emerged is dissatisfaction with the current human resources regime.

Work proceeded throughout the year on writing the draft bill. Bill C-43, An Act to Establish the Canada Customs and Revenue Agency, was introduced in Parliament on June 4, 1998.

Design Teams composed of employees, managers and union representatives commenced work in April 1998 on developing recommendations on key elements of the Agency human resources regime (i.e., classification, staffing, recourse, training & development and employment equity). Two further teams composed of managers and union representatives will be developing options relating to National Joint Council directives, including that dealing with Workforce Adjustment.

Report on Specific Results Commitments

In addition to the major new initiatives, following are results achieved against the specific commitments made in the 1997-98 Report on Plans and Priorities (RPP).

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> To re-examine the delivery of information technology (IT) services in support of common systems development, including a corporate architecture view, single systems to service multiple programs, a high reuse approach to delivering systems applications, a corporate data warehouse for decision support and a single computing platform: 	<ul style="list-style-type: none"> A planning initiative for prototype testing of a robust enterprise-wide single email system for the Department was completed in 1997-98. As well, a strategy document was established for an enterprise integrated document management system (IDM) in order to follow the life-cycle of both paper and electronic documents. This IDM system consists of a common tool set (imaging, document management, records management, workflow, and reporting). A Decision Support Program Charter was established and a decision support/data warehousing methodology was adopted. A contract for an intelligent character recognition system which is able to extract data from paper records/forms via scanning was completed.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> To expand the use of electronic commerce to ensure faster, more consistent, and more efficient delivery of information and transaction processing services to clients. This involves the exploration of potential electronic service delivery opportunities with the Internet and the World Wide Web: To streamline departmental IT activities by evolving to a new style of computing that shares IT infrastructure, data, and expertise within the Department and with other departments through initiatives like the Business Number and Standardized Accounting. A common IT infrastructure will improve the quality and reduce the cost of providing adaptable and effective support for service delivery: 	<ul style="list-style-type: none"> Between April 1997 and March 1998, the Department's Internet site which houses publications, forms, press releases, and Agency and Year 2000 updates, was accessed over 10 million times. The site also has links to ExportSource and the Virtual Customs Office and to the sites of other revenue administrations around the world. In December 1997, a pilot project known as Pathfinder was initiated to respond to emails sent to the Internet site and reduce the number of calls to departmental enquiry lines. During the period between December 12, 1997, and March 31, 1998, the Pathfinder pilot directed over 5,000 enquiries from over 105 countries. Official launch of the Department's intranet site, InfoZone, was conducted in April 1998. The site will improve internal employee communication, improve internal productivity by providing ready access to accurate information, reduce operating costs (paper reduction), and facilitate collaboration and knowledge sharing by eliminating physical barriers. Since April 1997, all new registrations of federal charitable organizations are being made in the Business Number (BN) system. In April 1998, changes to the BN Registry, including a three-tiered architecture, were implemented. These changes make it easier to include additional Revenue Canada programs as well as programs for other non Revenue Canada partners (e.g., federal and provincial government programs). The BN system supports the Department's other major initiatives such as Standardized Accounting.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
<ul style="list-style-type: none"> • To reach full IT readiness for the Year 2000 by January 1, 1999. Processing dates correctly is fundamental to the integrity, accuracy, and effectiveness of the Department's automated systems: 	<ul style="list-style-type: none"> • During 1997-98, a roll-out across Canada of more than 70 self-help BN registration kiosks was started with anticipated completion in September 1998. In addition to the kiosks, work commenced on developing an Internet pilot to be used by accountants and lawyers to complete registrations. Implementation of the pilot is scheduled for October 1998. • In 1997-98, RCNet became a fully national production network supporting all of Revenue Canada's business lines. The network realized a \$1.1 million telecommunication cost reduction over 1996-97. The number of RCNet sites across Canada has increased by 11% to 277. • Six local area network (LAN) switch sites were implemented with asynchronous transfer mode technology in the National Capital Region. This will allow typical LAN speeds to be achieved. The LAN switches also offer integrated connectivity within complex buildings, and more installations are planned in the coming year. • Implementation of a Year 2000-compliant hardware and software platform commenced in early 1997. To date, 51% of 265 Revenue Canada sites have the RC7 infrastructure installed. This represents a support capability for some 25,000 employees of which 14,422 have already been migrated to the RC7 platform. • As of July 1998, business line application compliancy for the Year 2000 was as follows (compliance meaning Year 2000-ready and currently running in production): Assistance to Clients and Assessment of Returns-62%; Customs and Trade Administration-66%; Verification and Enforcement-100%; Revenue Collections-100%; Administration-22%; and Appeals-0%.

Results Commitments (taken from 1997-98 RPP)	Demonstrating Achievement
	<ul style="list-style-type: none"> • The status of Revenue Canada's Government Wide Mission Critical systems is as follows: <ul style="list-style-type: none"> – Child tax benefit - Built Year 2000 – compliant and awaiting certification; – GST tax credit - Converted to Year 2000-compliant and in production. System is currently in Year 2000 Early Exposure Testing; – Accelerated Commercial Release Operations Support System (ACROSS) - Built Year 2000-compliant and production testing is beginning in October 1998; – Customs Commercial Systems - Conversion completed and production testing is beginning in October 1998. Scheduled to be Year 2000-compliant and in production in October 1998.

Key Performance Statistics

Figure 6-1: Administration and Information Technology Business Line as a Percentage of Departmental Total

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Estimates 1997-98
Total Business Line FTE	6,597	6,700 ¹	7,054²	6,476
Total Departmental FTE	38,786	39,163	40,055	39,774
Total Business Line FTE, as a % of Total Department FTE	17.0%	17.1%	17.6%	16.3%
¹ 1996-97 Actual FTE utilization excludes 674 FTE related to the 1996 Census, the costs of which are paid by Statistics Canada.				
² Actual utilization includes reallocation of resources to information technology and new resources approved by Treasury Board impacting on this business line.				

Section IV

Financial Performance

Overview

The Department's total authorities at \$2,464 million, was some \$195 million more than planned. This is mainly due to the in-year Supplementary Estimates that authorized the Department's carryforward entitlement of \$97 million and \$68 million for implementing such initiatives as the Harmonized Sales Tax (\$22 million), anti-smuggling (\$24 million), and the 1997 federal budget measures (\$19 million). Technical adjustments represented the balance \$30 million which included items such as severance pay, maternity, and salary contract agreements.

The 1997-98 actual spending reflects a lapse of some \$22 million which the Department is entitled to carryforward to 1998-99. Reflected in the planned and actual spending is an additional \$96 million in Program Review reductions for 1997-98 bringing the Department's total contribution to some \$230 million from 1994-95. While Program Review did not result in a change to the Department's mandate, the reductions were managed successfully to avoid or minimize their impact on service and revenue.

The Department collected \$245 billion, of which federal revenue totalled \$146 billion, typically representing about 95% of all government revenue. Based on actual spending, the cost to collect stood at \$1.05 in 1997-98 compared to \$1.30 in 1992-93.

Table 1: Summary of Voted Appropriations

Authorities for 1997-98				
Financial Requirements by Authority (\$ millions)				
Vote		Planned Spending 1997-98	Total Authorities 1997-98	Actual 1997-98
National Revenue				
1	Operating expenditures	1,850.9	2,046.9	2,024.9
5	Capital expenditures	15.7	8.5	8.2
10	Contributions	92.8	95.0	95.0
(S)	Minister of National Revenue			
	- Salary and motor car allowance	-	-	-
(S)	Contributions to employee benefit plans	266.5	266.5	266.5
(S)	Children's Special Allowance payments	43.0	45.5	45.5
(S)	Spending of proceeds from the disposal of Surplus Crown Assets	-	.5	.5
(S)	Court Awards	-	1.3	1.3
Total Department		2,268.9	2,464.2	2,441.9

Table 2: Comparison of Total Planned Spending to Actual Spending

Departmental Planned versus Actual Spending by Business Line (\$ millions)									
Business Lines	FTE	Operating	Capital	Voted Grants & Contri- butions	Subtotal: Gross Voted Expendi- tures	Statutory Grants and Contri- butions	Total Gross Expendi- tures	Less: Revenue Credited to the Vote	Total Net Expendi- tures
Assistance to Clients and Assessment of Returns		479.2	-	92.8	572.0	43.0	615.0	-	615.0
<i>Total Authorities</i>		507.9	-	95.0	602.9	45.5	648.4	-	648.4
Actual Spending	10,804	525.0	-	95.0	620.0	45.5	665.5	-	665.5
Customs and Trade Administration		364.2	15.7	-	379.9	-	379.9	-	379.9
<i>Total Authorities</i>		403.5	8.5	-	412.0	-	412.0	-	412.0
Actual Spending	7,142	402.6	8.2	-	410.8	-	410.8	-	410.8
Verification and Enforcement		513.2	-	-	513.2	-	513.2	-	513.2
<i>Total Authorities</i>		532.2	-	-	532.2	-	532.2	-	532.2
Actual Spending	8,789	519.1	-	-	519.1	-	519.1	-	519.1
Revenue Collections		246.0	-	-	246.0	-	246.0	-	246.0
<i>Total Authorities</i>		249.1	-	-	249.1	-	249.1	-	249.1
Actual Spending	5,199	239.5	-	-	239.5	-	239.5	-	239.5
Appeals		65.7	-	-	65.7	-	65.7	-	65.7
<i>Total Authorities</i>		66.4	-	-	66.4	-	66.4	-	66.4
Actual Spending	1,067	63.1	-	-	63.1	-	63.1	-	63.1
Administration and Information Technology		587.2	-	-	587.2	-	587.2	-	587.2
<i>Total Authorities</i>		694.2	-	-	694.2	-	694.2	-	694.2
Actual Spending	7,054	680.0	-	-	680.0	-	680.0	-	680.0
Revenues Credited to the Vote		-	-	-	-	-	-	(138.1)	(138.1)
<i>Total Authorities</i>		-	-	-	-	-	-	(138.1)	(138.1)
Actual Spending		-	-	-	-	-	-	(136.1)	(136.1)
Total		2,255.5	15.7	92.8	2,364.0	43.0	2,407.0	(138.1)	2,268.9
<i>Total Authorities</i>		2,453.3	8.5	95.0	2,556.8	45.5	2,602.3	(138.1)	2,464.2
Actual Spending	40,055	2,429.3	8.2	95.0	2,532.5	45.5	2,578.0	(136.1)	2,441.9
Other Revenues and Expenditures									
Revenues credited to the Consolidated Revenue Fund									(80.3)
<i>Total Authorities</i>									(240.0)
Actual Spending									(241.4)
Cost of services provided by other departments									284.7
<i>Total Authorities</i>									284.7
Actual Spending									311.2
Net Cost of the Program									2,473.3
<i>Total Authorities</i>									2,508.9
Actual Spending									2,511.7
Note: Numbers in normal font are planned spending as per 1997-98 RPP. Numbers in italics denote Total Authorities for 1997-98 (main and supplementary estimates and other authorities). Bolded numbers denote actual expenditures/revenues in 1997-98.									

Table 3: Historical Comparison of Total Planned Spending to Actual Spending

Departmental Planned Versus Actual Spending by Business Line (\$ millions)					
Business Lines	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	<i>Total Authorities 1997-98</i>	Actual 1997-98
Assistance to Clients and Assessment of Returns	648.0	641.6	615.0	<i>648.4</i>	665.5
Customs and Trade Administration	389.0	404.5	379.9	<i>412.0</i>	410.8
Verification and Enforcement	452.6	464.1	513.2	<i>532.2</i>	519.1
Revenue Collections	201.1	207.0	246.0	<i>249.1</i>	239.5
Appeals	56.2	57.7	65.7	<i>66.4</i>	63.1
Administration and Information Technology	590.1	590.4	587.2	<i>694.2</i>	680.0
Revenues Credited to the Vote	(115.1)	(129.1)	(138.1)	<i>(138.1)</i>	(136.1)
Total	2,221.9	2,236.2	2,268.9	2,464.2	2,441.9

Table 4: Crosswalk Between Old Structure and New Structure

Revenue Canada's structure has not changed.

Table 5: Resource Requirements by Organization (Functional) and Business Line

Comparison of 1997-98 Planned Spending, and Total Authorities to Actual Expenditures by Organization and Business Line (\$ millions)								
Organization	Business Lines							
	Assistance to Clients and Assessment of Returns	Customs and Trade Administration	Verification and Enforcement	Revenue Collections	Appeals	Administration and Information Technology	Revenues Credited to the Vote	Organization Total
Executive Office	-	-	-	-	-	4.7	-	4.7
<i>Total Authorities</i>	-	-	-	-	-	4.7	-	4.7
Actual Spending	-	-	-	-	-	4.7	-	4.7
ADM, Policy and Legislation Branch	146.7	-	-	-	-	-	-	146.7
<i>Total Authorities</i>	148.1	-	-	-	-	-	-	148.1
Actual Spending	147.7	-	-	-	-	-	-	147.7
ADM, Assessment and Collections Branch	373.0	-	-	246.0	-	5.2	-	624.2
<i>Total Authorities</i>	405.0	-	-	249.1	-	5.2	-	659.3
Actual Spending	411.5	-	-	239.5	-	20.0	-	671.0
ADM, Customs and Trade Administration Branch	-	364.2	-	-	-	-	-	364.2
<i>Total Authorities</i>	-	403.5	-	-	-	-	-	403.5
Actual Spending	-	402.6	-	-	-	-	-	402.6
ADM, Verification, Enforcement, Compliance and Research Branch	-	-	513.2	-	-	-	-	513.2
<i>Total Authorities</i>	-	-	532.2	-	-	-	-	532.2
Actual Spending	-	-	519.1	-	-	-	-	519.1
ADM, Appeals Branch	-	-	-	-	65.7	-	-	65.7
<i>Total Authorities</i>	-	-	-	-	66.4	-	-	66.4
Actual Spending	-	-	-	-	63.1	-	-	63.1
6 ADMs, Regional Operations	-	-	-	-	-	32.0	-	32.0
<i>Total Authorities</i>	-	-	-	-	-	38.5	-	38.5
Actual Spending	-	-	-	-	-	49.0	-	49.0
DG, Communications Branch	8.3	-	-	-	-	-	-	8.3
<i>Total Authorities</i>	8.3	-	-	-	-	-	-	8.3
Actual Spending	8.4	-	-	-	-	-	-	8.4
ADM, Finance and Administration Branch	87.0	15.7	-	-	-	277.2	-	379.9
<i>Total Authorities</i>	87.0	8.5	-	-	-	294.0	-	389.5
Actual Spending	97.9	8.2	-	-	-	227.9	-	334.0
ADM, Human Resources Branch	-	-	-	-	-	72.7	-	72.7
<i>Total Authorities</i>	-	-	-	-	-	76.2	-	76.2
Actual Spending	-	-	-	-	-	85.1	-	85.1
ADM, Information and Technology Branch	-	-	-	-	-	176.1	-	176.1
<i>Total Authorities</i>	-	-	-	-	-	255.8	-	255.8
Actual Spending	-	-	-	-	-	277.2	-	277.2
DG, Corporate Affairs Branch	-	-	-	-	-	19.3	-	19.3
<i>Total Authorities</i>	-	-	-	-	-	19.8	-	19.8
Actual Spending	-	-	-	-	-	16.1	-	16.1
Revenues Credited to the Vote	-	-	-	-	-	-	(138.1)	(138.1)
<i>Total Authorities</i>	-	-	-	-	-	-	(138.1)	(138.1)
Actual Spending	-	-	-	-	-	-	(136.1)	(136.1)
Totals	615.0	379.9	513.2	246.0	65.7	587.2	(138.1)	2,268.9
<i>Total Authorities</i>	648.4	412.0	532.2	249.1	66.4	694.2	(138.1)	2,464.2
Actual Spending	665.5	410.8	519.1	239.5	63.1	680.0	(136.1)	2,441.9

Note: Numbers in normal font are planned spending as per 1997-98 RPP; Numbers in italics denote Total Authorities for 1997-98 (main and supplementary estimates and other authorities); and Bolded numbers denote actual expenditures/revenues in 1997-98.

Table 6: Revenues to the Vote ¹

Revenues to the Vote by Business Line (\$ millions)					
Business Line	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	<i>Total Authorities 1997-98</i>	Actual 1997-98
Total Revenues Credited to the Vote	(115.1)	(129.1)	(138.1)	(138.1)	(136.1)
¹ The breakdown by business line is not available for Revenue Canada.					

Table 7: Revenues to the Consolidated Revenue Fund ¹

Revenues to the Consolidated Revenue Fund by Business Line (\$ millions)					
Business Line	Actual 1995-96	Actual 1996-97	Planned ² Spending 1997-98	<i>Total Authorities 1997-98</i>	Actual 1997-98
Total Revenues Credited to the Consolidated Revenue Fund	215.3	289.1	80.3	240.0	241.4
¹ The breakdown by business line is not available for Revenue Canada. See Section VI, Appendices 6 and 7 for details of Non-Tax Revenues.					
² Planned Spending did not include penalty and interest of some \$140 million.					

Table 8: Statutory Payments ¹

Statutory Payments by Business Line (\$ millions)					
Business Line	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	<i>Total Authorities 1997-98</i>	Actual 1997-98
Assistance to Clients and Assessment of Returns	40.1	42.1	43.0	45.5	45.5
Total Statutory Payments	40.1	42.1	43.0	45.5	45.5
¹ Represents Children's Special Allowance Statutory Vote Payments for which responsibility was transferred effective August 28, 1995 from Human Resources Development Canada (P.C. Order 1995-342).					

Table 9: Transfer Payments ¹

Transfer Payments by Business Line (\$ millions)					
Business Line	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	<i>Total Authorities 1997-98</i>	Actual 1997-98
Assistance to Clients and Assessment of Returns	91.8	94.9	92.8	95.0	95.0
Total Transfer Payments	91.8	94.9	92.8	95.0	95.0
¹ Contributions to the Province of Québec in respect of the joint administration costs of federal and provincial sales taxes.					

Table 10: Capital Spending

Capital Spending by Business Line (\$ millions)					
Business Line	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	<i>Total Authorities 1997-98</i>	Actual 1997-98
Customs and Trade Administration	8.9	13.2	15.7	8.5	8.2
Total Capital Spending	8.9	13.2	15.7	8.5	8.2

Table 11: Capital Projects

Capital Projects by Business Line (\$ millions)						
Business Line	Current Estimated Total Cost	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	<i>Total Authorities 1997-98</i>	Actual 1997-98
Customs and Trade Administration						
New Facilities Projects:						
Saint-Bernard-de-Lacolle, Que.	18.7	2.9	10.2	3.5	3.5	3.5
Coutts, Alberta	15.5	-	0.1	2.0	0.1	0.1
Emerson, Manitoba	10.7	-	-	3.2	0.4	0.4
Little Gold Creek, B.C.	1.2	-	-	0.3	-	-
Osoyoos, B.C.	5.2	-	-	0.2	0.1	0.1
Andover, N.B.	4.8	-	-	0.1	0.1	-
Armstrong, Que.	4.8	-	-	0.1	-	-
Douglas, B.C.	1.0	-	-	-	-	-
Existing Facilities Projects:						
Facilities Improvements Related to						
Anti-Smuggling Initiatives	-	1.5	-	-	-	-
Health and Safety Projects	6.1	1.5	1.5	1.5	1.5	1.5
Other Projects	4.8	-	1.4	4.8	2.8	2.6
Total Capital Projects	72.8	5.9	13.2	15.7	8.5	8.2

Table 12: Status of Major Crown Projects

Revenue Canada does not have major Crown projects.

Table 13: Loans, Investments, and Advances

Revenue Canada does not have loans, investments or advances.

Table 14: Revolving Fund Financial Summaries

Revenue Canada does not have a revolving fund.

Table 15: Contingent Liabilities

Revenue Canada does not have contingent liabilities.

Section V

Consolidated Reporting

Sustainable Development Strategy

The Department tabled its first Sustainable Development Strategy (SDS) in Parliament in December 1997.

Revenue Canada's SDS outlines the Department's goals and objectives. They include: increasing internal capacities to contribute to sustainable development, integrating sustainable development into decision-making plans and processes, and reducing the impact of our operations on the environment.

To achieve these goals, the Department has developed an implementation plan that includes the development of a team to promote intradepartmental awareness, participation, and co-ordination of continued consultations with key stakeholder groups.

The success of the SDS is dependent on ensuring that the Department's daily decisions and business practices consider the environmental impacts, along with the associated human and financial impacts. As a first step, the Department has initiated the process of integrating sustainable development into the business planning cycle, senior management accountability contracts, and performance reporting. The storage tank management is now integrated into environmental performance reporting.

Major achievements for reducing the impact of operations on the environment were the development of a green procurement policy and the development of the registry of aboveground and underground storage tanks in compliance with the federal regulation. The Department continues to work on identifying clear, measurable targets and performance measures for key environmental issues and opportunities, in consultation with other government departments. The long-term strategy for reducing the environmental impact of facilities, publishing, fleet, procurement, and other operations will be based on the development and implementation of integrated environmental management systems. This will move the Department closer to the goal of preventative management of environmental concerns.

Storage Tanks

Status of Fuel Storage Tank Management on Revenue Canada Land

As required under the *Canadian Environmental Protection Act* (CEPA), Part IV, *Registration of Storage Tank Systems for Petroleum Products and Allied Petroleum Products on Federal Lands Regulations*, this report provides the information set out in Schedule II of the aforementioned regulations, updated to December 31, 1997.

The following number of aboveground storage tank systems:

Are registered with Revenue Canada: 5

Comply with the *Federal Aboveground Storage Tank Technical Guidelines*: 0

Do not comply with the *Federal Aboveground Storage Tank Technical Guidelines*: 5

Should be upgraded in accordance with Schedule I of the
Federal Aboveground Storage Tank Technical Guidelines:

- a) in 1999: 4
- b) in 2000: 1

The following number of underground storage tank systems:

Are registered with Revenue Canada: 19

Comply with the *Federal Underground Storage Tank Technical Guidelines*: 3

Do not comply with the *Federal Underground Storage Tank Technical Guidelines*: 16

Should be upgraded in accordance with Schedule II of the
Federal Underground Storage Tank Technical Guidelines:

- a) in 1998: 0
- b) in 1999: 8
- c) in 2000: 8

Regulatory Initiatives

The following outlines legislative or regulatory initiatives as reported in the 1997 Federal Regulatory Plan (FRP), their expected results, and results achievements.

Revenue Canada Performance of Regulatory Initiatives		
Purpose of legislative or regulatory initiative (as reported in the FRP)	Expected results (as reported in the FRP)	Results achieved
1. Fee Orders 1.1 <u>Advance Taxation Rulings Fees Order</u> <p>These amendments will revise the hourly fees charged to prepare advance rulings. The revised hourly rates will be in accordance with the Government's policy of recovering costs from users of government services. Clients seeking advance rulings may pay higher or lower fees, depending on whether costs go up or down.</p>	<p>The amendments will allow the Department to recover the increased cost of processing advance rulings requests. They are in keeping with the government's program of cost recovery.</p>	<p>This fees order is in the process of being reviewed in accordance with the government's policy of recovering costs from users of government services.</p>
1.2 <u>Taxation Statistical Analyses and Data Processing Services Fees Order</u> <p>These amendments will revise the fees charged for special services provided by this Department. The revised fees will be based on a cost-recovery calculation approved by the Treasury Board. The services to be provided consist of the use of computers and related services to offer specialized analyses of taxation data, not otherwise available, to provincial governments, other public authorities, educational institutions, and private consultants. The analyses provided will not contravene the confidentiality provisions of the <i>Income Tax Act</i>.</p>	<p>The amount of the revised fees cannot be determined at this time. The fees will be established in accordance with the Government's policy of cost recovery and may cost users more or less, depending upon whether costs go up or down.</p>	<p>This fees order is in the process of being reviewed in accordance with the government's policy of recovering costs from users of government services.</p>

Revenue Canada Performance of Regulatory Initiatives		
Purpose of legislative or regulatory initiative (as reported in the FRP)	Expected results (as reported in the FRP)	Results achieved
<p>1.3 <u>Registered Charities Information Return Fee Order</u></p> <p>These amendments will revise the fees charged for making photocopies of charitable organizations' returns for external users. The revised fees will be based on a cost-recovery calculation approved by the Treasury Board.</p> <p>Revenue Canada receives requests for photocopies of charitable organizations' returns from provincial authorities, educational institutions and other interested parties.</p> <p>Subsection 149.1(15) of the <i>Income Tax Act</i> provides that this information may be given to the public and does not contravene the confidentiality provisions of the Act.</p>	<p>The amount of the revised fees cannot be determined at this time. The fees will be established in accordance with the Government's policy of cost recovery and may cost users more or less, depending upon whether costs go up or down.</p>	<p>This fee order is in the process of being reviewed in accordance with the government's policy of recovering costs from users of government services.</p>
<p>1.4 <u>Revenue Canada Taxation Technical Publication Subscription Service Fees Order</u></p> <p>These amendments will revise the subscription fees charged for the service of automatically mailing publications issued by the Department regarding income tax matters (interpretation bulletins, information circulars, income tax technical news, and income tax rulings).</p>	<p>The amount of the revised fees cannot be determined at this time. The fees will be established in accordance with the Government's policy of recovering costs from users of government services. They may cost users more or less, depending upon whether costs go up or down. Fees for a one- or two-year subscription, as well as for a complete set of current publications, will be amended.</p>	<p>This fees order is in the process of being reviewed in accordance with the Government's policy of recovering costs from users of government services.</p>

Section VI

Other Information

Appendix 1: Details of Spending by Object

(\$ millions)	Actual 1995-96	Actual 1996-97	Planned Spending 1997-98	<i>Total Authorities 1997-98</i>	Actual 1997-98
Personnel					
Salaries and wages	1,554.2	1,535.4	1,567.6	1,635.2	1,631.2
Contributions to employee benefit plans	209.6	231.3	266.5	266.5	266.5
Minister's Salary and Motor Car Allowance	-	-	-	-	-
	1,763.8	1,766.7	1,834.1	1,901.7	1,897.7
Goods and services ¹					
Transportation and Communications	148.2	156.7	144.4	174.5	168.6
Information	39.9	33.5	38.8	39.3	34.4
Professional and special services	103.1	99.9	100.5	129.7	127.8
Rentals	8.8	9.8	8.6	12.9	12.8
Purchased repair and maintenance	46.6	45.5	45.4	53.0	52.5
Utilities, materials and supplies	33.0	38.7	32.2	50.2	49.5
Other subsidies and payments	.3	(.6)	.3	.3	(5.8)
	379.9	383.5	370.2	459.9	439.8
Capital					
Controlled Capital	8.9	13.2	15.7	8.5	8.2
Minor Capital	52.5	64.9	51.2	91.7	91.8
	61.4	78.1	66.9	100.2	100.0
Transfer payments					
Grants (statutory payments) ¹	40.1	42.1	43.0	45.5	45.5
Contributions	91.8	94.9	92.8	95.0	95.0
	131.9	137.0	135.8	140.5	140.5
Gross Expenditures	2,337.0	2,365.3	2,407.0	2,602.3	2,578.0
Less: Revenues Credited to the Vote	(115.1)	(129.1)	(138.1)	(138.1)	(136.1)
Net Expenditures	2,221.9	2,236.2	2,268.9	2,464.2	2,441.9
¹ 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 2: Revenue Collections by Type

(\$ thousands)	Gross Collections 1997-98	Refunds Drawbacks and Credits ¹ 1997-98	Net Collections 1997-98	Net Collections 1996-97	Net Collections 1995-96
Income taxes					
Individuals ²	154,143,330	19,758,847	134,384,483	125,726,968	119,233,370
Corporations	28,770,129	4,903,032	23,867,097	19,349,695	17,060,455
Non-Residents	2,021,945	38,489	1,983,456	2,137,690	1,610,875
Petroleum and Gas					
Revenue Tax	-	307	(307)	(792)	-
Resource Royalties Tax	12,933	-	12,933	28,932	6,511
Miscellaneous ³	1,043,110	52,887	990,223	709,280	493,002
Excise Taxes and Duties					
Goods and Services Tax (GST)/Harmonized Sales Tax (HST) ⁴	46,934,094	26,054,267	20,879,827	18,015,509	16,316,753
Customs Import Duties	3,133,701	367,879	2,765,822	2,677,030	2,971,067
Sales Tax	1,693	31,448	(29,755)	(27,628)	(142,120)
Motive Fuels	4,625,312	(181)	4,625,493	4,439,067	4,397,432
Excise Duties	2,262,980	137	2,262,843	2,275,116	2,222,911
Other Excise Taxes	1,076,474	55,258	1,021,216	889,615	775,257
Other					
Softwood Lumber					
Products Export Charge	242	-	242	96	76
Air Transportation Tax ⁵	741,834	-	741,834	737,241	682,723
Provincial Sales, Tobacco and Alcohol Taxes	9,299	-	9,299	9,003	9,018
Non-Tax Revenue	241,372	-	241,372	289,146	215,345
Total Revenues	245,018,448	51,262,370	193,756,078	177,255,968	165,852,675
¹	Refunds, Drawbacks, and Credits include				
	Child Tax Benefit (CTB) payments of	1997-98	\$5,351,674,068		
		1996-97	\$5,238,750,638		
		1995-96	\$5,196,905,976		
	Goods and Services Tax Credit (GSTC) payments of	1997-98	\$2,891,725,063		
		1996-97	\$2,872,080,664		
		1995-96	\$2,798,940,904.		
²	Includes Canada Pension Plan contributions and Employment Insurance premiums.				
³	Includes tax revenues from trusts and estates, and special returns not processed by the normal systems.				
⁴	Includes the provincial share of the HST collected on behalf of participating provinces (\$1,470,465,500).				
⁵	Air Transportation Tax is subsequently transferred to Transport Canada on a monthly basis.				

Appendix 3: Allocations of Revenues Collected

(\$ thousands)	Gross Collections 1997-98	Refunds Drawbacks and Credits ¹ 1997-98	Net Collections 1997-98	Net Collections 1996-97	Net Collections 1995-96
Federal					
Income Tax	120,679,427	24,753,561	95,925,866	83,011,893	77,016,544
Goods and Services Tax	45,463,628	26,054,267	19,409,361	18,015,509	16,316,753
Other Taxes, Duties and Non-Tax Revenue	12,083,368	454,542	11,628,826	11,279,588	11,122,615
Provincial					
Income Tax ²	33,370,991	-	33,370,991	33,342,007	31,859,504
Harmonized Sales Tax (HST) ³	1,470,465	-	1,470,465	-	-
Other Taxes ⁴	9,541	-	9,541	9,099	9,094
Canada Pension Plan Contributions ⁵	12,790,363	-	12,790,363	11,390,703	10,607,273
Employment Insurance Premiums ⁵	19,150,665	-	19,150,665	20,207,169	18,920,892
Total Revenues Allocated	245,018,448	51,262,370	193,756,078	177,255,968	165,852,675
¹ Refunds, Drawbacks, and Credits include					
Child Tax Benefit (CTB) payments		1997-98	\$5,351,674,068		
		1996-97	\$5,238,750,638		
		1995-96	\$5,196,905,976		
Goods and Services Tax Credit (GSTC) payments		1997-98	\$2,891,725,063		
		1996-97	\$2,872,080,664		
		1995-96	\$2,798,940,904.		
² Provincial Income Tax is allocated from the collection of individuals' tax and corporation tax.					
³ Harmonized Sales Tax collected on behalf of participating provinces.					
⁴ Other Provincial Taxes include sales, tobacco, and alcohol taxes, as well as the Softwood Lumber Products Export Charge collected on behalf of the provinces.					
⁵ Canada Pension Plan contributions and Employment Insurance premiums are allocated from the collection of individual tax.					

Appendix 4: Statement of Accounts Receivable at Fiscal Year-End

(\$ thousands)	As at March 31, 1996	As at March 31, 1997	As at March 31, 1998
Income Taxes			
Individuals ¹	4,339,901	4,477,398	5,075,721
Corporations	1,392,541	1,403,953	1,291,453
Scientific Research Tax Credit ²	49,942	13,291	5,182
Source Deductions	755,006	807,394	883,539
Non-Residents	260,827	211,583	227,904
Miscellaneous ³	31,368	38,262	132,824
Retirement Compensation			
Arrangement Tax	38	24	790
Energy Taxes			
Petroleum and Gas	147	141	407
GST and Other Excise Taxes and Duties	2,159,699 ⁶	2,525,880	2,481,506
Customs Duties	121,653 ⁶	105,422	100,361
Adjudications	-	-	485
Total Tax Revenue Receivable	9,111,122	9,583,348	10,200,172
Sundry (Non-Tax Revenue) ⁴	226,517	233,197	311,055
Total Accounts Receivable ⁵	9,337,639	9,816,545	10,511,227
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 tax and penalties assessed under T3-T4-T5 series of returns. ⁴ Excludes revenue internal to the Government (1997-98) \$1,339,179 and (1996-97) \$168,331. ⁵ Excludes amounts not payable under tax in dispute legislation (\$4,105.5 million at March 31, 1997). ⁶ March 31, 1996, data restated to include \$281.1 million, which is the GST collected on imports and which was previously included in Customs Duties.			

**Appendix 5: Revenues to the Consolidated Revenue Fund
(Non-Tax Revenues)**

(\$ thousands)	Actual 1995-96	Actual 1996-97	Actual 1997-98
Non-Tax Revenues			
Return on investments			
Public buildings and properties rental	339	441	344
Refunds of previous years' expenditures			
Refunds of previous years' expenditures	1,288	1,909	2,868
Adjustment of Prior Year's Payable at Year-End	1,401	9,037	12,628
Privileges, licenses and permits			
Brokers' licence fees	407	435	426
Services and Service Fees			
Ruling fees	1,207	1,221	1,018
Photocopying charitable organization returns	-	6	-
Special reports on tax statistics	34	27	125
Foreign travel	94	138	183
Inspection fees	3	6	6
Recovery of conference and seminar fees	2	1	-
Customs bonded warehouse fees	755	933	758
Provincial tax credit fees	-	29,496 ¹	9,808
Special services fees	1,417	1,364	1,243
Other fees	-	457	1,144
Sufferance Warehouse Licence Fees	554	807	959
CANPASS	1,253	853	890
Immigration Revenue - Administration Fees	-	-	14
Proceeds from Sales			
Proceeds from sales	176	54	114
Sale of unclaimed goods, seals, etc.	563	291	174
Spirit age labels	36	-	-
Copies of Documents	27	99	28
Other	2	-	22
Proceeds from the disposal of surplus Crown assets	320	324	363
Total	9,878	47,899	33,115
¹ Includes \$9,531,795.78 for the Administration of Provincial Tax Credits for 1994-95 and \$9,677,599.17 for 1995-96, which were received in 1996-97 and reported in the 1996-97 Public Accounts.			

**Appendix 6: Revenues to the Consolidated Revenue Fund
(Other Non-Tax Revenues)**

(\$ thousands)	Actual 1995-96	Actual 1996-97	Actual 1997-98
Other Non-Tax Revenues			
Penalties			
Goods and services tax	67,385	79,919	70,366
Other	3,033	6,863	6,288
Interest			
Goods and services tax	67,560	78,776	56,509
Other	9,714	8,129	19,041
Customs Seizures	239	33	58
Investigation services seizures	2,023	1,766	2,542
Port seizures	8,193	6,859	9,880
Duty free shops	3,341	3,553	3,905
Fines and forfeitures	9,563	8,000	8,293
Access to information	31	20	18
Law costs awards	4	17	2
Miscellaneous user fees	22	30	18
Advance Pricing Agreements fee	156	154	163
Rental of parking space	225	249	270
Family Bonus B.C.	-	2,459	2,098
New Brunswick Child Tax Credit	-	-	1,220
Alberta Family Employment Tax Credit	-	-	2,091
Recovery of employee benefits	16,744	20,452	22,068
Other	17,235	23,968	3,427
Total	205,468	241,247	208,257
Grand Total Non-Tax Revenues (Appendices 5 and 6)	215,346	289,146	241,372

Appendix 7: Legislation Administered

Acts under the responsibility of the Minister of National Revenue, including certain acts for which the Minister of National Revenue has a role:

Canada Pension Plan, C-8 (Part I)
Children's Special Allowances Act, 1992, c. 48 (Schedule)
Customs Act, R.S., c. 1 (2nd Supp.)
Customs Tariff, R.S., c. 41 (3rd Supp.)
Customs and Excise Offshore Application Act, C-53
Employment Insurance Act, 1996, c. 23 (Parts IV and VII)
Excise Act, E-14
Excise Tax Act, E-15 (Part II-IX)
Export Act, E-18
Export and Import Permits Act, E-19
Federal-Provincial Fiscal Arrangements Act, F-8
Fruit and Vegetable Customs Orders Validation Act, 1988, c. 5
Importation of Intoxicating Liquors Act, I-3
Income Tax Act, R.S., c. 1 (5th Supp.)
Income Tax Application Rules, R.S., c. 2 (5th Supp.)
Department of National Revenue Act, N-16
Petroleum and Gas Revenue Tax Act, P-12
Public Utilities Income Tax Transfer Act, P-37
Special Import Measures Act, S-15
Surcharge on Imports Order Act, etc., 1963, c. 18
Tax Rebate Discounting Act, T-3 (SI/95-102)
Trade Marks Act, T-13 (ss. 53 to 53.3)

Appendix 8: Other Departmental Reports

- 1997 Filing Season Report
- Compliance: From Vision to Strategy
- Index to Revenue Canada Services
- Revenue Canada: Benefit Programs
- 1997-98 and 1998-99 Reports on Plans and Priorities
- Tax Statistics on Individuals
- Revenue Canada Web site (<http://www.rc.gc.ca>)

Appendix 9: Contacts for More Information

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