

Departmental Performance Report 2015-16





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A message from the Minister

I am honoured to lead the Canada Revenue Agency as the Minister of National Revenue. Since my appointment in November 2015, I have been working closely with CRA officials and am encouraged by our achievements over the last year. We have taken great strides to contribute to the government's overall agenda, including making enhancements to service delivery. I believe that Canadians deserve high-quality services that are delivered in a way that makes them feel respected and valued.

Over this past year, the CRA has made significant improvements to services for taxpayers and benefit recipients. Many Canadians were able to do more online in 2015-2016 through new and enhanced secure digital services. We simplified correspondence and communications to taxpayers with a redesigned T1 Notice of Assessment (NOA) that is easier to read and understand. In addition to offering a new level of service excellence from the CRA, the improvements made this past year will promote increased compliance by making it easier for taxpayers to comply with their tax obligations and avoid errors.

The Canadian personal income tax system provides many credits specifically designed to benefit lower-income Canadians. However, each year a number of these taxpayers do not file a tax return, causing them to miss out on potential tax benefits. To address this, we made improvements to help Canadians understand what benefits they may be eligible to receive and how much their payments may be. Additional funding was allocated to the Community Volunteer Income Tax Program so that more Canadians could receive assistance in completing their Income Tax and Benefit Return, particularly those unable to complete and file their tax and benefit returns on their own, including Indigenous Peoples and those on fixed incomes. We will continue working to reach out to those eligible for benefits but not yet receiving them.

I remain committed to fair and transparent regulation of registered charities. A review of registered charities' political activities from 2013-2016 showed charities to be largely compliant with the rules around political activities. I call on our partners in the charitable sector to encourage their members to participate in the CRA's consultation process to further clarify the rules about registered charities' political activities. I look forward to the results of the consultation process, which will inform the CRA's efforts to provide updated policy guidance and other educational resources on this subject.

"Our government has promised middle class Canadians a tax system that is responsive to their needs. The work undertaken to identify and combat both domestic and international tax evasion and tax avoidance is delivering real results and ensuring a fair tax system for all Canadians."



- Diane Lebouthillier

Our government is committed to deterring underground economic activity, tax evasion and aggressive tax planning and has increased resources to ensure more effective administration and enforcement of tax laws, improving the integrity of Canada's tax system, both domestically and internationally. The CRA has been very active in collaborating with other tax administrations to improve international tax transparency and address instances where international tax planning arrangements are undertaken by multinational enterprises to inappropriately minimize their taxes.

I continue to meet with members of the Underground Economy Advisory Committee to look at ways to more actively combat the underground economy in Canada. The Committee's advice and recommendations will help the CRA improve its methods and strategies to more effectively identify those who avoid paying their fair share of taxes and bring them into compliance with the law. By collaborating with industry partners, along with provincial and territorial governments, we continue to fight the underground economy and help create a level playing field for all businesses and taxpayers.

As Minister of National Revenue, I am very proud to present the 2015-16 Departmental Performance Report for the Canada Revenue Agency.

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

Minister of National Revenue

Foreword by the Chair

The 2015-2016 fiscal year was a period of transition in Canada's government. At the December Board of Management meeting, members were pleased to meet the new Minister of National Revenue, the Honourable Diane Lebouthillier, who discussed key elements of her mandate.

Over the reporting period, Board members continued to oversee the administration and management of the Canada Revenue Agency (CRA), in fulfilment of statutory obligations. Members focussed on strategic priorities from the 2015-2018 Corporate Business Plan, including simplified and streamlined service to Canadians, human and financial resource optimization, integrity, and security. The Board continued to encourage innovation in order to provide better service, as well as to support voluntary compliance.

Board members were particularly supportive of the CRA's plan for full digital interaction by 2020, as defined in the CRA e-Interactions Strategy and Roadmap. Members welcomed the implementation of Auto-fill my return, and the continued simplification and streamlining of service to reduce the administrative burden on small and medium businesses. Members applauded the plain-language correspondence initiative.

The Board emphasizes integrity and security as a cornerstone of maintaining the trust of Canadians in the CRA. To this end, members reviewed the Canada Revenue Agency Code of Integrity and Professional Conduct and the Directive on Conflict of Interest, Gifts and Hospitality, and Post-Employment. The Board will continue the timely annual review of these policy instruments as they evolve because of their vital role in preserving the CRA's reputation for fairness towards all Canadians. Members also monitored the completion of the "Reliability Status +" security screening of CRA executives.

"In 2015-2016, the CRA Board of Management continued to aggressively support streamlining and simplifying services to Canadians as well as increasing services in digital format."

Richard (Rick) Thorpe



The Board followed all aspects of people management with attention; succession planning is especially significant as the baby-boomer group retires and is replaced by the skilled workforce of the future. The Board approved a new three-year Agency Workforce Plan, and members remain particularly attentive to the oversight of recruitment.

Once again this year, after monitoring the CRA's investments and financial results, the Board noted the CRA's strength in fulfilling its financial obligations, including the realization of savings commitments and mitigation of fiscal rebalancing measures.

At the time of writing this foreword, I wish to note the retirement in June 2016 of the Commissioner of National Revenue, Mr. Andrew Treusch, and express the Board's appreciation of Andrew's collaboration with the Board. We continue our interactions with different levels of CRA personnel, and look forward to continued cooperation.

On behalf of the CRA Board of Management, I am pleased to recommend this report to the Minister of National Revenue, the Honourable Diane Lebouthillier, for tabling in Parliament.

Richard (Rick) Thorpe, CPA, FCPA, CMA, FCMA

Chair,

Board of Management

A message from the Commissioner

Since assuming my responsibilities as Commissioner on August 1, 2016, I have been impressed with the dedication and professionalism of the Canada Revenue Agency's (CRA) employees. This 2015-16 Departmental Performance Report demonstrates the many ways the Agency has explored new ways of doing business to meet the needs of Canadians. I would like to acknowledge my predecessor, Andrew Treusch, whose commitment to improving service, strengthening compliance, and upholding the integrity of the Agency is evidenced in the many accomplishments outlined in this Report. I would also like to thank both the Minister of National Revenue and the CRA Board of Management for the generous support they have offered me.

The CRA is constantly exploring innovative ways to improve service to Canadians, perhaps most notably through enhancements to our digital services. This past year, the Agency provided more digital options, like Auto-fill My Return, for easy and secure transactions. We also continued to simplify the correspondence the Agency regularly sends out, making it easier for Canadians to understand their tax obligations and benefit entitlements.

In 2015-2016, the Agency, like tax administrations around the world, faced many compliance challenges. The CRA is coordinating the development and delivery of a work plan to support the OECD/G20 Base Erosion and Profit Shifting (BEPS) project, part of a global effort to prevent multinational corporations from inappropriately minimizing their taxes.

As part of its strategy to address international tax avoidance, the CRA created three additional offshore compliance specialized teams in 2015-2016 to identify and manage high-risk files. The Agency also established more detailed and rigorous reporting requirements for Canadian taxpayers holding foreign property and assets. Our increased use and analysis of information, particularly that related to international fund transfers, has proven invaluable in helping the Agency monitor potentially unreported income, target jurisdictions of concern, and identify previously unknown (domestic and foreign) bank accounts and the locations of offshore assets and income. The CRA will continue to crack down on tax evaders and work with international partners to combat tax avoidance.

Budget 2016 announced deliverables for the CRA under several themes, including making the tax system more fair, through activities such as cracking down on tax evasion and combatting tax avoidance, as well as improving service for Canadians. I look forward to implementing the initiatives and reporting on their progress.

"The CRA has shown itself to be an adept organization, one that can meet the service expectations of Canadians in a digital age and respond to the challenges of dealing with aggressive tax planning schemes in a global economy."

Bob Hamilton



The CRA has shown it continues to advance to meet the service expectations of Canadians in a digital age and respond to the compliance challenges of a global economy. Within the Agency, I have been inspired by the extent to which the CRA embraces innovation, promotes wellbeing in the workplace, and fosters a culture of integrity.

As the Commissioner of the CRA, I am proud of the results the Agency's employees achieved in 2015-2016. While we have accomplished much, we need to continue to progress and improve so that we meet evolving challenges and expectations that arise. I look forward to leading the Agency as it delivers enhanced service to Canadians, inspires confidence in the integrity and fairness of our administration of taxes and benefits, and reports on the results of our efforts.

Bob Hamilton

Commissioner of the Canada Revenue Agency

Results Highlights



We paid

\$28.6B to 12.8M

benefit recipients



We processed

\$485B

in taxes and duties



84%

individual returns filed online during the 2016 tax season

\$52B in

outstanding tax debt resolved

88%

corporation income tax returns filed online **31M** individuals and businesses interacted with the CRA

147 benefit and credit programs administered on behalf of provinces, territories, and federal government

24.5M enquiries answered through agents and automated services

184M website visits and **20M** forms and publications downloaded

Who was involved?

37,977

(actual FTEs*)

What funds were used?

\$4,146,987,294

(actual spending)

^{*} A measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work.

Section 1 Organizational Overview

Organizational Profile

Appropriate Minister: The Honourable Diane Lebouthillier, P.C., M.P.

Institutional Head: Bob Hamilton

Chair of Board of Management: Richard (Rick) Thorpe

Ministerial Portfolio: National Revenue

Enabling Instrument: Canada Revenue Agency Act www.laws-lois.justice.gc.ca/eng/acts/C-10.11/ⁱⁱ

Year of commencement: 1999

Organizational Context

Raison d'être

The Canada Revenue Agency (CRA) administers tax, benefits, and related programs, and ensures compliance on behalf of governments across Canada. The CRA's activities provide these governments with the revenue needed to deliver essential services to Canadians, laying the foundation for continued economic prosperity and future growth. The CRA processes hundreds of billions of dollars in taxes annually and issues billions of dollars in benefit and credit payments.

The CRA's mandate is to ensure Canadians:

- > pay their required share of taxes;
- > receive their rightful share of entitlements and benefits; and
- > are provided with an impartial and responsive review of decisions they choose to contest.

Responsibilities

The Agency has a broad range of responsibilities. In addition to the *Income Tax Act* and the *Excise Tax Act*, the CRA administers legislation relating to the Canada Pension Plan (CPP) and the Employment Insurance (EI) program. It is also responsible for enforcing legislation governing charities, collecting tobacco taxes and duties, administering registered plans, and collecting non-tax debts for the federal government.

Serving taxpayers: The CRA provides taxpayers with the accurate and timely information they need to comply with Canada's tax laws through its website, call centres, technical publications, and technical interpretations and rulings services. The Agency regulates charities and monitors and administers deferred-income and savings plans to ensure they meet legislative requirements. It assesses and processes tax returns and payments for individuals and businesses as quickly and accurately as possible, providing taxpayers with early certainty to help them manage their tax affairs with confidence.

Promoting and enforcing tax compliance: The CRA identifies, addresses, and deters non-compliance with Canada's tax laws by promoting and enforcing compliance. The Agency promotes compliance through outreach activities, targeted taxpayer assistance, and by educating taxpayers about their reporting responsibilities. It undertakes domestic and international examinations, audits, and criminal investigations. It helps to ensure tax debt is resolved on a timely basis and enforces compliance with tax laws for registration, filing, withholding, and payment of debt obligations.

Facilitating redress: The CRA provides a fair and impartial redress process to resolve disputes and requests for relief arising from decisions made by the CRA. If taxpayers are not satisfied with the outcome of this process, they can appeal to the courts.

Administering benefits: The CRA administers a range of ongoing benefits and one-time payment programs for the provinces and territories and the federal government, such as the goods and services tax/harmonized sales tax credit and child benefit programs. The Agency ensures the right benefit payment is made to the right individual at the right time and gives recipients accessible information and timely responses to their enquiries.

Strategic Outcomes and Program Alignment Architecture¹

Strategic Outcome	Program	Subprogram
Taxpayers meet their obligations and Canada's revenue base is protected	Taxpayer and Business Assistance	 Taxpayer Services – Enquiries and Information Products Registered Plans Charities – Public Safety and Anti-Terrorism Policy, Rulings, and Interpretations Charities
	Assessment of Returns and Payment Processing	 Individual Returns and Payment Processing Business Returns and Payment Processing Goods and Services Tax Administration in Quebec
	Reporting Compliance	 International and Large Business Small and Medium Enterprises Scientific Research and Experimental Development Criminal Investigations Program Voluntary Disclosures Program
	Collections and Returns Compliance	 Trust Accounts – Compliance Non-Filer – Compliance Collections – Tax and Government Programs
	Appeals	 Income Tax Objections, Determinations, and Appeals to the Courts Commodity Taxes Objections, Determinations, and Appeals to the Courts Canada Pension Plan/Employment Insurance Appeals to the Minister, and Appeals to the Courts Service Complaints Taxpayer Relief
Eligible families and individuals receive timely and accurate benefit payments	Benefit Programs	 Statutory Children's Special Allowance Payments Benefit Enquiries Benefit Programs Administration

Internal Services²

^{1.} For more information on the Taxpayers' Ombudsman Strategic Outcome and Program, please visit www.oto-boc.gc.ca/menu-eng.html

Internal Services is not an actual Program but includes groups of related activities and resources that are
administered to support the efficient and effective delivery of government programs. Internal Services
cut across all Agency programs identified in a PAA. An integral part of the PAA, Internal Services is
situated at the Program level of the PAA.

Operating Environment and Risk Analysis

The CRA has a mature risk management process, one which takes a proactive approach to monitoring the environment and identifying, assessing, and prioritizing the CRA's risks.

To support corporate decision making, the CRA produces an annual corporate risk profile (CRP), which provides a description of the potential and emerging risks to the CRA's operational environment, risks which may affect the achievement of CRA priorities and objectives. This annual review of the Agency's risk information provides management with foresight to successfully prevent, respond to, or mitigate risks and, in doing so, to seize new opportunities to innovate.

In the 2015-16 Report on Plans and Priorities, the three key CRP risks identified were compliance, protection of information, and information technology sustainability. The prioritization of these three risks reflects their potential impact on the CRA's commitment to service, compliance, integrity, security, and innovation. By making sure its risks are properly identified and managed, the CRA continues to be well positioned to deliver on its mandate and to maintain the trust and confidence of taxpayers.

Key Risks

Risk	Risk Response Strategy	Link to CRA Program
Compliance	The CRA has employed and continues to implement a variety of strategies to address the following four main areas related to compliance:	Reporting Compliance
	 Underground economy (UE): The CRA continues to implement the three-year UE strategy 2014-2015 to 2017-2018. 	
	Aggressive tax planning: To address aggressive tax planning arrangements, (for example, offshore assets and transfer pricing), several strategies have been in effect, including participation in information-sharing forums with many international jurisdictions. The CRA is also implementing a wide range of initiatives such as creating additional integrated large business audit teams. In addition, the CRA is applying risk assessment models to business intelligence from the Offshore Tax Informant Program and electronic funds transfers to identify highrisk cases and emerging offshore schemes and arrangements.	

		Program
	 Digital commerce: the CRA has been working to ensure its compliance strategies stay current with the digitization of the economy. This has involved researching the extent of the compliance risk posed by the use of digital currencies, digital payment systems, and online businesses through risk assessments and audit sampling. The results of this research will help to determine how to best address the risk and to further develop associated data and risk models. Sharing economy: The CRA continues to research areas of the sharing economy, from a perspective of tax compliance and audit and enforcement. This research will help the CRA to better understand this new economic model and identify potential approaches and areas of focus. 	
Protection of information	 The CRA has put in place measures to help ensure information is handled with the utmost care and regard for privacy and security from three perspectives: Cyber attack: The CRA has robust cyber security controls in place to protect the CRA's information from third parties who intentionally try to gain access. The CRA also has several initiatives underway related to cyber security, such as the Data Security Initiative, to further enhance the protection of its data. Unintentional: The CRA has several controls and measures in place to help prevent, identify, and address the accidental loss or unintentional release of taxpayer information by employees. Intentional: The CRA's efforts to ensure CRA employees continue to act ethically and do not use their access to protected information for personal or commercial gain have included improving audit trail monitoring systems, updating system access permissions, communications to employees about acting with integrity, and enhancing security screening processes. 	Internal Services
Information technology sustainability	To ensure the continued sustainability of CRA systems, a number of infrastructure enhancements are planned or underway. One example is the Application Sustainability Program, which has been established to mitigate the risks associated with aging systems by modernizing the portfolio of software applications in a structured, organized fashion, and converting applications from obsolete platforms to newer and more sustainable environments. The CRA is interconnected with several government departments and works with partners, including Shared Services Canada (SSC), to ensure its information technology, including email, data centres, networks, and telephony services remain stable and meet the highest standards of security. The CRA will continue to collaborate and communicate with its partners early on, so planning and prioritizing initiatives are as effective as possible. The CRA will ensure its systems are sustainable by being actively involved in, and frequently following-up on, all aspects of the improvement process.	Internal Services

Risk Response Strategy

Link to CRA

Risk

Organizational Priorities

Service

We provide services that make it easy and convenient for people to meet their filing, reporting, and payment obligations. Continuous enhancements to our secure digital services make it easier for people to access their tax and benefit information when it is convenient for them.

Planned Initiatives	Start Date	End Date	Status	Link to CRA Program
Expand digital service offerings	Ongoing	Ongoing	On track	Assessment of Returns and Payment Processing
Improve external correspondence	Ongoing	Ongoing	On track	Taxpayer and Business Assistance
Improve outreach to Canadians who need support	Ongoing	Ongoing	On track	Taxpayer and Business Assistance

Progress Towards the Priority

We strive to meet the service needs and expectations of those who interact with us. We make improvements based on people's expectations, which are increasingly digital in nature, with the objective of making the experience easy. During the reporting period, we launched a variety of targeted initiatives to expand and enhance our digital services. We simplified our correspondence and other communications, making it easier for Canadians to understand their tax obligations. We also took steps to ensure that all Canadians receive the benefits to which they are entitled.

In 2015-2016, we improved service by:

- · launching the e-Interactions strategy and roadmap to outline the plan to provide digital services
- revising the T1 notice of assessment so that it is easier for Canadians to understand
- promoting products, services, and programs in multiple languages for a diverse population

Compliance

We aim to make voluntary compliance as easy as possible by providing services that are secure and easy to use, while addressing serious and deliberate non-compliance with timely and targeted action. International tax evasion and the underground economy are two significant areas of focus, given the potential tax revenue that is lost to these sorts of tax arrangements and schemes. We continue to evolve our non-compliance detection techniques and work closely with our international partners to maintain the integrity of Canada's tax base.

Planned Initiatives	Start Date	End Date	Status	Link to CRA Program
Combat the underground economy	Ongoing	Ongoing	On track	Reporting Compliance
Combat international tax evasion	Ongoing	Ongoing	On track	Reporting Compliance

Progress Towards the Priority

During the reporting period, we continued to facilitate voluntary compliance, and to identify and address instances of willful non-compliance. With instances of international tax evasion on the rise, we are working with our global partners to adopt strategies to make sure that multinational corporations pay their share of tax to the jurisdiction where that tax is due. Domestically, we worked with the provinces, territories, and other federal agencies and departments to identify and pursue those who fail to file their income tax and GST/HST returns. As people try to evade their tax responsibilities, we continue to advance our efforts to identify them and bring them into compliance with the law.

In 2015-2016, we improved compliance by:

- collaborating with international partners to tackle international tax evasion and aggressive tax planning
- developing a tactical plan, based on the recommendations of the Minister's Underground Economy and Advisory Committee
- dedicating specialized collections officers to higher-risk files

Integrity and security

We continue to apply the highest level of integrity and security to protect taxpayer information and maintain public trust. Public trust influences voluntary compliance and, as such, we must conduct ourselves ethically and honestly in order to maintain this trust. We endeavour to be visible, accessible, and accountable to the public we serve by fostering a culture of integrity. With increasing demand for digital services, we continue to evolve our security practices to keep pace with the sophistication and volume of cyber threats.

Planned Initiatives	Start Date	End Date	Status	Link to CRA Program
Safeguard personal client information	Ongoing	Ongoing	On track	Internal Services
Maintain the public trust	Ongoing	Ongoing	On track	Internal Services

Progress Towards the Priority

Integrity and security continues to be one of our top priorities. Several initiatives were underway during the reporting period that promote and sustain a culture of integrity. The security of our systems continues to be top-of-mind at every stage of our decision-making process and in our daily operations. Protecting the personal information of Canadians, and ensuring that people trust us to do so, influences the voluntary compliance on which our tax administration is built. We continue to work closely with partners to make sure all appropriate systems, controls, and safeguards are in place.

In 2015-2016, we enhanced integrity and security by:

- adopting a centralized approach to managing passwords, through the Identity and Access Management Project
- establishing an internal fraud and misuse reporting line
- completing the Reliability Status + security screening of executives

Innovation

Innovation is about finding solutions and doing things better, more efficiently, and in new ways. Effectively using our business intelligence, working with our trusted partners, and engaging our employees to pursue innovation is critical to our success. Our willingness to try new ideas, adapt new technology, and seek continuous improvement is fundamental to our ability and commitment to improve service to Canadians.

Planned Initiatives	Start Date	End Date	Status	Link to CRA Program
Implement innovative approaches to service and compliance	Ongoing	Ongoing	On track	Internal Services

Progress Towards the Priority

Continuous improvement is fundamental to our ability to provide the best service to Canadians. Our ability to adapt to new technology and try new ideas is enabled by engaging our employees and leveraging existing partnerships. During the reporting period, we developed strategies and expanded centres of innovation that significantly advanced innovation both in direct work and in providing opportunities for engagement. Innovation is not a one-time deliverable, but an ongoing culture shift that will enable success for the Agency, the Government of Canada, and benefit everyone who interacts with us.

In 2015-2016, we demonstrated innovation by:

- creating the Accelerated Business Solutions Lab to support program, Agency, and Government of Canada priorities by using innovative approaches
- holding a "Leading an innovation" speaker series, where experts presented to employees on innovative tools and methods
- giving employees opportunities to bring their ideas directly to decision-makers
- · building and renewing the CRA's business intelligence infrastructure, tools, and processes
- · launching the e-Interactions strategy

People

Our success depends on the skill and commitment of a diverse and talented workforce. We recruit and develop employees to provide the expertise and experience necessary to fulfil our mandate now and in the future. We are a high-performing workforce that embraces new ways of working and emphasizes workplace well-being.

Planned Initiatives	Start Date	End Date	Status	Link to CRA Program
Maintain and build a knowledgeable workforce	Ongoing	Ongoing	On track	Internal Services
Sustain healthy and productive employees	Ongoing	Ongoing	On track	Internal Services

Progress Towards the Priority

Building and maintaining a strong workforce is an ongoing priority. During the reporting period, we focused on initiatives related to succession planning, rejuvenating our workforce, and promoting learning opportunities for our employees. In response to the government-wide focus of workplace wellness, we continued to address the state of mental health within the CRA. Achievements to date provide a solid foundation on which to build and sustain a healthy, productive, diverse, and knowledgeable workforce.

In 2015-2016, we supported our people by:

- introducing the Auditor Development Program recruitment campaign
- integrating succession planning into our Executive Performance Management Program
- establishing the Workplace Well-being Strategy, which includes the development of the Discrimination and Harassment Centre of Expertise
- continuing to focus on ensuring values and ethics inform all aspects of the Agency's operations
 through our enhanced CRA Code on Integrity and Professional Conduct, as well as our revised CRA
 corporate policy instruments affecting the conduct of managers and employees, such as the
 Policy on Workplace Management

For more information on organizational priorities, see the <u>Minister of National Revenue</u> <u>Mandate Letter^{iv}</u>.

Key indicators

The following indicators are used to assess the CRA's performance in providing Canadians with access to timely, modern, and innovative services, while promoting and supporting compliance. These indicators are a subset of the CRA's overall performance measurement framework as described in pages 30 to 85 of this report.

	Indicators	2014-2015 result	2015-2016 result
1	Percentage of individuals who paid their taxes on time	93%	94%
2	Dollar value of payments the CRA processed	\$469 billion	\$485 billion
3	Dollar value of benefit and credit payments to recipients	\$22 billion	\$28.6 billion
4	Percentage of electronic filing rates for individuals	82%	84%
	Percentage of electronic filing rate for corporations	86.2%	88%
5	Processing electronic individual income tax returns within an average of two weeks	1.57 weeks	1.7 weeks
	Percentage of electronic corporate income tax returns processed within 45 days	96.5%	97.5%
6	Percentage of individual taxpayers with a My Account, either directly or through their tax representative	47.6%	55.3%
	Percentage of businesses with a My Business Account, either directly or through their tax representative	39.1%	40.3%
7	Dollar value of identified non-compliance	\$21.9 billion	\$23 billion
8	Tax debt as a percentage of gross revenues	8.1%	8.1%
9	Caller accessibility for tax enquiries (individuals and businesses)		
	• Individual enquiries (peak season)—target 85%	79%	85.6%
	• Individuals enquiries (non-peak season)—target 80%	79%	78.2%
	Business enquiries—target 85%	84%	86.3%
	Caller accessibility for benefit enquiries	82%	81.9%
10	Percentage of service complaints resolved in 30 working days	95.9%	91.8%
11	Percentage change in appeals (closing) inventory	3.8%	8.5%

Section 2 Organizational Overview

Actual Expenditures

Budgetary Financial Resources (dollars) ¹

	2015-16 Main Estimates	2015-16 Planned Spending	2015-16 Total Authorities ²	2015-16 Actual Spending ³	2015-16 Difference (planned minus actual)
Canada Revenue Agency	3,801,645,731	3,801,645,731	4,427,826,131	4,144,940,135	(343,294,404)
Taxpayers' Ombudsman	3,198,657	3,198,657	3,088,064	2,047,159	1,151,498
Total	3,804,844,388	3,804,844,388	4,430,914,195	4,146,987,294	(342,142,906)

- Budgetary financial information displayed in this document represents authorities approved by Parliament, and excludes amounts cost recovered by the CRA for the provision of services to Employment and Social Development Canada for the administration of the Canada Pension Plan and the Employment Insurance Act.
- The CRA's total authorities increased by \$626.1 million, or 16.5% over the planned spending identified in the Report on Plans and Priorities. This is mainly due to increases for the carry-forward of funds from 2014-2015, severance payments, parental benefits, vacation credits, funding for implementing and administering various tax measures announced in the 2015 federal budget, children's special allowance payments, and the statutory authority for the disbursement of softwood lumber export charges to the provinces. For more information, see table "Authorities approved after Main Estimates" on page 26.
- Modified cash basis, based on Parliamentary appropriations used. See pages 111 and 112 of the Departmental Performance Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

Human Resources (FTEs)¹

	2015-16 Planned	2015-16 Actual	2015-16 Difference (planned minus actual)
Canada Revenue Agency	38,385	37,956	429
Taxpayers' Ombudsman	31	21	10
Total	38,416	37,977	439

Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.

Budgetary Performance Summary

Budgetary Performance Summary for Program and Internal Services (dollars)

Program	2013-14 Actual Spending	2014-15 Actual Spending	2015-16 Main Estimates	2015-16 Total Authorities	2015-16 Planned Spending ¹	2015-16 Actual Spending	2016-17 Planned Spending	2017-18 Planned Spending
Taxpayer and Business Assistance ²	350,801,699	292,809,925	280,181,661	428,549,814	280,181,661	418,438,658	412,286,804	280,544,765
Assessment of Returns and Payment Processing ³	649,108,155	640,377,518	614,590,330	643,991,825	614 500 220	606 277 627	503,182,149	406 115 166
Frocessing	649,108,155	640,377,518	614,590,330	643,991,825	614,590,330	606,377,627	503,182,149	496,115,166
Benefit Programs ⁴	374,414,324	351,409,527	375,217,640	469,297,374	375,217,640	449,400,252	434,832,503	441,578,904
Reporting Compliance	1,084,562,230	1,108,667,741	1,045,193,249	1,118,409,053	1,045,193,249	1,076,656,765	1,067,140,214	1,062,160,684
Collections								
and Returns Compliance	496,787,602	519,837,234	469,453,195	534,428,935	469,453,195	495,342,255	632,051,666	618,542,264
·								
Appeals	190,219,456	204,406,362	179,658,662	187,677,521	179,658,662	181,214,477	185,568,739	185,234,324
Taxpayers' Ombudsman	2,524,101	2,614,097	3,198,657	3,088,064	3,198,657	2,047,159	3,235,854	3,227,940
Internal Services	914,441,789	940,711,586	837,350,994	1,045,471,609	837,350,994	917,510,101	847,420,254	843,948,992
Total all								
programs	4,062,859,356	4,060,833,990	3,804,844,388	4,430,914,195	3,804,844,388	4,146,987,294	4,085,718,183	3,931,353,039
Less: Respendable Non-Tax Revenue under Section 60 of the Canada Revenue	((((((((((((((((((((((((((((((((((((((((4.55.005.200)	(150.456.255)	(160 000 577)	(160.46075)	(160 000 577)	(100.001.00)	(4.64.003.070)
Agency Act	(164,015,731)	(166,085,289)	(169,466,255)	(169,032,577)	(169,466,255)	(169,032,577)	(166,604,106)	(161,082,878)
Plus: Cost of services received without								
charge	430,409,136	457,024,404	N/A	N/A	436,284,460	463,246,580	452,470,955	452,350,893
Net Cost	4,329,252,761	4,351,773,105	N/A	N/A	4,071,662,593	4,441,201,297	4,371,585,032	4,222,621,054

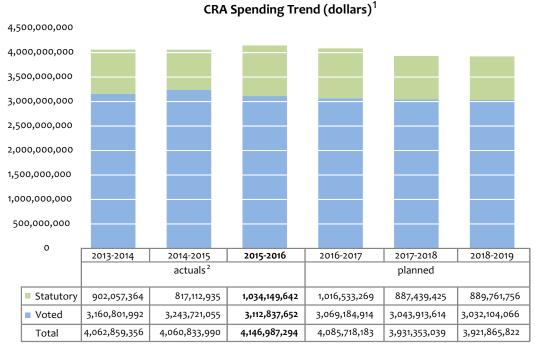
Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2014-2015 where, pursuant to section 6o(1) of the *Canada Revenue Agency Act*, the CRA has up to two fiscal years to utilize Parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in actual spending.

Includes the disbursements to the provinces under the Softwood Lumber Products Export Charge Act, 2006 (planned spending: \$0 in 2015-2016; \$80 million in 2014-2015; and \$283 million in 2013-2014); (actual spending: \$121.5 million in 2015-2016; -\$15.1 million in 2014-2015; and \$42.3 million in 2013-2014).

Includes payments to Revenu Québec for administering the goods and services tax in the province (actual spending: \$142.3 million in 2015-2016; \$142.1 million in 2014-2015; and \$142.8 million in 2013-2014).

Includes statutory children's special allowance payments (planned spending: \$237 million in 2015-2016; \$246 million in 2014-2015; and \$238 million in 2013-2014); (actual spending: \$309.2 million in 2015-2016; \$214.8 million in 2014-2015; and \$235.4 million in 2013-2014).

CRA Spending Trend (dollars)



¹The planned spending trend figure shows all parliamentary appropriations (Main Estimates and Supplementary Estimates) and revenue sources provided to the CRA for: policy and operational initiatives arising from various federal budgets and economic statements, transfers from the Department of Public Services and Procurement Canada for accommodations and real property services, disbursements under the Softwood Lumber Agreement, responsibilities related to the harmonization of sales tax, the children's special allowance payments, as well as the implementation of initiatives to improve efficiency.

Over the period 2013-2014 to 2018-2019, the CRA's appropriations show a decline. Funding received to implement and administer various measures announced in the federal budgets, for the upgrade of the individual income tax processing system, for various wage settlements, as well as for increases in the CRA's Statutory Authorities for children's special allowance payments was more than offset by decreases due to the following:

- > the implementation of initiatives to improve efficiency;
- > Statutory Authorities for disbursements to the provinces under the *Softwood Lumber*Products Export Charge Act, 2006 and the rates of the contributions to employee benefit plans;
- > funding for the implementation of the Harmonized Sales Tax, the Affordable Living Tax Credit for Nova Scotia, and the administration of the Softwood Lumber Agreement;
- > other miscellaneous items such as Government advertising programs, adjustment to funding previously transferred to Shared Services Canada, and the transfer of CRA training programs to the Canada School of Public Service.

²Total spending for fiscal years 2013-2014 to 2015-2016 also includes technical adjustments such as the CRA's carry-forward adjustments from the previous year and funding for maternity and severance benefits. The 2014-2015 fiscal year also includes expenditures associated with the one-time transition payment for implementing the pay in arrears model.

The following table details the additional authorities approved for the CRA after the Main Estimates were tabled in Parliament and reconciles with the total authorities shown on page 22.

Authorities approved after Main Estimates (dollars)	
2015-16 Main Estimates	3,804,844,388
Planned Spending (as reported in the 2015-16 Report on Plans and Priorities)	3,804,844,388
Carry-forward from 2014-2015	261,445,115
Severance payments, parental benefits, and vacation credits	81,889,528
Funding for implementing and administering various tax measures announced in the 2015 federal budget	63,938,565
Transfer from Public Services and Procurement Canada as a result of a reduction in accommodation requirements	19,616,890
Transfer to Innovation, Science and Economic Development Canada for the Get it in Writing Campaign for Canadian Home Builders' Association	(250,040)
Year-end adjustments to statutory authorities:	
 increase in disbursements to provinces under the Softwood Lumber Products Export Charge Act, 2006 	121,481,095
 increase in payments under the Children's Special Allowance Act for eligible children in the care of agencies and foster parents 	72,173,282
contribution to employee benefit plans	4,622,124
court awards	1,487,951
Crown assets disposals	91,666
 decrease in the spending of revenues received through the conduct of its operations 	(433,678)
other minor adjustments	7,309
Total authorities at year-end	4,430,914,195

Expenditures by Vote

For information on the CRA's organizational voted and statutory expenditures, see the Public Accounts of Canada 2016^v.

Alignment of Spending with the Whole-of-Government Framework

Alignment of 2015-16 Actual Spending With the Whole-of-Government Framework^{vi}

Program	Spending Area	Government of Canada Outcome	2015-16 Actual Spending (dollars)
Taxpayer and Business Assistance	Government affairs	A transparent, accountable, and responsive federal government	418,438,658
Assessment of Returns and Payment Processing	Government affairs	Well-managed and efficient government operations	606,377,627
Benefit Programs	Economic affairs	Income security and employment for Canadians	449,400,252
Reporting Compliance	Government affairs	Well-managed and efficient government operations	1,076,656,765
Collections and Returns Compliance	Government affairs	Well-managed and efficient government operations	495,342,255
Appeals	Government affairs	A transparent, accountable, and responsive federal government	181,214,477
Taxpayers' Ombudsman	Government affairs	A transparent, accountable, and responsive federal government	2,047,159

Total Spending by Spending Area (dollars)

Spending Area	Total Planned Spending	Total Actual Spending	
Economic affairs	375,217,640	449,400,252	
Social affairs	0	0	
International affairs	0	0	
Government affairs	2,592,275,754	2,780,076,941	

Financial Statements and Financial Statements Highlights

Financial Statements

For more information on the Financial Statements and Statement of Management Responsibility Including Internal Control Over Financial Reporting, see pages 100 to 161.

Financial Statements Highlights

Condensed Statement of Operations (unaudited)

For the Year Ended March 31, 2016 (dollars)

Financial Information	2015-16 Planned Results	2015-16 Actual	2014-15 Actual	Difference (2015-16 actual minus 2015-16 planned)	Difference (2015-16 actual minus 2014-15 actual)
Total expenses	4,472,524,000	4,539,293,649	4,607,492,897	66,769,649	(68,199,248)
Total non-tax revenues	488,957,000	489,925,033	480,619,960	968,033	9,305,073
Net cost of operations before government funding and transfers	3,983,567,000	4,049,368,616	4,126,872,937	65,801,616	(77,504,321)

The CRA's 2015-2016 net cost of operations before government funding and transfers amounted to \$4,049.4 million, a decrease of \$77.5 million from the \$4,126.9 million net cost of operations before government funding and transfers in 2014-2015.

Personnel expenses (salaries, other allowances and benefits) represent 74% of total expenses and are the CRA's primary costs. The remaining 26% of expenses are comprised of other costs such as accommodation and information technology related expenses.

Personnel costs have remained fairly stable in 2015-2016, decreasing by 1%. The decrease in employee severance benefit expenses was the main contributor to the overall decrease in personnel costs.

Non-personnel expenses have decreased by \$25.9 million or 2% in 2015-2016. This variance mainly results from a reduction in occupied office space following the implementation of the Government-wide strategy to support the Clerk of the Privy Council's commitment to workplace renewal.

Non-tax revenues slightly increased in 2015-2016 mostly as a result of increased workloads for the administration of the *Canada Pension Plan* and the *Employment Insurance Act*.

Condensed Statement of Financial Position (unaudited)

As at March 31, 2016 (dollars)

Financial Information	2015-16	2014-15	Difference (2015-16 minus 2014-15)
Total net liabilities	1,463,915,583	1,429,577,039	34,338,544
Total net financial assets	276,524,222	292,255,010	(15,730,788)
CRA net debt	1,187,391,561	1,137,322,029	50,069,532
Total non-financial assets	414,775,828	405,953,313	8,822,515
CRA net financial position	772,615,733	731,368,716	41,247,017

Liabilities have increased by \$34.4M mainly as a result of increased salary accruals in 2015-2016. This was offset in part by a decrease in the accounts payable considering the amount payable to Treasury Board Secretariat (TBS) in 2014-2015 for the CRA's employee benefit plan.

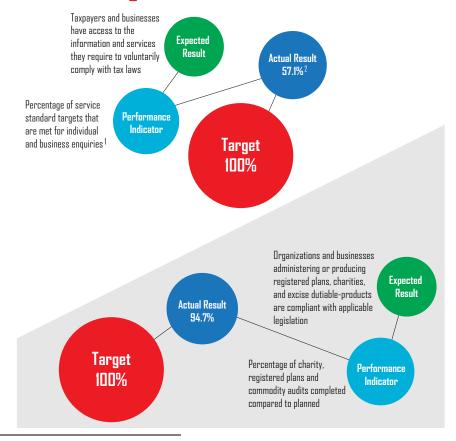
Non-financial assets are comprised of 97% tangible capital assets. The CRA managed a capital budget of \$128.7 million for the year 2015-2016 (\$123.4 million for 2014-2015), of which a total of \$49.9 million (\$47.1 million for 2014-2015) remains available for use in future years in accordance with the CRA's multi-year resource management strategy.

Section 3 Analysis of Programs and Internal Services

Taxpayer and Business Assistance

The Taxpayer and Business Assistance Program is committed to providing taxpayers with the accurate and timely information they need to comply with Canada's tax laws. Our website provides detailed information about CRA programs, including information on charities and giving, as well as information on services for individuals, families, businesses, and representatives. Taxpayers with more complex information needs can contact our call centres, refer to our technical interpretations, or consult our advance rulings services. To support taxpayers, we monitor charities and administer registered plans to ensure they meet legislative requirements.

Program Performance Measures



^{1.} Details on our service standards start on page 162.

^{2.} This performance measure includes multiple performance indicators associated with enquiries within the program. The following three out of the seven service standards used to calculate this result weren't met: GST/HST rulings and interpretations-written enquiries; Charities-written enquiries (routine); and Charities-written enquiries (complex). Some service standards were not met as the result of organizational transitions, creating a temporary reduction in operational capacity. See page 162 for more information on these service standards.

The CRA is striving to make it easier and more convenient than ever before for individuals and businesses to comply with their tax obligations. The Agency is responding to Canadians' expectation to access tax and benefit information through a variety of means and when it is convenient for them. Increasingly, Canadians are seeking information through videos on the CRA's branded YouTube channel, or through messages from the Agency's Twitter account McCanRevAgency In response the CRA continues to expand its use of social media tools so it can better serve taxpayers who favour these forms of communication. By satisfying the information preferences of taxpayers, the Agency supports self-service, self-assessment, and compliance.

The CRA website continues to be the mainstay of our communication efforts. Each year, we have more than 180 million visits to www.cra-arc.gc.ca viii. We provide taxpayers with the option to get expertise and guidance through our telephone services, our technical interpretations, and our advance rulings services.

CRA Website and Social Media Initiatives

The CRA's website strives to provide timely, accurate, and relevant information to Canadians who prefer to look online first to find the answers to their questions. The website is structured around four main categories: individuals and families, businesses, charities and giving, and representatives. It provides information on a wide variety of topics, and people are just a few clicks away from downloading most of the forms or publications they need regarding their tax obligations or their benefit eligibility. We update our webpages regularly to add new content or to improve navigation and clarity of information. We also use web analytics to help us understand how Canadians use the site, and to assess and improve its effectiveness.

Through the website, the Agency maintains and provides hundreds of different forms and publications, and more than 20 million copies of these documents are downloaded annually. Moreover, access to the information on our website is available 24 hours a day and is continually kept up-to-date. As part of our efforts to make access to our information as convenient as possible, the Agency's website is designed to display on any electronic device, whether it be smartphone, tablet, or desktop computer.

The CRA continues to play a prominent role in the Government-wide Web Renewal Initiative. This initiative is a project to develop Canada.ca, one website for the Government of Canada. During 2015-2016, the Agency helped to develop the governance and publishing models, user-experience testing, information architecture, and technical requirements for Canada.ca.

Throughout the year, the Agency continued to expand its use of social media. For example, our tweets began to include media, such as video, to promote CRA services. This contributed to a 40% higher rate of engagement with our Twitter followers over the previous year. Meanwhile, the CRA launched a video series in Spanish, Punjabi, Cantonese, Arabic, and Cree on its YouTube channels.

The CRA also continued to promote awareness of the Voluntary Disclosures Program (VDP) through its website, a promotional video, tweets, tax tips, and stakeholder messaging. In 2015-2016, there were about 160,000 viewings of the VDP video, "Making Things Right," an increase of 53% over the previous year.

Key results

- > We received over 184 million visits to our website.
- > Close to 20 million forms and publications available on the website were downloaded.
- > We posted 33 new or updated videos between April 2015 and March 2016. The 105 videos on our YouTube channels were viewed 105,145 times.

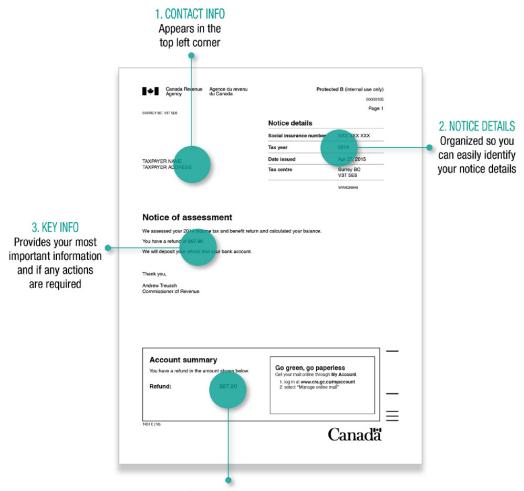
External Administrative Correspondence

In 2015-2016, the CRA sent out approximately 130 million pieces of correspondence, including notices, statements, and letters. During the reporting year, the External Administrative Correspondence initiative delivered significant changes to the design, tone, and structure of correspondence in both paper and electronic formats. By using plain language, we simplified the Agency's correspondence, making it easier for Canadians to understand their tax obligations.

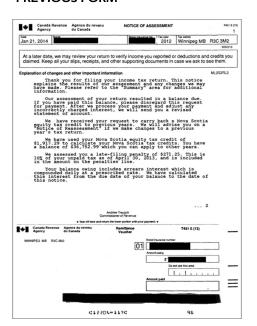
Through a coordinated approach within the Agency, we successfully launched the revised T1 notice of assessment, as well as a revised T1 notice of reassessment, in February 2016. By the end of the 2016 filing season, it was estimated approximately 28 million individual notices of assessment/ reassessment had been issued in the new, simplified format.

The revised notices are just the beginning. Over the next few years, more of the CRA's correspondence with taxpayers and benefit recipients will be simplified, with changes being made to the structure, design, and format, and with the use of plain language throughout. The External Administrative Correspondence initiative represents our commitment to improving service to Canadians. Making the information we provide easier to read and to understand is a significant part of that service goal.

Improved notice of assessment



PREVIOUS FORM



4. ACCOUNT SUMMARY

Provides you with a status of your account and useful tips

Telephone Programs

The CRA's call centres handle millions of tax enquiries every year and remain a key channel for providing service to taxpayers. As part of its commitment to continually improve service response time and overall service to taxpayers, the Agency continued to upgrade and standardize its telephony infrastructure across all CRA call centres. In addition, efficiency improvements were gained by readjusting where and how calls are transferred to agents who handle complex phone enquiries.

Enhanced procedures were also put in place at call centres to improve the timeliness of telephone assistance provided to tax preparers. Consultations with representatives of this group were held throughout 2015-2016, which led to the establishment of the new procedures. Tax preparers with questions on selected topics are now able to be fast-tracked directly to an agent with the expertise to answer their questions.

Key results

- > We answered 17.9 million tax calls through agents and automated services.
- > We met our service standard target for timeliness by answering calls within two minutes 81% of the time for individual and business enquiries.

Outreach

The CRA identifies and works with taxpayers most likely to benefit from more targeted interaction, ranging from individuals, to small- and medium-sized businesses, to Indigenous peoples, seniors, persons with disabilities, newcomers to Canada, and youth.

In 2015-2016, we promoted the Agency's products, services, and programs. Efforts included webinars for small businesses and the production of multi-language documents for Canada's diverse communities.

As part of our commitment to improve service to Canadians, we also continued to offer support to those who are unable to complete their tax obligations on their own, specifically through the Community Volunteer Income Tax Program (CVITP). The CVITP offers free clinics to help prepare income tax and benefit returns for eligible individuals, particularly modest-income Canadians and those on fixed incomes, whose financial situation is unchanged year-to-year. More funding has been allocated to the CVITP to expand and strengthen its services. The funding will allow for increased promotion of the CVITP to other organizations, and will enable the CRA to provide enhanced training and support for first-time community organizations who want to host clinics.

Key results

- > CVITP assisted 692,434 individuals.
- > CVITP helped complete 749,963 tax returns.

Registered Plans

Registered plans are an important financial tool for many Canadians. Through tax exemptions, incentives, and deferrals, the Government of Canada encourages and helps Canadians to save for education, disability, and retirement. The CRA registers and monitors deferred-income and savings plans like employee pension plans, retirement savings plans, education savings plans, disability savings plans, and tax-free savings accounts. We ensure the integrity of the deferred-income and savings plans sector in Canada by promoting compliance with legislation through a combination of outreach, education, and compliance activities.

In 2015-2016, about \$2.83 trillion in assets was held in deferred-income and savings plans. During the reporting period, the CRA launched a successful campaign to increase the electronic filing of registered retirement savings plans (RRSPs) contract listings to 97%. We also expanded our capacity to communicate with clients electronically with a view to making it possible to send all forms for registered plans electronically. The resulting improved data analytics increases program efficiency and the ability to assess compliance risk.

Key results

- > We responded to 61% of written enquiries for deferred-income plans within 60 days.
- > We reviewed 87% of the applications to register pension plans within 180 days.
- > We approved 87% of requests for eligible contributions within 270 days.
- > We did 311 audits of registered plans.

Rulings

Voluntary compliance depends on understanding tax laws, regulations, and obligations. The CRA plays an essential role in promoting compliance by providing up-to-date technical publications, interpretations, and rulings. This information helps Canadians appropriately plan, report, and pay their taxes. It also provides certainty to taxpayers, tax professionals, and industry associations.

The CRA's Rulings experts provide technical guidance and assistance to other CRA programs. In 2015-2016, the CRA's focus was on detecting, deterring, and taking action against aggressive tax planning and tax evasion. Many initiatives supported this objective. We situated senior technical

Technical interpretations and rulings

A technical interpretation provides the CRA's interpretation of Canadian tax law. A ruling is binding and confirms the CRA's interpretation of how the law applies to a specific transaction.

officers in satellite offices in certain major cities. We also created a working group of technical income tax experts and large case file managers to identify new sources of technical support during the audit process. Giving large-case auditors, who encounter highly complex issues, greater access to technical income tax experts supports the CRA's compliance-enforcement efforts.

In support of our commitment to service and to make it easier to comply with tax obligations, in 2015-2016 the CRA began accepting online requests for GST/HST rulings or interpretations, meaning taxpayers get certainty more quickly. A new model the CRA developed last year to manage the inventory of written requests for GST/HST rulings and interpretations will contribute to further program improvements.

- > We improved service to taxpayers and other stakeholders by providing more timely advanced rulings.
- > We received over 800,000 site visits to the newly published, web-friendly income tax folios.
- > We received over 1,135,000 site visits to GST/HST technical publications, including technical information made available by the effective date of a change in legislation.
- > We provided 2,468 GST/HST rulings and interpretations.
- > We provided 2,208 income tax technical interpretations.
- > We provided 184 advance income tax rulings.
- > We completed 43,997 CPP/EI rulings.
- > We responded to 90,987 GST/HST technical telephone enquiries.

Charities

The Government of Canada is committed to meaningful engagement with the charitable sector, which makes a valuable contribution to the social well-being of Canadians and to public policy and debate. The Minister of National Revenue is working with the Minister of Finance and the Minister of Families, Children and Social Development to modernize rules, strengthen the sector, and encourage charities to continue this important work.

The CRA is responsible for contributing to the integrity of this sector by registering and monitoring charities. The review of registered charities' political activities began to wind down during the reporting period. The audits done as part of this initiative showed charities to be largely compliant with the rules regarding their involvement in political activities. In consultation with the Department of Finance Canada, we developed a proposed strategy, including discussions with stakeholder groups and an online consultation, for engaging with charities to clarify the rules about political activities.

To support the Government's broader commitment to openness and transparency, in 2015-2016, we undertook to develop a new annual report to the charitable sector and to the public. This report will explain how the CRA's activities contribute to being an effective regulatory framework for charities. Throughout the year, we continued to meet with charities, stakeholder groups, and sector representatives for constructive discussions on key issues affecting the charitable sector and the CRA as regulator.

Extradition to Canada for tax fraud

September 8, 2015 – Ottawa, Ontario – A former resident of Vaughn, Ontario, was extradited to Canada from Italy and is now in custody serving a 10-year sentence for tax fraud. She was also ordered to pay a fine of \$699,608 for causing her company to fail to report income received from the tax evasion scheme it promoted.

The former tax preparer fraudulently claimed carrying charges and charitable donations totalling \$58,500,000 in 4,200 tax returns prepared on behalf of her clients. The false claims inappropriately reduced the amount of federal taxes owed by over \$10 million.

- > We provided timely response to applications for charitable registration: 88% of simple applications were answered within two months, and 86% of regular applications were answered within six months. We surpassed our target of 80% in both instances.
- > We processed 87,461 registered charity information returns.
- > We audited 726 charities, including all those known to be participating in gifting tax shelters.
- > Some service standards were not met as the result of organizational transitions, creating a temporary reduction in operational capacity.

Taxpayer and Business Assistance

Budgetary Financial Resources

(dollars)



Main Estimates **280,181,661**

Total authorities **428,549,814**

Planned¹ 280,181,661

Actual² 418,438,658

Difference³ (planned minus actual) (138,256,997)

Human Resources (FTEs)4



Planned **3,780**

Actual **3.924**

Difference (planned minus actual) (144)

Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2014-2015 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize Parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in actual spending.

Modified cash basis, based on Parliamentary appropriations used. See pages 111 and 112 of the Departmental Performance Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

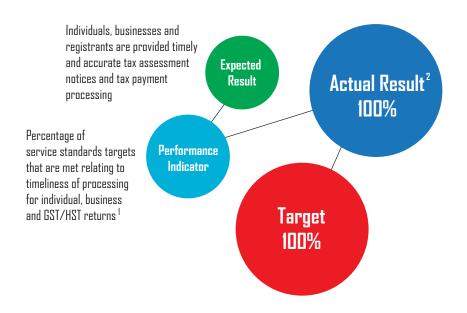
Increase primarily due to higher than planned statutory payments related to the Canada/US softwood lumber agreement.

Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.

Assessment of Returns and Payment Processing

The Assessment of Returns and Payment Processing Program assesses and processes tax returns and payments for individuals and businesses as quickly and accurately as possible, providing taxpayers with early certainty to help them manage their tax affairs with confidence. We aim to reduce red tape by providing streamlined and timely services to individuals and businesses while securing Canada's revenue base.

Program Performance Measures



^{1.} Details on our service standards start on page 162.

^{2.} This performance measure includes multiple performance indicators associated with timeliness and accuracy within the program. Since all performance indicators met their individual target, an overall result of 100% is achieved.

The CRA assesses and processes tax returns, information returns, and payments for individuals and businesses. We focus on making it easy to meet filing, reporting, and payment obligations by offering an expanding suite of secure and easy-to-use services. We review the information we receive for errors and adjust tax returns for individuals and businesses. We also detect non-compliance through risk assessment and third-party data matching. These activities support the assessment of tax returns from beginning to end and allow people to manage their tax affairs with confidence.

The work of this program reflects many aspects of the mandate of the Minister of National Revenue, specifically priorities related to improving service delivery so that people who interact with the CRA feel like valued clients, not just taxpayers. In our self-assessment tax system, this focus on service is paramount.

Service enhancements

Responding to the increased desire of Canadians to interact digitally, we continue to enhance and expand our digital offerings to make it easier for everyone to meet their tax obligations. In 2015-2016, we launched the e-Interactions Strategy and Roadmap to clearly articulate our plan for full digital interaction by 2020.

Many of our digital services can be accessed through our My Account, My Business Account, or Represent a Client services. Individuals, businesses, and representatives logged into these digital services more than 34 million times during 2015-2016 to view and manage individual or business tax affairs. We



continued to enhance these services with options for easy and secure interactions.

In 2016, we began accepting certain T3 trust returns through our secure Internet File Transfer (XML) service, increasing the processing efficiency and decreasing the processing time for these returns. We are exploring options for trust administrators and their representatives to file other T3 returns electronically in the future.

Auto-fill my return

A highlight of our digital enhancements in 2015-2016 was the expansion of the Auto-fill my return service to NETFILE. This service allows authorized representatives, and now individuals, to access certain tax information the CRA already has on file and automatically complete parts of an individual income tax and benefit return when filing online using certain certified tax preparation software. This service has been well received and was successfully used to complete more than 5.5 million individual returns as of July 31, 2016.

"The Government of Canada is committed to providing client-focused service to Canadians during the taxfiling season and beyond. I am pleased to report that over 5 million Canadians took advantage of the Canada Revenue Agency's Auto-fill my return service, one of many new or improved online service options offered by the Agency to ease the filing burden for taxpayers."

— The Honourable Diane Lebouthillier, P.C., M.P., Minister of National Revenue

Submit documents

The Submit Documents service provides the option to send more information electronically for CCP/EI rulings, disability tax credit, GST/HST returns and rebates, business authorization requests, T3 adjustments, as well as validation and compliance. There has been a steady increase in the use of this service with almost 485,000 submissions sending over 900,000 documents in 2015-2016. In certain instances, documentation can also be sent proactively, without a case or reference number. For example, the



Voluntary Disclosures Program was added to the Submit Documents service in 2015 so that taxpayers and representatives can send voluntary disclosures and requests for information through My Account, My Business Account, or Represent a Client.

Online mail

Online mail allows people to receive an email when new mail is available to view in My Account and My Business Account, which saves the added effort of having to log in and check when waiting for correspondence such as notices of assessment and reassessment, tax-free savings account letters, and individual tax adjustment letters. In addition, the View Mail service gives individuals, businesses, and their authorized representatives the ability to view all online mail in one location. In 2015-2016, over 2.4 million individuals, businesses, and e-filers were registered for Online mail and 3.5 million pieces of correspondence were issued electronically.

MyCRA mobile app

In 2015-2016, we continued to make improvements to the MyCRA mobile app where individuals can securely view key portions of their tax information through their mobile device, such as notices of assessment, tax return status, registered retirement savings plan deduction limit, and tax-free savings account contribution room. Over the year, we also added the ability to start or update direct deposit, update address and phone number information, register for and update online mail notifications, and view Home Buyers' Plan and Lifelong Learning Plan balances.

Payment options

We processed nearly 38 million payments, totalling over \$485 billion in 2015-2016, 76% of which were processed electronically. We added new payment options, including pre-authorized debits for GST/HST

NETFILE. The My Payment service was updated to allow access for VISA Debit cardholders. In addition, there is now an option to set up a one-time or recurring debit using the pre-authorized debit option through My Account.

Processing returns

Once filed, we process returns and carry out activities to detect non-compliance. We assess and validate the information provided, make adjustments where necessary, and advise individuals and businesses of any changes. In 2015-2016, we processed 31 million income tax returns and assessed over \$2.6 billion¹ in additional taxes owing by verifying claims for errors, reviewing high-risk claims, and matching the information in filed returns to third-party data.

To get a better holistic view of the individual and business compliance program results, we are now reporting under four pillars: registering, filing, remitting, and reporting accurately.

- > 84% of individual returns were filed electronically for the 2016 filing season.
- > 76% of payments were received electronically (including payments remitted at financial institutions) for 2015-2016.
- > We processed 28.7 million income tax returns for individuals.
- > 28 million logins were made to My Account by individuals and representatives.
- > 60.5% of T1 refunds were made by direct deposit.
- > More than 1.1 million individuals newly enrolled in My Account.
- Representatives accessed close to 11.6 million individual accounts through Represent a Client
- > We reviewed 309,961 individual returns, and taxpayers received beneficial adjustments to their tax returns in excess of \$119.4 million.
- > 88% of corporation income tax returns were filed online.
- > Over 6.3 million logins were made to My Business Account by owners and representatives.
- > 120,405 new business owners enrolled in My Business Account. Close to 2.7 million businesses are now registered.
- > Representatives accessed over 5.9 million business accounts through Represent a Client.
- > We responded to 8,030 business enquiries online.
- > 83.6% of GST/HST returns were filed online.
- > We identified more than \$130.7 million in additional taxes owing on corporation income tax returns.

Assessment of Returns and Payment Processing

Budgetary Financial Resources

(dollars)



Main Estimates **614,590,330**

Total authorities **643,991,825**

Planned¹ 614,590,330

Actual² 606,377,627

Difference (planned minus actual) **8,212,703**

Human Resources (FTEs)³



Planned **6,415**

Actual **5**,967

Difference (planned minus actual)
448

Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2014-2015 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize Parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in actual spending.

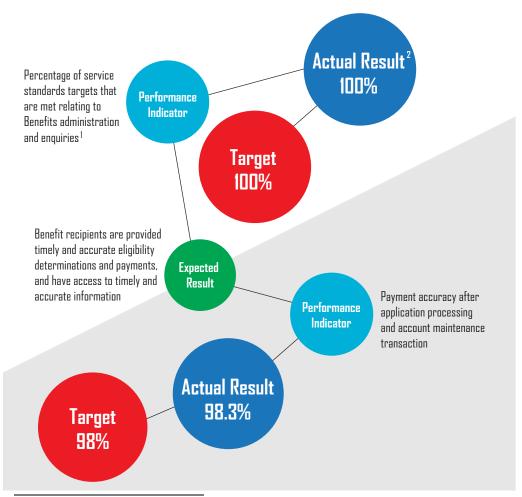
Modified cash basis, based on Parliamentary appropriations used. See pages 111 and 112 of the Departmental Performance Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.

Benefit Programs

The Benefit Programs help many Canadians who depend on benefit payments for a significant part of their household income. The CRA administers a range of ongoing benefits and one-time payment programs on behalf of the provinces and territories and the federal government, such as the Canada child tax benefit, the GST/HST credit and the universal child care benefit. We ensure that the right benefit payment is made to the right individual at the right time and give recipients accessible information and timely responses to their enquiries.

Program Performance Measures



- Details on our service standards start on page 162.
- This performance measure includes multiple performance indicators associated with enquiries within the program. Since all performance indicators met their individual target, an overall result of 100% is achieved.

The CRA provides Canadians with the benefits for which they are entitled. We work to achieve the Minister of Revenue's commitment to proactively contact Canadians who are entitled, but are not receiving, tax benefits. A significant deliverable toward this goal was the 2015-2016 launch of the child and family benefits calculator. This tool allows an individual to enter information about themselves and their family to see what benefits they may be eligible to receive and how much their payments may be.

We deliver a range of ongoing benefits and one-time payment programs such as the GST/HST credit, the disability tax credit (DTC), and child benefit programs, on behalf of the provinces and territories, as well as federal departments. By providing accessible information and timely responses to benefit recipients by mail, telephone, and digital services, we help to make sure the right benefit payment is made to the right individual at the right time.

Program Administration

Millions of Canadians depend on the benefit and credit programs administered by the CRA on behalf of the provinces and territories and the federal government. Over the last year, we worked with many partners to improve the delivery of benefit programs across Canada. Among the changes in 2015-2016 were enhancements to the universal child care benefit (UCCB) program to include a new benefit to parents of children aged 6 through 17. This change resulted in 2.2 million additional UCCB recipients.

We also introduced automatic enrollment for the GST/HST credit. To simplify the application process, recipients of the GST/HST credit and related provincial tax credit programs no longer need to apply for this credit. Eligibility is automatically determined when individuals file their income tax and benefit return for 2014 and later tax years.

Additionally, we worked with British Columbia to implement the early childhood tax benefit, which pays a non-taxable amount to help qualifying families with the cost of raising children under the age of six. This benefit is combined with the Canada child tax benefit (CCTB) to provide one monthly payment to recipients.

- > We administered 147 federal, provincial, and territorial benefit and credit programs and services.
- > We reviewed 315,360 accounts based on our risk assessments, and 64.4% of the files reviewed had to be adjusted.
- > We processed 1,022,005 account maintenance adjustments to GST/HST credit accounts, because of changes to recipient family situations such as a change in income, marriage, or a child turning 19.
- > We issued 99.99% of Canada child tax benefit payments on time.
- > We made more than 137 million payments to 13 million benefit recipients.
- > We paid close to \$29 billion in benefit payments.

Digital Services

Our secure digital services make it easier for benefit recipients to manage their account details from the beginning to the end of the process. In response to the increasing digital needs and expectations of Canadians, we continued to increase the options available for benefit programs in 2015-2016, including:

- > Enhancement of the MyCRA mobile app to let individuals view personalized benefits information, including the status of their CCTB application and information about children under their care.
- > Removal of more barriers to electronic filing and making it easier to claim the disability tax credit:
 - > introduction of a fillable online application form
 - > addition of a tick box, to make it easier to ask for reassessments for previous year claims
- > Ability to quickly respond electronically to requests for more information using the Submit Documents service.
- Continued expansion of the Automated Benefits Application service to allow participating provinces and territories to offer a quick, easy, secure way to apply for all child benefit programs. Saskatchewan began using this service in 2015-2016, which marks all 10 provinces being part of the service. The Agency is working toward bringing the three territories on board.

To complement the cycle of end-to-end digital services, we have seen a steady increase in benefit recipients opting to receive payments through direct deposit. This is a fast, easy, and secure way for Canadians to receive their payments on time. In 2015-2016, we proactively applied existing direct deposit banking information on file to the UCCB payments of certain benefit recipients. With an option to opt-out of the automatic application, this initiative resulted in the conversion of over 611,000 benefit recipients.

- > We made 78.5% of benefit payments by direct deposit.
- > The benefits page in My Account registered 4.9 million visits.

Benefit Enquiries

For a variety of reasons, some Canadians prefer to pick up the phone and call the CRA for their benefit enquiries, and we commit to continue improving our telephone services to meet the needs of this population. In 2015-2016, we continued a pilot to enhance first-call resolution by merging the CCTB and GST/HST credit lines with a view to provide a one-stop service for people who would like to discuss more than one type of benefit payment during the same call. As a result of this initiative, callers no longer have to call two different lines and repeat the effort of providing their personal information and repeating their enquiry. The pilot has received positive feedback and will be permanently implemented in 2016-2017.

- > We answered 6.6 million calls on our benefit enquiries line in 2015-2016.
- > We met our service standard target for timeliness by answering calls within two minutes 76% of the time for Canada child tax benefit and GST/HST credit enquiries, surpassing our goal of 75%.

Benefit Programs

Budgetary Financial Resources

(dollars)



Main Estimates **375,217,640**

Total authorities **469,297,374**

Planned¹ **375,217,640**

Actual² 449,400,252

Difference³ (planned minus actual) (74,182,612)

Human Resources (FTEs)4



Planned **1,508**

Actual 1,287

Difference⁵ (planned minus actual)

221

Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2014-2015 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in actual spending.

Modified cash basis, based on Parliamentary appropriations used. See pages 111 and 112 of the Departmental Performance Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

^{3.} Increase is due to higher than planned statutory Children's Special Allowance payments as a result of the implementation of EUCCB in July 2015. The enhancements to UCCB were not announced until after the 2015-2016 forecasts for CSA had been submitted, and the new program increased the amounts paid on behalf of children in the program.

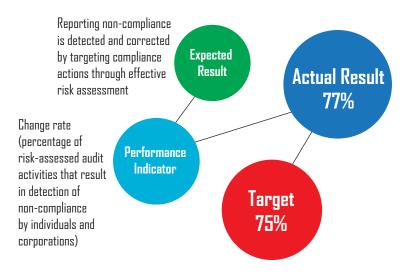
^{4.} Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.

^{5.} Decrease primarily due to first call resolution efforts related to benefit enquiries where the Taxpayer Services – Enquiries and Information Products subprogram began to resolve benefit enquiries at the first point of contact when there was also a tax related issue or question. This resulted in workload transfers to the Taxpayer and Business Assistance Program.

Reporting Compliance

The Reporting Compliance Program seeks to protect the integrity of Canada's voluntary compliance system by identifying and addressing the small segment of the population that does not report the correct amounts. Our compliance interventions follow an escalating approach that moves from influencing compliance to enforcing it. We seek to influence compliance attitudes by increasing taxpayers' understanding of their tax obligations through targeted outreach activities, client service, and education. We also undertake examinations, audits, and investigations at the domestic and international level to ensure compliance with Canada's tax laws.

Program Performance Measures



International and Large Business

Increases in international trade and globalized investment flows have resulted in complex multinational corporate structures, use of offshore jurisdictions of concern, and profit-shifting schemes. These challenge tax administrations around the world. The CRA's plan to effectively target non-compliance in this challenging globalized tax environment includes resource allocation appropriate to the risk, better access to and use of information, and international co-operation.

Of the \$12.7 billion the CRA assesses annually through audits, about two-thirds (over \$7.9 billion) involves our international business, large business, offshore, and aggressive tax planning programs. In 2015-2016, our specialized auditors reviewed 15,864 international and large business

files. These reviews protect Canada's revenue base from aggressive tax-planning arrangements and from those transactions businesses may engage in to avoid paying Canadian taxes.

A new era of international transparency is an important game changer for tax administrations. Developments in the reporting period related to exchanges of information, particularly with international partners, gave the CRA new tools and mechanisms to tackle international tax evasion and aggressive tax planning. Through the Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC), the G8, and the G20, the CRA is working to address tax avoidance and aggressive tax planning. This international collaboration includes coordinating next steps related to information disclosed in the Panama Papers, which describe intricate, multilevel, and multi-national corporate structures created in specific jurisdictions. All cases of high risk non-compliance are being flagged and reviewed further to ensure the appropriate amount of taxes has been paid.

Transfer pricing—prices for crossborder sales within a multinational group of companies.

Transfer prices become a tax issue when they diverge considerably – either by accident or by design – from arm's length prices. This can result in the misallocation of profits to Canadian entities of multinational groups, which can significantly impact Canada's tax base.

In 2015-2016, the CRA carried out significant international examinations and made transfer pricing tax adjustments to the highest risk cross-border transactions. Included in these adjustments were transfer pricing penalties totalling approximately \$194 million.

When multi-national enterprises shift taxable profits away from the jurisdictions where the underlying economic activity has taken place, it erodes the tax base. In 2015, Canada and its G20 partners endorsed the recommendations of the G20/Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) project. This project identifies domestic and international recommendations to address tax avoidance and ensures profits are taxed where economic activities occur. In 2015-2016 the CRA:

> collaborated to strengthen transfer pricing documentation with country-by-country reporting for large multi-national enterprises—including combined amounts of revenue, profit, taxes paid and accrued, number of employees, state capital, retained earnings, and tangible assets for each tax jurisdiction;

- > participated in international work to develop a multilateral instrument to address treaty abuse, an important tool to help Canada's efforts to promote compliance and minimize opportunities to shift taxable profits;
- > put mechanisms in place for the automatic exchange of information with other tax administrations, including tax rulings with the potential to raise BEPS concerns, which will help in determining how best to use audit resources and to improve ability to assess risk; and
- > created a new Agency branch with expertise to focus only on international tax, aggressive tax planning, large business, criminal investigations, and strategies to combat offshore tax avoidance.

Offshore and Aggressive Tax Planning

"Our government is working hard to give Canadians greater confidence that the tax system is fair to everyone. Those who hide income and assets offshore or try to evade or avoid paying the tax they owe will be identified and will face consequences."

- The Honourable Diane Lebouthillier, P.C., M.P., Minister of National Revenue

Under Canada's progressive system of taxation, a key challenge is preventing unintended tax advantages that large and multi-national businesses and high-net-worth individuals obtain through sophisticated tax-planning techniques. Individuals and companies participating in aggressive domestic and international tax-planning schemes circumvent the law and jeopardize the integrity of Canada's tax base. Aggressive tax avoidance by individuals and businesses results in a fiscal cost to governments and taxpayers, and it reduces the fairness and integrity of the tax system.

Offshore non-compliance, involving low- or no-tax jurisdictions, continues to be a significant concern for most countries, including Canada. Through CRA's efforts, Canada continues to play a leadership role in the global network of tax administrations working together to combat offshore tax evasion and tax avoidance. Information sharing and international co-operation are key to fighting international tax evasion, identifying non-compliance, deterring aggressive tax avoidance, and making tax authorities more effective globally. These combined efforts contribute to the creation of a sound, fair, and transparent international tax environment.

We continue to increase our analysis and use of information to detect offshore tax avoidance and evasion. Since January 1, 2015, financial institutions have been required to report to the CRA all international electronic funds transfers (EFTs) of \$10,000 or more. This information is invaluable in helping the Agency monitor potentially unreported income and target jurisdictions and financial institutions of concern. This information has also been used to identify previously unknown bank accounts (both domestic and foreign), related parties, and locations of offshore assets and income.

The CRA started a series of projects based on the EFT data. For each specific jurisdiction of focus, the Agency seeks to identify all taxpayers with transfers. Each of these taxpayers is assessed for risk of non-compliance, using all the information and business intelligence available to the CRA. In the first EFT project, we analyzed 3,000 electronic funds transfers from Canada to the Isle of Man, which totalled \$860 million. As a result, the Agency started 60 audits and sent over 500 letters to Canadian individuals and businesses to remind them of their obligations to report their worldwide income. During the reporting period, the CRA also strengthened the Form T1135, Foreign Income Verification Statement, to establish more detailed and rigorous reporting requirements for Canadian taxpayers holding foreign property and assets.

In 2015-2016, we added three additional offshore compliance specialized teams and the support necessary to identify and manage high-risk files. We have begun using new risk-assessment tools to identify those who get unintended tax advantages through sophisticated tax-planning techniques. We also increased co-operation with tax administrations in other countries to better focus our efforts, including continued participation in the work of the Organization for Economic

Co-operation and Development to identify opportunities for multilateral action and to establish a collaborative framework for interpreting information in relation to the Panama Papers. The CRA has 40 audits underway related to the Panama Papers and continues to gather and analyze information.

The Offshore Tax Informant Program (OTIP) lets the CRA make financial awards to individuals who provide specific and credible information, as long as the information is related to major international tax non-compliance and leads to the assessment and collection of federal taxes owing greater than \$100,000. To broaden the reach of this program, the CRA publicized it in 12 languages in 2015-2016. More than 75 taxpayers are under audit as a result of information received through the OTIP.

Since the inception of gifting tax-shelter arrangements, the CRA has disallowed more than \$7 billion in donation tax-credit claims on approximately 206,000 taxpayer returns. As a result of the Agency's compliance efforts in this area, there was no reported participation in gifting tax shelters in 2015-2016. Accordingly, gifting tax shelters have effectively been eliminated. In 2015-2016, we implemented a strategy to address the promotion of aggressive tax schemes. This including developing the Promoter Compliance Centre. Our Centre of Expertise continues to identify high-risk taxpayers involved in aggressive tax-planning schemes for audit.

In 2015-2016, several cases involving tax avoidance were heard in the courts. Of those where a judgement was issued, most decisions were favourable to the CRA, affirming our effectiveness in identifying and deterring aggressive tax planning. Among the favourable decisions was a landmark Supreme Court of Canada decision establishing a legal precedent to uphold the application of third-party civil penalties.

- > We completed 15,864 international and large business audits which include 13,395 aggressive tax planning audits and 185 offshore audits.
- > Our international and large business audit activities identified over \$7.9 billion in fiscal impact^{1,2}, including \$2 billion from our efforts to combat aggressive tax planning.
- > We levied \$194 million in transfer-pricing penalties.
- > We received 258 calls and 114 written submissions this year through our Offshore Tax Informant Program.
- > We received 14.1 million reports of electronic funds transfers over \$10,000.
- > We identified all taxpayers involved in transactions with the Isle of Man, launched over 60 related audits, and sent over 500 letters to remind individuals and businesses of their obligation to report worldwide income.

Fiscal impact consists of tax assessed, tax refunds reduced, interest and penalties, and present value of future federal tax assessable arising from compliance actions. It excludes the impact of appeals reversals and uncollectable amounts.

 ^{\$553} million of fiscal impact was refunded during 2015-2016 through the resolution of double taxation issues with Canada's treaty partner countries. This amount had been included in our program results for prior years.

International Relations

International co-operation is integral to Canada's plan to operate in a globalized tax environment and to address key compliance risks, such as offshore tax evasion, profit-shifting schemes, and aggressive tax avoidance. The benefits of this co-operation permeate our business activities and are reflected in the efforts made to protect the integrity and fairness of the tax system, as well as in the best practices used to strengthen tax administration domestically and globally.

The international tax agenda is largely aimed at improving international tax transparency and addressing aggressive international tax avoidance and evasion. Canada is part of these global efforts through its active engagement in the G20/OECD-BEPS and Automatic Exchange of Information initiatives. As governments move toward implementing these initiatives, the role of tax administrators is intensifying on the global stage.

In 2015-2016, the CRA:

- > participated with the Department of Finance Canada in the BEPS project;
- > prepared to implement the common reporting standard domestically and supported international implementation efforts;
- > signed the Multilateral Competent Authority Agreement for the automatic exchange of information; and
- > made the first automatic exchange of information under the Canada-U.S. Intergovernmental Agreement.

For these projects to be effective, broad and consistent global implementation is required. Strong tax-administration capacity is necessary to implement and benefit from these international initiatives and, generally, to raise revenue. In support of global commitments to build tax capacity, the CRA has played a central and leadership role by:

Knowledge-sharing platform

In 2015-2016, the CRA developed a knowledgesharing platform prototype for members of the OECD's Forum on Tax Administration.

This online tool allows for broader and timelier sharing of knowledge and expertise among tax administrators.

The knowledge-sharing platform represents a commitment among participating countries to communicate best practices, to leverage successful approaches, and to teach and learn at events, seminars, and online.

- > co-sponsoring (with China's tax administration) a project through the OECD's Forum on Tax Administration to explore how advanced tax administrations help build tax-administration capacity in developing countries;
- > developing and launching an international Knowledge Sharing Platform prototype to better meet the increasing demand for tax-administration assistance; and
- > providing knowledge and technical support to developing countries' tax administrations by hosting study visits, responding to requests for information, and providing on-the-ground technical experts, both bilaterally and as a key member of international and regional tax organizations.

Small and Medium Enterprises

The CRA strives to make it easier to comply with Canada's tax laws and more difficult not to. A large number of individual and corporate taxpayers make up the small and medium enterprise population, so we use diverse approaches to maximize our contact with taxpayers. We seek the least intrusive and most effective way to ensure compliance, including a range of interventions aimed at educating, assisting those who want to comply, and enforcing compliance through audits and penalties.

The CRA continues to improve the way it promotes tax compliance among Canada's small and medium enterprises. Together with other ongoing programs, our Liaison Officer Initiative, Industry Campaign Approach, and Office Audit Letter Campaign provide assistance and information to taxpayers on how to be compliant and avoid potential tax pitfalls.

The CRA's liaison officers work with small enterprises to provide information and in-person support. This helps these enterprises get their taxes right, promotes compliance, and limits the potential need for compliance action. In 2015-2016, the Agency increased the Small and Medium Enterprises Program's on-site visits by 65% over the preceding year. Over 90% of those who completed a voluntary survey after a liaison officer visit said the CRA helped them to better understand their tax obligations.

Our Industry Campaign Approach provides businesses with sector-specific tax information prevent common mistakes that will help them comply with their tax obligations. In collaboration with industry associations and external stakeholders, the CRA launched two new industry campaigns in 2015-2016. These have the additional benefit of providing useful industry benchmarks, which businesses may find helpful in assessing their financial performance compared to others in the same sector.

The Office Audit Letter campaign provides business owners with information about tax requirements in areas of increased risk of non-compliance. In 2015-2016, the CRA sent 29,786 letters to encourage taxpayers to self-correct and possibly help to avoid more intrusive compliance measures in the future. The letters focused on commission employees with significant advertising and promotion expenses, as well as taxpayers with high business and rental losses in comparison to their reported gross income.

Our strategy for small and medium enterprises is *The Right Intervention for the Risk*. The CRA uses education and outreach in low-risk sectors to encourage compliance. Audit interventions focus on areas of higher risk. In 2015-2016, we enhanced our risk-assessment system by developing 30 new algorithms to better target serious non-compliance, including how to better target participation in the underground economy.

- > We completed 31,119 small and medium enterprise audits.
- > We issued approximately 31,500 letters through our Office Audit Letter campaign and Industry Campaign Approach to help taxpayers to comply.
- > We made over 6,300 liaison officer visits to small businesses.
- > Our small and medium enterprise audit activities identified \$1.7 billion in fiscal impact.

Combatting the underground economy

When individuals and businesses engage in the underground economy and avoid their tax responsibilities, they place an unfair burden on law-abiding Canadians. The CRA's approach to combatting the underground economy focuses on refining our understanding, reducing the social acceptability of participating in the underground economy, and implementing initiatives to promote compliance and reduce participation.

"Participating in the underground economy is wrong. Individuals or businesses that deliberately underreport or fail to report income to avoid paying taxes are depriving Canadians and their communities of critical public services."

— Emmanuel Dubourg, M.P., Parliamentary Secretary to the Minister of National Revenue

Unreported or under-reported income can be particularly widespread in industry sectors where cash transactions are common. The CRA significantly enhanced its specialized underground economy team in 2015 to bolster compliance enforcement across Canada.

During the reporting period, we completed a joint project with the Ontario Ministry of Labour to provide education and gather compliance information in the roofing construction industry. We found non-compliance issues on 20 of the 23 sites we visited and referred them for appropriate compliance-enforcement action.



As part of our efforts to reduce the social acceptability of participating in the underground economy, the CRA ran a social media pilot project to evaluate the impact on consumers of different videos and static advertisements warning of the dangers of using a contractor who engages in activity in the

underground economy. As a result, we produced a video, enhanced our web content, and renewed our "Get It in Writing" campaign in 2015-2016 to make consumers aware of nontax related risks they may face when hiring a contractor who operates in the underground economy.

Working with the provinces, territories, and other federal government agencies and departments, we identify and pursue those who fail to file their income tax returns and GST/HST returns. We continue to refine our understanding of the underground economy. In 2015-2016, we developed a tactical plan, taking into

The Minister's **Underground Economy Advisory Committee** includes industry partners, experts, and professional organizations joining forces to reduce the acceptability of and participation in the underground economy. The Committee's advice and recommendations will help the CRA improve its methods and strategies to more effectively identify those who avoid paying their fair share of taxes and to bring them into compliance with the law.

consideration the recommendations of the Minister's Underground Economy Advisory Committee. As a result, the CRA is better positioned to identify those who either fail to file their income tax and GST/HST returns or fail to report their income accurately. We also launched a behavioural economics project to better understand how best to influence particular subsectors at risk for participation in the underground economy to report income more accurately.

With the 2015-2016 expansion across Canada of specialized teams, the CRA is able to conduct more audits to address significant non-compliance in sectors at high risk of participating in the underground economy. Specialized point-of-sale audit teams were introduced in major urban centres across the country to detect and address the use of electronic suppression of sales (ESS) software. In 2015-2016, approximately \$15.3 million in fiscal impact was assessed for income tax and nearly \$3.2 million for GST/HST as a result of ESS audits.

We continue to use the unnamed persons requirements (UPRs) to get information on potential underground economy activity. Using information gathered from UPRs for generic pharmaceutical manufacturers, we uncovered over \$76 million in income adjustments, resulting in close to \$16 million in fiscal impact.

GST/HST compliance

The CRA's GST/HST compliance programs protect Canada's revenue base by identifying, assessing, and addressing non-compliance. We use a risk-based, balanced approach. This includes audits, examinations, education, and outreach activities. We focus on identifying existing and emerging GST/HST schemes, other arrangements, and transactions that result in a loss to Canada's tax revenue. We continue to explore new and innovative approaches to enhance the way we address non-compliance in areas presenting the highest risk.

We launched a pilot project in 2015 to enhance our knowledge of specific sectors of the economy and their compliance with GST/HST rules. The project aims to make GST/HST audits even more effective and efficient by identifying areas of highest risk. As a result of this project, the CRA is developing new risk-assessment criteria to better measure the success of audit strategies.

The Agency continues to improve its capacity to identify false claims and to detect suspicious patterns of behaviour, such as GST/HST accounts being registered with stolen social insurance numbers. We review these cases to prevent unwarranted GST/HST refunds being issued to fictitious entities. We notify victims of identity theft and advise them how they can

further protect themselves. In 2015-2016, we reviewed approximately 1,000 identity-theft cases and closed 550 GST/HST accounts before any unwarranted GST/HST credit returns were paid.

Key results

- > We completed 68,001 GST/HST audits and examinations.
- > The additional fiscal impact of our GST/HST audits was over \$2.6 billion.
- > We reviewed approximately 1,000 identity-theft cases and closed 550 GST/HST accounts before any unwarranted GST/HST credit returns were paid.



Auditing real estate transactions

Risks of non-compliance in real estate sectors is highest in very "hot" markets, like Vancouver and Toronto. In 2015-2016 9,425 audits in this sector examined:

- questionable sources of funds to buy or maintain properties;
- unreported profits, capital gains, or worldwide income; and
- unreported GST/HST on sales or unjustified claims for the new housing rebate.

Identity theft

The CRA identified a network involving 12 fictitious GST/HST accounts registered with stolen identities. We prevented a total of \$27.3 billion in unwarranted GST/HST refunds from being paid out.

Scientific Research and Experimental Development

The Scientific Research and Experimental Development (SR&ED) Program provides tax incentives to Canadian businesses to do qualifying industrial research and development in Canada. The SR&ED program is designed to encourage businesses to do scientific research and experimental development by providing more than \$3 billion in investment tax credits to over 19,000 claimants annually. SR&ED activity can benefit other businesses and the Canadian economy as a whole. The CRA's role is to make sure all SR&ED claims comply with the law.

Based on the positive feedback received from claimants participating in the project testing of a formal pre-approval of their SR&ED claims, in 2015-16 the CRA evaluated the feasibility of implementing a full national rollout of this service. As a result, we developed a new pre-claim consultation service and a new pre-claim review pilot to provide predictability and further reduce the administrative burden on businesses making SR&ED claims.

The CRA launched a new strategy in 2015-2016 to focus on enhancing service, engagement, and outreach to those who could benefit from the SR&ED tax incentives. To increase awareness of the SR&ED program, we engaged other government agencies and departments serving clients who may benefit from accessing the SR&ED tax incentives. These partnerships sparked further collaborations, such as meetings with clients, key associations, and industry representatives. The CRA held two SR&ED symposiums last year in partnership with stakeholders to enhance compliance by meeting with tax preparers to identify and address emerging issues.

- > Our SR&ED program processed 22,839 claims.
- > Our SR&ED program provided more than \$3 billion in investment tax credits in support of industrial research and development.

Criminal Investigations Program

The Criminal Investigations Program enforces the legislation the CRA administers by ensuring cases of tax evasion and fraud are investigated and, where appropriate, referred to the Public Prosecution Service of Canada (PPSC) for criminal prosecution.

The program has adopted a strategic approach to file selection that aligns technical expertise with criminal-investigations skill sets to address complex cases of tax evasion and fraud. Our enhanced risk-based approach ensures the most egregious cases are criminally investigated, with a focus on:

- > files having an international and/or aggressive tax planning element
- > promoters of tax evasion schemes
- > the underground economy

Early involvement of our PPSC partners in an investigation contributes to improving the quality of cases being referred for criminal prosecution.

The CRA has developed partnerships with other key stakeholders, working closely with the Department of Justice Canada, Canada Border Services Agency, and the Financial Transactions and Reports Analysis Centre of Canada. During the reporting period, the CRA and RCMP commissioners signed a new memorandum of understanding. This serves as a framework for inter-organizational co-operation through the use of integrated teams of CRA criminal tax investigators and RCMP financial criminal law enforcement experts, as well as the sharing of information in the investigation of tax-related offences, where legislatively permitted.

The Criminal Investigations Program continues to identify and correct cases of non-compliance in Canada and abroad to keep the tax system fair for all Canadians. We have strengthened our engagement with tax-treaty partners to enhance our ability to identify and address international tax evasion and facilitate exchanges of information. We continue to be engaged with the OECD to ensure a global approach to tax evasion and fraud.

More resources were allocated in 2016 to address tax evasion. Our addition of in-house legal counsel supports successful conviction of cases of tax evasion and fraud by ensuring the highest quality of investigative cases are referred for criminal prosecution. The CRA also devoted resources to enhancing analytics in the detection of promoters of tax evasion and fraudulent schemes.

There has been an increase in the number of new case referrals to the Criminal Investigations Program. Over time, the CRA expects this to lead to an increased number of case referrals to the PPSC for criminal prosecution. Cases prosecuted in 2015-2016 saw an 8% increase over last year in the number of jail terms awarded by the courts and a 20% increase in the average length of the jail sentences.

- > The Public Prosecution Service of Canada conviction rate for tax-related offences was 88%.
- > The courts awarded \$4.1 million in criminal fines, and 50 individuals and businesses received criminal convictions or prison sentences.
- > Of the criminal convictions, 44% received prison sentences totalling 44.5 years in jail.

Reporting Compliance

Budgetary Financial Resources

(dollars)



Main Estimates **1,045,193,249**

Total authorities **1,118,409,053**

Planned¹ 1,045,193,249

Actual² 1,076,656,765

Difference³ (planned minus actual) (31,463,516)

Human Resources (FTEs)



Planned **9,807**

Actual 9.766

Difference (planned minus actual)
41

Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2014-2015 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize Parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in actual spending.

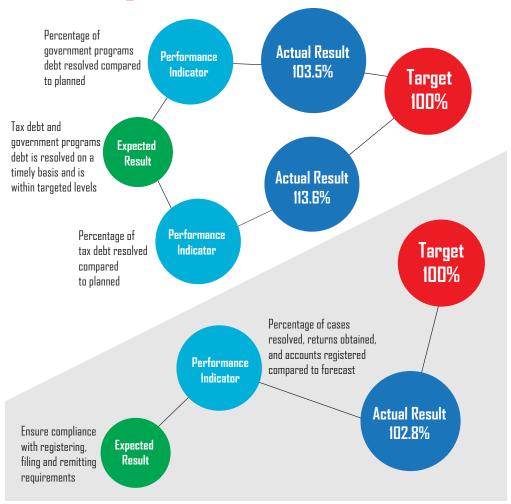
Modified cash basis, based on Parliamentary appropriations used. See pages 111 and 112 of the Departmental Performance Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

^{3.} Increase primarily due to spending to implement and administer enhanced compliance measures announced as part of Budget 2015, additional staffing, and workload transfers from other programs, as well as severance payments, parental benefits, and vacation credits.

Collections and Returns Compliance

The Collections and Returns Compliance Program identifies, addresses, and prevents non-compliance to help ensure tax debt is resolved on a timely basis. The CRA takes a progressive approach to compliance and debt collection, beginning with education and outreach activities to remind taxpayers of their compliance obligations. We work with individuals and businesses who have outstanding tax returns or remittances, or who owe money, to assist them in meeting their tax obligations and paying their outstanding debt. When needed, we take action to address non-compliance by using a range of activities to enforce compliance with Canada's tax laws for registration, filing, withholding, and payment of debt obligations.

Program Performance Measures



Collections

Canada's federal, provincial, territorial, and First Nations governments use tax revenues to provide programs and services. The CRA collects accounts receivable for tax and other government programs to support Canadian governments.

Last year, the CRA worked with Employment and Social Development Canada (ESDC) to improve debt recovery, including assuming responsibility for collecting debts for two additional government programs. We recovered \$611.5 million of ESDC's outstanding debt portfolio.

The Agency is continuously evaluating new approaches to strengthen and streamline tax-collection activities. In 2015-2016, we enhanced our suite of data-mining models not only to predict taxpayers who are likely to voluntarily pay their tax debt in full in the short term, but also those who do so through consistent long-term payments without further interventions by the CRA. The business intelligence gathered by these new models allows us to better use the collection strategy most appropriate to the client, thus saving resources.

In 2015-2016, we dedicated specialized collections officers to high-risk files, such as international accounts. This builds on our strategies to manage the unique risks posed by complex cases. New sources of information about electronic funds transfers over \$10,000 became an effective tool for tax collection in 2015, since these transfers reveal accounts from which tax debt could be paid. Our partnerships with other government stakeholders led to the development of a litigation strategy for effectively pursuing aggressive tax avoidance files, including offshore non-compliance, aggressive tax planning, and the underground economy.

There is a 10-year collection limit on most tax debts, so we use a central debt expiry calculator to monitor the limitation period on outstanding tax debts. In 2015-2016, this central debt expiry calculator was more fully integrated with other CRA databases and tools to make sure collection actions are taken only on legally enforceable accounts. We also put in place a new mitigation strategy for accounts approaching the 10-year limit.

Key results

- > We resolved over \$52 billion in outstanding tax debt.
- > We recovered \$611.5 million of the outstanding debt portfolio for ESDC.
- > We resolved 96.7% of the dollar value of debt our tax services offices received.

EFFECTIVE INTERVENTION

In its first two months of operation, our second Debt Management Call Centre resolved almost 19,000 accounts, with a total value over \$67 million.

Individual and Business Compliance

Canada's tax system is based on self-assessment and voluntary compliance. Individuals, corporations, and trusts must fill out an income tax return for the system to be effective. Those who do not comply with this basic requirement are considered non-filers. Although Canada has a high rate of filing compliance, the CRA continues work to further reduce this form of non-compliance to protect Canada's tax base and public confidence in the fairness and integrity of the tax system.

Our data-mining models predict accounts that have a greater potential for unfiled returns. In 2015 we were able to confirm the effectiveness of our automated tax-return, risk-scoring process. These innovative initiatives aid in determining the most effective way to get a taxpayer to comply with filing obligations.

In 2015-2016, the Agency matched information obtained from third-party cheque-cashing corporations with CRA databases to identify businesses and individuals who have not filed or who have under-reported their income on their tax returns. This helped us to promote and enforce compliance with filing requirements and supported our broader goals of addressing non-compliance in the underground economy.

93% of individuals and 86% of corporations filed and paid their tax returns on time without CRA intervention.

Source deductions are the largest contributor to Canada's income tax revenue each year, helping to fund federal, provincial, and territorial government services, programs, and infrastructure. The CRA is responsible for ensuring the integrity of Canada's source deductions system, overseeing the income tax deducted from the pay cheques of millions of Canadians each year. We also oversee the income tax deducted and amounts held in trust for employees' contributions to their Canada Pension Plan (CPP) and Employment Insurance (EI) accounts. To support and sustain Canada's source deduction system, the CRA ensures compliance with registration, withholding, remitting, reporting, and filing obligations related to payroll, GST/HST, other levies, and non-resident taxes.

In 2015-2016, we offered webinars and follow-up assistance to over 14,000 businesses regarding payroll, registration, and filing obligations. Through targeted education initiatives, we provided information about taxable benefits in our correspondence to specific industry sectors to make sure they are aware of these rules. These education initiatives and our face-to-face meetings with employers through our Liaison Officer Initiative, help small and medium-sized businesses meet their tax obligations by focusing on in-person support regarding source deduction.

Two years and over \$80,000 for non-filing and tax evasion

A Calgary man didn't file his individual tax return or returns for his business. The CRA served a requirement to file, but he failed to comply. The court found him guilty of eight counts of failing to file, fined him \$8,000, and ordered him to file the outstanding returns.

The CRA then audited the returns and determined information had been falsified from multiple sets of financial books and records. The man pleaded guilty to income tax evasion, both personally and for his business. He also pleaded guilty to tax evasion for GST.

The man was fined \$80,873 and sentenced to a term of 24 months. He must also pay the full amount of taxes owing, plus interest.

The CRA's collection of individual income tax revenue through source deductions is the most significant source of government revenues: \$261 billion in 2015-2016.

The CRA promotes individual and business compliance with GST/HST registration requirements. Our review of over 270,000 GST/HST registrations included screening for compliance risk, data integrity, possible fraud, and identity theft. In 2015-2016 we developed new technology to reduce reliance on manual processes, leverage our information holdings better, and enhance our ability to identify higher risk GST/HST non-registrant accounts. We also continue to improve the predictive capability of our data mining models to assess GST/HST amounts owed by registrants who have not complied with their obligation to file. We have implemented new review processes after we reassess a taxpayer to improve collection of amounts owing and to target known or suspected gaps in the taxpayer's overall reporting compliance.

- > We reviewed over 715,000 payroll accounts.
- > We completed 816 employer compliance audits.
- > We reviewed 270,000 GST/HST registrations and resolved over 255,913 delinquent GST/HST files.
- > We verified over 4.4 million individual and business accounts, resulting in over \$2.6 billion in (re)assessments.
- > We identified over \$4.2 billion in non-compliance, including source deductions.
- > We received over 714,777 income tax and information returns as a result of our actions to prompt compliance by non-filers.
- > We identified nearly \$6 billion in non-compliance in the non-filer segment.

Collections and Returns Compliance

Budgetary Financial Resources

(dollars)



Main Estimates **469,453,195**

Total authorities **534,428,935**

Planned¹ **469,453,195**

Actual² 495,342,255

Difference³ (planned minus actual) (25,889,060)

Human Resources (FTEs)4



Planned **7,638**

Actual 7,653

Difference (planned minus actual) (15)

Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2014-2015 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize Parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in actual spending.

Modified cash basis, based on Parliamentary appropriations used. See pages 111 and 112 of the Departmental Performance Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

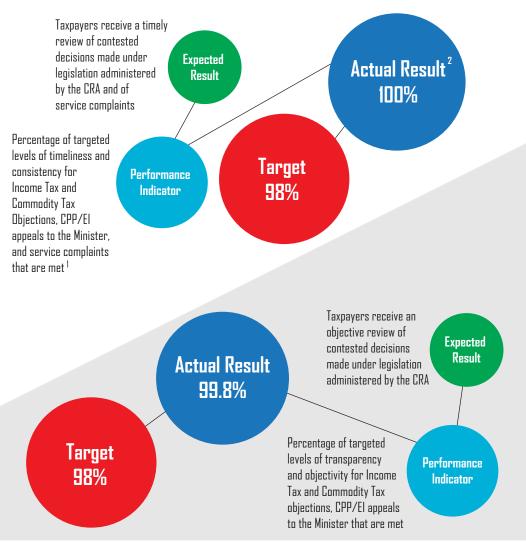
^{3.} Increase primarily due to spending to implement and administer enhanced compliance measures announced as part of Budget 2015, additional staffing, workload transfers from other programs, as well as severance payments, parental benefits, and vacation credits.

Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.

Appeals

The Appeals Program provides a fair and impartial redress process to resolve disputes arising from decisions made by the CRA, and to respond to service complaints and requests for relief from penalties and interest. The Appeals program also assists the Department of Justice in handling cases that are sent before the courts.





^{1.} Details on our service standards start on page 162.

This performance measure includes multiple performance indicators associated with timeliness within
the program. Since all performance indicators met their individual target, an overall result of 100% is
achieved.

During 2015-2016, the CRA implemented a number of initiatives to improve the timeliness and effectiveness of redress for taxpayers. One of the main initiatives was the introduction of expanded digital services, which enabled taxpayers to send documents electronically, resulting in better and faster service.

Objections

Every taxpayer who disagrees with a CRA decision about an assessment has access to the CRA's dispute resolution process. The Agency receives about 80,000 objections each year. To process the objections in a timely, impartial, and consistent manner, the CRA segments them by level of complexity and whether they are individual or group objections. The CRA fully implemented a central repository of files to allow for more efficient and systematic distribution of incoming objections.

Throughout 2015-2016, the initiatives the Agency undertook to improve the timeliness of the resolution of objections resulted in the following outcomes:

Low-complexity workload

- > The Agency met its 180-day target for resolution of low-complexity objections 74% of the time, while continuing to focus on further reducing this inventory.
- > The average waiting time to assign an objection to an officer was reduced by 30%.
- > The CRA resolved all outstanding low-complexity workload inventory with significant aging (defined as more than 180 days) as of April 1, 2015.

Medium-complexity workload

> 31,017 medium-complexity objections were processed within an average of 95 days of being assigned.

Group objections inventory

- > 29,371 group objections were processed during the course of the fiscal year.
- > Legislation was implemented to allow the CRA to bind many cases to the results of one lead court case.

Quality assurance

> The Agency introduced enhanced procedures involving oversight and review of Appeals cases to ensure the focus of the objections Quality Assurance Program for objections is on the quality of decisions and timely service to taxpayers.

- > We received 81,109 income and commodity tax disputes.
- > We resolved 96,098 income and commodity tax disputes.
- > 5,197 appeals were filed before the Tax Court of Canada.

CPP/El Appeals to the Minister

Thousands of Canadians rely on payments through the Canada Pension Plan (CPP) or Employment Insurance (EI) as their main source of income. As a result, prolonged disputes regarding their eligibility for payments, or the insurability of their earnings, can potentially cause financial hardship. Canadians are entitled to timely decisions related to disputes over CPP/EI payments and the Minister of National Revenue is responsible to hear appeals regarding earnings insurability.

The CRA consolidated all CPP/EI appeals from six sites to three sites in 2015. This consolidation helped ensure consistency in the application of legislation, policies, and procedures, and thus the quality of our decisions. To further improve efficiencies and timeliness in the handling of CPP/EI appeals to the Minister, the CRA implemented a new centralized approach to workload management, which was completed in June 2016.

In 2015-2016:

- > The Agency received 2,683 CPP/EI appeals to the Minister, which were added to an opening inventory of 879. During the year, 2,695 appeals were resolved.
- > 205 appeals were filed before the Tax Court of Canada.

Service Complaints

The service complaints resolution process enables taxpayers to express their dissatisfaction with the service they received from the CRA, as described in the Taxpayer Bill of Rights on page 172. In 2015-2016, 3,336 service complaints were resolved, of which 91.8% were resolved within 30 business days.

The CRA recognizes valuable insight and feedback can be gained when taxpayers raise service issues. The insight and feedback helps to identify and implement service improvements for Canadians. The following are two examples of feedback collected through service complaints in 2015-2016, which resulted in service enhancements for Canadians:

- > A taxpayer with a hearing impairment was notified by correspondence of an amount owing and was provided with a 1-800 telephone line to contact the Agency to make a payment arrangement. The taxpayer could not complete the call, because they were using an Internetprotocol relay chat service. The CRA updated its website to include information regarding services for persons with disabilities, released a tax tip to the media providing clear and complete information on authorising a relay operator, and revised its collection letters to include a link to the webpage where information on active offers for alternative services is provided.
- > A taxpayer was concerned when their notice of assessment (NOA) indicated their refund would be mailed, even though they had enrolled in direct deposit. The CRA updated its generic NOA response to indicate a refund "would be issued shortly" without specifying the delivery method, to reflect the fact the majority of Canadians prefer direct deposit.

In addition to service complaints, the CRA receives feedback from people who interact with the Agency through various programs, call centres, and other formal and informal channels. However, the key challenge lies in consistently and effectively capturing this feedback, so the Agency can quickly identify service issues, or gain a better understanding of taxpayers' needs, and make continuous improvements. In 2015-2016, the CRA completed an inventory of the programs receiving feedback and developed a model for common tracking and reporting, which —once operational— will better assist in Agency-wide collection of feedback about service.

- > We resolved 3,336 service complaints.
- > We resolved 91.8% of service complaints within 30 business days.

Taxpayer Relief

The CRA administers the process under which the Minister of National Revenue may cancel or waive penalties and interest under taxpayer relief provisions. Each year, the Agency resolves many requests for relief from taxpayers who cannot meet their tax obligations due to personal misfortune or circumstances beyond their control. In 2015-2016, the Agency resolved 51,505 requests for taxpayer relief. In addition, the Agency implemented a number of enhancements to improve service to Canadians:

> To allow for better management of the Taxpayer Relief Program, we implemented new procedures, trained employees across all business lines, and improved reporting processes.

Key results

> We waived \$754 million in penalties and interest for 51,505 requests (taxpayer-requested and automated).

CRA response to Alberta wildfires

When wildfires broke out in Alberta, our commitment to service meant looking for practical ways to provide taxpayer relief; proactively resolving potential disputes; and helping to ease the tax burden for those mainly concerned with the safety and well-being of their families, homes, businesses, and communities.

CRA's disaster relief response included:

- > working with Canada Post to provide secure access to mail for people who were expecting a benefit payment or tax refund, but had to evacuate their community.
- > encouraging individuals, businesses, and first responders who found themselves unable to file or pay taxes on time to make a request for taxpayer relief.
- > making designated telephone agents available to answer questions, send taxpayer relief requests, arrange direct-deposit payments, and provide advice relating to lost, destroyed, or damaged records.
- > cancelling all penalties/interest for affected individuals who could not file their tax return or pay amounts owing.
- > temporarily ceasing all collections, audit-related activities, and administrative correspondence in the affected area.
- > helping registered charities affected by, or providing relief from, this disaster and providing information to donors who wanted to help the charities.

Appeals

Budgetary Financial Resources

(dollars)



Main Estimates **179,658,662**

Total authorities **187,677,521**

Planned¹ **179,658,662**

Actual² 181,214,477

Difference³ (planned minus actual) (1,555,815)

Human Resources (FTEs)4



Planned

1,696

Actual

1,671

Difference (planned minus actual)

25

Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2014-2015 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize Parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in actual spending.

Modified cash basis, based on Parliamentary appropriations used. See pages 111 and 112 of the Departmental Performance Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

^{3.} Increase primarily due to higher than planned Department of Justice Canada and expert-witness costs.

Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.

Internal Services

Internal services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization, and not those provided to a specific program. The groups of activities are management and oversight services, communications services, legal services, human resources management services, financial management services, information management services, materiel services, and acquisition services.

Human Resources

The success of the CRA as a trusted, world-class tax and benefit administration, and as an employer, relies to a significant degree on the effective management of its people. During 2015-2016, the CRA implemented several initiatives to sustain a healthy, productive, diverse, and bilingual workforce and help the Agency fulfill its mandate now and in the future.

Succession planning remains a key priority for the Agency and the CRA's workforce strategies continue to address the reality of an ever-increasing number of CRA employees becoming eligible to retire over the next decade. In 2015-2016, the Agency implemented a number of such strategies, which allowed it to focus on the hiring of specialized professions that will be especially needed by the CRA. These professions were identified in the Agency Workforce Plan and include auditors, data analysts, and business intelligence analysts. Examples of the CRA's specific recruitment strategies included the 2015-2016 Auditor Development Program recruitment campaign and the Information Technology Apprenticeship Program.

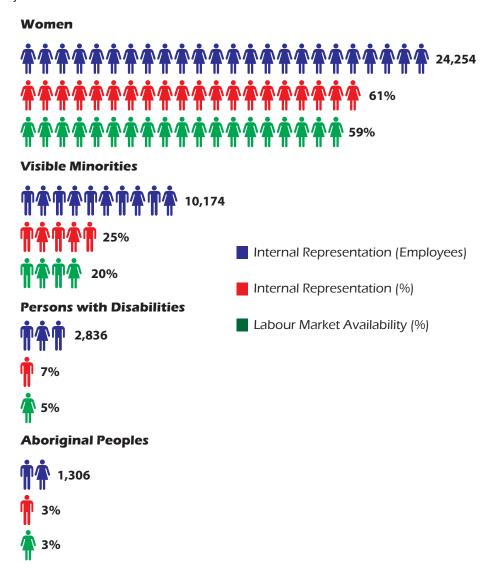
In 2015-2016 the CRA used social media to rejuvenate the Agency's workforce through undergraduate and graduate student hiring. Hiring post-secondary students has allowed the CRA to recruit specialized professionals to address existing and emerging workforce gaps. Throughout the year, the CRA continued to enhance its visibility on post-secondary campuses. CRA student ambassadors and CRA brand ambassadors attended various career fairs and campus events at 38 recognized post-secondary institutions.

A significant human resource initiative undertaken by the Agency in 2015-2016 was the establishment of an agreement with the Chartered Professional Accountants (CPA) of Canada to provide CRA employees with the opportunity to have specific CRA work experience pre-qualify them for the CPA professional accountant designation. This agreement will help the Agency attract and retain top talent within the Agency's team of auditors and accounting professionals, while ensuring we meet future recruitment needs.

In another strategic initiative to improve succession planning, the Agency integrated succession planning into its Executive Performance Management Program to create a new comprehensive Talent Management approach. This approach now enables the CRA to identify, develop and retain talent by looking at gaps, risks, and successor readiness.

Workplace well-being is a key government priority emphasized by the Clerk of the Privy Council. In support of this important government-wide priority, the CRA established its Workplace Wellbeing Strategy. One key element of this strategy was the development of the Discrimination and Harassment Centre of Expertise, which was successfully launched in the spring of 2016. In addition, the Agency did research throughout 2015-2016 on the use of the Canadian Mental Health Commission's mental health indicators, to assess not only the state of mental health within the Agency but also the efficacy of the programs the Agency has in place to support employee wellness.

During 2015-2016, the CRA continued to surpass the representation levels of all four employment equity (EE) designated groups. The chart below shows the success the Agency achieved during the year in exceeding EE representation levels beyond those based on general labour market availability:



Source: Data from Corporate Administrative System, as of March 31, 2016.

Throughout the year, the CRA conducted various outreach activities and initiatives to attract and recruit members from each EE group. For example, the Agency participated in Aboriginal career fairs and continued to promote its Aboriginal Student Employment Program. In addition, EE was used as a staffing requirement to make placements for successful candidates in the Auditor Development Recruitment processes.

In 2015-2016, the Agency surpassed its target of meeting its two official languages communications requirements 95% of the time. The three requirements were service to the public, supervisory functions, and internal services. The Agency continues to engage official language minority communities as part of its regular consultation and outreach plans.

One measure of the success of the CRA's management of its human resources was shown in 2015-2016 through the accolades conferred on both the Assistant Commissioner and Deputy Assistant Commissioner of the Agency's Human Resources Branch. Ms. Diane Lorenzato, the Assistant Commissioner, was awarded the prestigious Michelle C. Comeau Human Resources Leadership Award in the category of Head of Human Resources, while the Deputy Assistant Commissioner, Mr. Dan Couture, received an Association of Professional Executives of the Public Service of Canada (APEX) Award in the Leadership category. The recognition accorded these two senior executives acknowledges how strong leadership within the Agency has led to significant results and, in the case of human resources, a culture of integrity and respect and a talented workforce that has helped, and will



Deputy Commissioner John Ossowski with Diane Lorenzato, recipient of Michelle C. Comeau Human Resources Leadership Award, and Dan Couture, recipient of APEX Award in the Leadership category.

continue to help, the CRA fulfil its mandate and achieve its goals.

Information Technology

Service to Canadians and innovation were two of the Agency's key strategic priorities throughout 2015-2016, and the CRA's information technology (IT) expertise has been crucial to the Agency being able to deliver on those priorities. Whether through the development of systems and applications leading to new or enhanced e-services, or helping to support the Agency's compliance strategies, the CRA's IT services have provided the necessary support for innovative Agency initiatives, making it easier for Canadians to comply with their tax obligations and to receive their benefit payments on time. IT continues to provide the Agency with the capacity it needs to sustain both current and emerging business needs, and to help the Government of Canada meet its commitment to provide fair, helpful, and easy-to-use service.

Awards

The Government Technology Exhibition and Conference Distinction Awards are the most notable peer recognition of public sector IT accomplishments in Canada. In October 2015, two of the CRA's IT projects were honoured with Distinction Awards at the annual Government Technology Exhibition and Conference ceremony. The two awards were for:

- > "Submit Documents," a project offering taxpayers a faster, more convenient way to interact with the CRA by providing them with the means to send documents to the CRA electronically. The project also supports the CRA's commitment to sustainable development by reducing manual paper-based processing and storage costs.
- > The "Application Sustainability Program," which provides a portfolio approach to managing the maintenance and sustainability of aging applications. It has reduced applications being identified as "at risk" by more than 50%.

Some of the CRA's significant e-service developments for 2015-2016 included:

- > Implementation of "Auto-fill My Return" for individuals, providing taxpayers who file electronically with the ability to connect to CRA systems to prepopulate their tax data using third-party tax software.
- > Development of sustainable new technologies in support of the CRA's External Administrative Correspondence project, increasing the flexibility in formatting the look and feel of the CRA's paper and electronic communication. (More information on the External Administrative Correspondence project can be found in the Taxpayer and Business Assistance chapter and details on the CRA's development of sustainable new technologies is provided in the Assessment of Returns and Payment Processing chapter.)
- > Enhancement of the Tax Filing Infrastructure Readiness program by expanding the number of IT activities done before the taxfiling deadline, in support of a successful taxfiling season. In this regard, the CRA and Shared Services Canada (SSC) collaborated to implement a new model that doubled the capacity of CRA's tax systems infrastructure in anticipation of the increased take-up in electronic services such as Autofill My Return, My Account, and MyCRA mobile app.
- Implementation in April 2015 of the system to process the British Columbia early childhood tax benefit for the Province of British Columbia.
- > Implementation of the goods and services tax credit auto-enrolment, ending the need for individuals to apply for the GST/HST credit on their income tax and benefit return. The CRA will now automatically determine the eligibility for the credit with every filed return.

T1 Systems Redesign and Benefits System Renewal

Work continued throughout the year on the preparation and testing of the systems and infrastructure the CRA uses to administer tax and benefit programs. In this regard, the Agency is proceeding with its T1 Systems Redesign and Benefits System Renewal projects. The T1 Systems Redesign is being delivered in stages through six successive annual T1 suite releases. Three releases remain and will be delivered in February of 2017, 2018, and 2019. Meanwhile, the Benefits System Renewal initiative will be delivered in six releases to be completed by 2018-2019, followed by one additional year to stabilize the system and end the project.

IT Security

In 2015-2016, the CRA continued to advance its IT Security Strategy by implementing Phase 3 of the Identity and Access Management (IAM) project, which has improved compliance to password standards throughout the CRA and has contributed to a centralized approach for managing passwords. A self-service functionality was also implemented, which allows employees to reset or change their password. (More details are in the Integrity and Security section.) The CRA also began the work required to implement an effective method to control, track, and monitor transfers of taxpayer information. Also, the CRA took steps to strengthen the security of taxpayers' connections to the CRA's online services. This was accomplished by adopting specific requirements contained in the Communication Security Establishment's IT Security directives.

Compliance Support

The CRA successfully automated a two-way data exchange mechanism with the U.S. Internal Revenue Service to comply with the U.S. Foreign Account Tax Compliance Act. The Agency sent 155,000 slips to the Internal Revenue Service and received 360,000 slips in return. Meanwhile, in support of the CRA's international tax evasion and money laundering agenda, the Agency received 14.1 million Electronic Funds Transfer reports in 2015-2016.

Shared Services Canada (SSC)

Collaboration with SSC has continued on a wide range of important initiatives, such as email transformation, data centre consolidation, telecommunication services, cyber and IT security, workplace technology devices, and hosted contact centre services. The CRA also was involved in working with SSC officials on the renewal of our business intelligence infrastructure, tools, and processes, and the expansion of CRA's e-services. Regarding e-services, SSC provided significant support to ensure a successful taxfiling season. Working together, the CRA and SSC prepared for an expected increase in take-up of services by implementing a new infrastructure model, effectively doubling the infrastructure footprint of our public-facing systems. This enabled the CRA to successfully process the anticipated volume of work at our busiest time of the year.

Integrity and Security

Integrity and security remained one of the Agency's most important priorities in 2015-2016. Canadians rely on the CRA to protect their personal information and have every right to expect CRA employees will perform their duties with fairness and honesty. Trust is the foundation of Canada's voluntary and self-reporting tax and benefit system and, to this end, the Agency strives to earn the trust of Canadians by incorporating integrity and security considerations into every aspect of our strategic decision-making and daily operations.

In the face of ever-evolving security threats, the CRA continued throughout 2015-2016 with projects to protect Canadians' tax information and enhance the security of the Agency's electronic services. One such project has been the IAM Project. Phase 3 of this project was successfully launched in January 2016 and has enabled the CRA to adopt a centralized approach to managing passwords. Compliance with basic password standards by employees throughout the Agency has improved as a result. Meanwhile, Phase 4 of the IAM Project is scheduled for completion in June 2017. Initiatives under this phase will further protect taxpayer information by reducing the risks related to identity and access management.

Another significant project has been the Enterprise Fraud Management (EFM) solution for the National Audit Trail System. The planning phase of the EFM solution was completed in November 2015 and this part of the National Audit Trail System is now in the execution phase. Once it is fully operational, the EFM solution will improve the CRA's ability to detect and proactively address suspicious transactions on CRA systems.

To further support integrity and security at the CRA, an internal fraud and misuse reporting line was launched in May 2015. Agency employees can now report suspected internal fraud and misuse (theft, bribery, or unauthorized access or disclosure of CRA information) through an anonymous web-based service and toll-free telephone service.

In December 2015, the CRA approved a new Code of Integrity and Professional Conduct, as well as a revised Directive on Conflict of Interest, Gifts and Hospitality, and Post-Employment, to help promote and sustain a culture of integrity in the workplace.

Implementation of the 2014-2017 Agency Security Plan continues. This three-year plan has guided the CRA through a strategic and integrated approach to managing its current security risks and planning for future security priorities, which has helped to enhance the Agency's capacity to protect its employees, information, and assets. The plan was recognized as a notable, or best, practice in the 2015-2016 Treasury Board of Canada Secretariat (TBS) Management Accountability Framework.

During 2015-2016, the Reliability Status + security screening of Agency executives was completed. This new level of security screening introduced additional verifications for people holding or applying for positions requiring a high degree of public trust.

It's all about trust

Public trust strongly influences the voluntary compliance on which our tax administration is built. Public perceptions of and confidence in our organization has the potential to affect the CRA's reputation and ability to fulfil our mandate.

The CRA is deeply committed to maintaining the trust Canadians place in our organization. Canadians expect and deserve impartial, objective, and equal service from the CRA. As outlined in the Taxpayer Bill of Rights, Canadians have the right to be treated fairly, to have the law applied consistently, and to expect the CRA to be accountable for what we do. We know we must conduct ourselves ethically and honestly to be trusted.

We treat as a matter of grave concern any situation that could create a perception of preferential treatment or privileged access. All CRA employees have to avoid real, apparent, or potential situations that could be perceived as impairing the ability to perform their duties in an objective, loyal, and impartial way. Thus, we must avoid not only granting preferential treatment or privileged access, but also avoid creating the perception that we may have done so.

We try to be visible, accessible, and accountable to the public we serve to show our commitment to fostering a culture of integrity. In 2015-2016, the CRA Board of Management updated our Code of Integrity and Professional Conduct, which is published on the CRA website. By articulating publicly how we work, we invite Canadians to hold us accountable for carrying out our duties with integrity and professionalism.

Finance and Administration

The Treasury Board Secretariat and the CRA's Board of Management oversee the Agency's activities, while the Office of the Auditor General reviews the financial statements.

The Agency continued to advance the Chief Financial Officer (CFO) model, a best practice throughout government that further strengthens financial management and accountability. Of particular note during 2015-2016: the responsibility and resources for financial management advisory services at Headquarters were realigned under the CFO. The CRA also formalized a governance framework which brings together key partners across the broader CRA financial management community. This framework facilitates the sharing of best practices, increases communication and engagement on horizontal issues, and supports the provision of high-quality and consistent financial management advisory services across the CRA.

The Agency's efforts to modernize its office space and realize accommodations savings through the application of Workplace 2.0 standards continued throughout 2015-2016 and contributed to the successful achievement of CRA planned space savings. During the year, the CRA reduced its footprint by approximately 31,000 rentable square metres for an approximate cumulative reduction, since April 1, 2012, of 110,000 rentable square metres.

Information Management

Applying sound information management (IM) principles ensures the CRA can meet its legislative and regulatory obligations, support decision-making, and fulfil the operational needs of the programs the Agency administers. It also helps the CRA derive value from its information and deliver its programs and services efficiently and effectively.

As the CRA increasingly relies on technology to support the delivery of programs and services, the integration of information management requirements into planning becomes even more important to ensure the long-term integrity of the CRA's information, regardless of changes in the organization, movement of employees, changing technology, or changes in the law.

In recent years, the CRA has successfully applied IM principles to reduce its electronic footprint. More than 30,400 internal and external web pages, which were either duplicate pages or which contained outdated information, have been cut. In addition, as part of a government-wide, email modernization project, the Agency reduced its e-mail storage by an impressive 13 terabytes.

The Agency maintains a large volume of paper records. Legally, the CRA cannot dispose of its records (either paper or electronic) until pre-established retention conditions have been met. Both our paper and electronic records support our audit activities and are also required for tax reassessments, which can often be requested by taxpayers several years after the end of a tax year. Notwithstanding such considerations, we expect the CRA's paper holdings will diminish over time as take-up of our e-services increases and the use of paper documents diminishes.

In 2015-2016, a new Information Management Strategy was approved for the Agency. This strategy provides strong direction and specifies concrete actions, allowing the Agency to continue to improve the management of its information.

Innovation

The Agency's willingness to try new ideas, adapt to new technology, and seek continuous improvement are fundamental to its ability and commitment to continuously improve its service to Canadians. The Agency is especially dedicated to learning from others and working in partnership with other organizations and sectors to use innovative approaches in achieving solutions. Partnerships with software developers, community associations, and international tax administrations have provided a successful model and foundation for this type of engagement.

A new working group, the Advisory Committee on Enhancements to Tax Software (ACETS), was established in 2015-2016. Led by the CRA, and with representation from private industry software companies who design tax software, ACETS is involved in engaging third-party software developers to provide input and industry best-practices in developing new and innovative electronic services for the Agency.

The Agency remains focused on creating an environment where new ideas are welcomed, tested, and implemented and, throughout 2015-2016, continues to foster a culture of innovation to improve the service and delivery of CRA programs.

In 2015-2016, the CRA completed the following projects related to innovation:

- > created the Accelerated Business Solutions Lab (ABSL);
- > built and renewed the CRA's business intelligence infrastructure, tools, and processes;
- > used new and innovative analytic approaches to detect and correct simple errors; and
- > launched the e-Interactions strategy.

The ABSL started operating in April 2015 and has made significant progress in advancing innovation across the CRA, through both its direct work in a range of important projects and in giving Agency representatives opportunities to hear from and engage with experts internal and external to the Government of Canada. In particular, the ABSL worked closely with the Central Innovation Hub at the Privy Council Office, and other innovation teams across the public service, to exchange ideas and share information.

In 2015-2016, the ABSL did several projects involving the application of innovative techniques such as behavioural economics, advanced data analytics, and qualitative research. The ABSL used advanced analytics to analyze Canadians' taxfiling and payment habits, seeking to understand the factors leading some taxpayers to continue to file paper returns and pay by cheque. This study also led to outreach and communication activities aimed at further encouraging the acceptance and use of electronic services.

Regarding electronic services, the Agency's e-Interactions strategy continues to promote innovative approaches to service delivery and is helping the CRA to achieve the vision of creating a world-class digital service experience for Canadians that is user-centric, secure, and digital from end to end.

Engagement has been key to developing and maintaining a culture of innovation at the Agency. Throughout 2015-2016 there were a number of activities and initiatives where engagement supported innovation. One example was the "Leading an innovation" speaker series, where experts gave presentations to CRA employees on innovative tools and methods in such fields as text mining and design thinking. Another was the initiative to organize CRA analytics community events in order to foster engagement and awareness of new analytic approaches across Agency program lines.

The CRA continues to use innovative methods to engage its employees, capitalizing on everyone's individual and collective contributions. This type of engagement has helped to collapse traditional hierarchies, allowing employees to bring their ideas directly to decision-makers in a truly bottom-up approach. Examples include:

- > The Compliance Programs Branch's GST/HST innovates! site, where employees can easily share their ideas on improving the workplace through innovative solutions that streamline a process or improve efficiency in the delivery of a program.
- > The Pacific Region's Innovation Direct site, where employees can send their innovative ideas and solutions on any topic, including some that have been implemented through Blueprint 2020 initiatives.

One of the more noteworthy engagement activities in support of innovation occurred in Ottawa on March 8 and 9, 2016. The CRA, in partnership with the Privy Council Office and Employment and Social Development Canada, hosted the Behavioural Economics for the Public Sector Conference. Over the two days, nearly 300 federal, provincial, and territorial public servants and academics gathered to learn about the growing field of behavioural economics. With North American experts from the field sitting alongside federal and provincial public servants on panels, conference attendees were able to learn about the field and see practical examples of how behavioural insight techniques can be, and have been, applied to public sector programs, services, policies, and regulations.

Internal Services

Resources

(dollars)



Main Estimates **837,350,994**

Total authorities **1,045,471,609**

Planned¹ 837,350,994

Actual² 917,510,101

Difference³ (planned minus actual) (80,159,107)

Human Resources (FTEs)4



Planned **7,541**

7,688

Difference (planned minus actual) (147)

Planned spending excludes severance payments, parental benefits, vacation credits and the
carry-forward of unused funds from 2014-2015 where, pursuant to section 60(1) of the Canada Revenue
Agency Act, the CRA has up to two fiscal years to utilize Parliamentary appropriations once approved.
This funding is received during the fiscal year and is included only in actual spending.

Modified cash basis, based on Parliamentary appropriations used. See pages 111 and 112 of the Departmental Performance Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

Increase primarily due to spending on major investment projects, workload transfers from other
programs for information technology work and the consolidation of the financial management advisory
team, as well as initiatives announced as part of the Budget 2015.

^{4.} Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.

Section 4 Supplementary information

Supporting Information on Lower-Level Programs and Supplementary Information Tables

The following supplementary information tables are available on the CRA's website. www.cra-arc.gc.ca/gncy/prfrmnc rprts/menu-eng.html^{ix}

- > Supporting Information on Lower-Level Programs.
- > CRA Sustainable Development Strategy.
- > Details on Transfer Payment Programs of \$5 Million or More.
- > Internal Audits and Evaluations.
- > Response to Parliamentary Committees and External Audits.
- > Project Spending.
- > User Fees, Regulatory Charges and External Fees.

Federal Tax Expenditures

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures annually in the Report of Federal Tax Expenditures. This report also provides detailed background information on tax expenditures, including descriptions, objectives, historical information and references to related federal spending programs. The tax measures presented in this report are the responsibility of the Minister of Finance.

Organizational Contact Information



Diane Lebouthillier Minister of National Revenue

Sherra Profit Taxpayers' Ombudsman



Richard (Rick) Thorpe Chair, Board of Management



Bob Hamilton Commissioner of the Canada Revenue Agency



John Ossowski **Deputy Commissioner**

Mireille Laroche

Assistant Commissioner **Appeals**

Frank Vermaeten

Assistant Commissioner Assessment, Benefit and Service

Michael Snaauw

Assistant Commissione

Collections and Verification

Ted Gallivan

Assistant Commissioner International, Large Business

and Investigations

Anne-Marie Lévesque

Assistant Commissioner **Domestic Compliance Programs**

Ainslea Cardinal Assistant Commissioner Atlantic

Vince Pranjivan

Assistant Commissioner Ontario

Maureen Phelan

Pacific

Cheryl Bartell

Prairie

Louis Beauséjour

Assistant Commissioner Quebec

Brian Philbin

Assistant Commissioner and Chief Audit Executive

Audit, Evaluation, and Risk

Roch Huppé

Assistant Commissioner and Chief Financial Officer

Finance and Administration

Diane Lorenzato

Assistant Commissioner

Human Resources

Annette Butikofer

Assistant Commissioner and Chief Information Officer

Information Technology

Lynn Lovett

Assistant Deputy Minister Tax Law Services Portfolio

Legal Services

Geoff Trueman

Legislative Policy and Regulatory Affairs

Maxime Guénette

Assistant Commissioner and Chief Privacy Officer

Public Affairs

Yves Giroux

Strategy and Integration

As of August 2016

Head office

Connaught building 555 MacKenzie Avenue, 7th floor Ottawa ON K1A 0L5

Telephone: 613-957-3688 Fax: 613-952-1547

Website: www.cra-arc.gc.caviii

Appendix A Agency Governance and the Board of Management

Board of Management members are appointed by the Governor in Council; the Board's mandate is set out in the *Canada Revenue Agency Act*.

The Board of Management of the CRA consists of 15 members appointed by the Governor in Council. They include the Chair, the Commissioner and Chief Executive Officer, a director nominated by each province, one director nominated by the three territories in turn, and two directors nominated by the federal government. Members of the Board bring a diverse business and community perspective from the private, public, and not-for-profit sectors to the work of the CRA.

The Canada Revenue Agency Act states the Board is responsible for overseeing the organization and administration of the CRA and the management of its resources, services, property, personnel, and contracts. It undertakes its oversight role in cooperation with CRA management to ensure the CRA fosters sound management and service delivery to Canadians.

Board Priorities and Accomplishments for 2015-2016

The Board fulfilled its statutory role and accomplished its objectives in priority areas for 2015-2016.

In support of the Agency during this reporting period, the Board continued to provide oversight in all areas of its statutory responsibilities, in line with the Board's priorities as stated in the CRA's Corporate Business Plan 2015-2016 to 2017-2018. Details on the Board's accomplishments in priority areas are provided below. (Note: the 2015-2016 fourth quarter meeting was held in April 2016.)

In 2015-2016, the Board welcomed two new members, Mr. Mark Dwor from British Columbia and Mr. Todd McCarthy from Ontario, to fill vacant positions.

Strategic Direction

The Board's priorities were service to Canadians, red tape reduction, integrity and security, resource optimization, and human resource optimization; Board priorities aligned with the government's priorities.

In December, Board members met the new Minister of National Revenue, the Honourable Diane Lebouthillier. The Minister discussed the government's priorities, highlighted the importance of the Board to the CRA, and committed to working closely with members of the Board in advancing the CRA's mission and her mandate. In the *Corporate Business Plan 2015-2016 to 2017-2018*, the Board laid out their strategic priorities, which included service to Canadians, red tape reduction, integrity and security, resource optimization, and human resource optimization, to ensure alignment with the government's priorities.

In addition, independent members of the Board continued to collaborate closely with the Commissioner and the CRA management team. To this end, members continued the practice of informal "meet and greet" sessions with branch personnel, as well as special orientation seminars for particular committees, and one-on-one encounters between the Chair and assistant commissioners.

Service to Canadians

The Board focussed on continual service improvement, especially in the areas of digital services, partnerships, support to Canadians, and innovation.

The Board continues to focus on continued improvement in service to Canadians in the Corporate Business Plan; members supported the CRA's plan for full digital interaction by 2020, set out in the new CRA e-Interactions Strategy and Roadmap, and monitored progress through timely updates. The Board welcomed the expansion of the Auto-fill my return service to individual taxpayers, another major step in automating tax filing for Canadians, and the continued increase in the number of e-filers. Individual T1 filers reached the 84% target in the 2016 filing season, up from 82% in 2015. Electronic filing of corporate tax returns exceeded the 85% target to reach 88%, which represents 2.01 million out of 2.28 million returns, compared to 86% the previous year. Payments online met the target of 76% (from 74% the year before), or 28.9 million out of 37.9 million payments. The Board also reviewed the multi-year Service Management Strategy, which was named a best practice by the Treasury Board of Canada Secretariat in 2015.

In support of the service priority, the Board held an annual Board Planning Meeting in June 2015, where it focussed on service to Canadians, brought together external and internal stakeholders in productive sessions, and underlined successful partnerships being developed and enhanced by the CRA. The Board made recommendations and followed up on progress, for instance with the Liaison Officer Initiative (LOI), which provides one-on-one advice and meetings with small businesses. Management responded to the Board's recommendations in September, and made the LOI a permanent service feature.

The Board continued to monitor service improvement through quarterly updates, including two from the new Taxpayers' Ombudsman, Ms. Sherra Profit, who outlined the main areas of service complaints and resolution, and spoke of the cooperation she has received from the CRA in resolving issues.

In addition, the Board encouraged the CRA's response to the government's impetus for innovation, for example, in the CRA's Accelerated Business Solutions Lab. The Board heard with interest details of the CRA branches' experiences with advanced analytics and behavioural economics, and supported the CRA's innovative use of nudge techniques, designed to encourage taxpayers to fulfil their obligations.

Serving You Better

The Board continued to support red tape reduction initiatives for Canadian taxpayers and within the CRA.

In the first quarter of 2015-2016, the Board was advised of continuing progress being made to reduce red tape for small and medium business owners, bookkeepers and accountants, and organizations representing taxpayers. Board members provided input to the Red Tape Consultation report, and to next steps in the ongoing process to reduce red tape. The Board recognized the CRA's setting of specific and achievable goals for the consultation of Canadian stakeholders, and requested an addendum to the Board Commitments and Performance Dashboard on red tape reduction: it was first presented at the September meeting. Members also strongly supported another simplification initiative, the implementation of plain language for correspondence with Canadians, which resulted in a simplified notice of assessment in the 2016 tax-filing season.

As part of internal red tape reduction this fiscal year, the Board requested concise, two-page summaries to document each expectation for the Board of Management Oversight Framework. To further reduce internal red tape, the Board agreed to the Office of Auditor General's suggestion to hold one Audit Committee financial teleconference, instead of two; this will come into effect in 2016. The Board also monitored the CRA's continued streamlining of its corporate policy suite, and was pleased with the reduction and increased clarity in human resources policy instruments. An overall report on internal red tape reduction initiatives throughout the Agency was presented in September; members encouraged continuing employee innovations in this area.

The Board further streamlined its own processes in 2015-2016, instituting a "one-document" rule for submissions from CRA branches at the Board meetings.

Integrity and Security

The Board feels very strongly about the integrity of the CRA as the cornerstone of Canada's self-assessment tax system. To ensure this important element remained a key driver of CRA business, the Board continued to underline its concern for fairness and equity in all the CRA's dealings with Canadians.

The Board reviewed the fourth consecutive annual update of the Integrity Framework and approved the Canada Revenue Agency Code of Integrity and Professional Conduct. The Board also reviewed the updated Directive on Conflict of Interest, Gifts and Hospitality, and Post-Employment. These timely reviews will continue; they are part of the Agency's continual improvements to aspects of integrity since the CRA's first Code of Ethics and Conduct was implemented in 2001. The Board strongly encouraged continued communication of the importance of equity and transparency to sustain public trust, and supported new integrity tools.

The Resources Committee of the Board received the Information technology (IT) security report, aligned with the IT Security Strategy approved by the Board in the previous fiscal year. The Board also approved the CRA IT Strategy and Plan 2015-2016 to 2017-2018.

The Board firmly supported the new level of personnel security screening: Reliability Status +. As of March 31, 2016, approximately 600 CRA executives and 1,100 non-executive employees have been screened.

Resource Optimization

In this fiscal period, the Board found resource management at the CRA to be an area of strength.

The Board continued to exercise its oversight of resources, one of its most important responsibilities. It reviewed the Strategic Investment Plan, and examined the CRA's major project investments, performance reports, and financial results every quarter, to support the strategic priorities outlined in the Corporate Business Plan. The Board was pleased to note the CRA exceeded the Budget revenue generation target for 2015-2016. The Board also verified the CRA's financial statements and audit reports.

In addition, the Board requested and received updates on the evolving relationship between the CRA and Shared Services Canada (SSC) from internal sources, as well as informative sessions with both the Senior Assistant Deputy Minister and the President of SSC.

The Board also noted the CRA met its overall financial obligations; it achieved savings commitments for the fiscal year, while mitigating effects of fiscal rebalancing through effective review and the re-establishment of priorities to achieve the desired financial results.

Human Resource Optimization

The Board of Management, through the Human Resources Committee, was closely involved in human resource planning and modernization.

In 2015-2016, the Board reviewed and approved a new three-year Agency Workforce Plan for the CRA, to ensure continuity in the strategic recruitment, development and retention of individuals with the skills required for the future of the Agency. Members were particularly interested in plans for future recruitment, considering the number of professionals and executives retiring. The Board gave advice on the overall modernization of Human Resources, which includes 17 projects and presents a major cultural shift in the CRA as well as a delivery on commitments from Blueprint 2020. As an example, in December 2015, the CRA successfully launched the Integrated Staffing System, which provides a centralized platform for all staffing processes. The Board requested a quarterly dashboard on modernization projects; it was put into effect in April 2016.

On behalf of the Board, the Human Resources Committee recommended revised collective bargaining mandates with the Professional Institute of the Public Service of Canada – Audit, Financial and Scientific and the Public Service Alliance of Canada – Union of Taxation Employees for approval by the President of the Treasury Board.

Conclusion

The Board accomplished its strategic objectives for 2015-2016, and continues to be committed to fulfilling its fiduciary responsibilities and providing oversight of the organization and administration of the CRA. It has provided senior management with advice and guidance throughout 2015-2016, and acknowledges the excellent cooperation and support received from the Commissioner, senior management, and employees of the CRA.

Board membership



Richard (Rick) Thorpe CPA, FCPA, CMA, **FCMA**

Chair, Board of Management Penticton, British Columbia (Appointed October 2013 for 4 years)

Nominated by the federal government, Richard (Rick) Thorpe has more than 45 years of experience in the private and public sectors. He was a member of the British Columbia Legislative Assembly from 1996 to 2009 where he represented the ridings of Okanagan-Penticton and Okanagan-Westside. During his tenure as a member of the Legislative Assembly, he served as Minister of Small Business and Revenue, Minister Responsible for Regulatory Reform, Minister of Provincial Revenue, and Minister of Competition, Science and Enterprise. From 2001 to 2009, Mr. Thorpe served on the British Columbia Treasury Board, including five years as the Deputy Chair. Before his election to the Legislative Assembly, Mr. Thorpe worked in the Canadian brewing industry for 22 years in a number of senior executive positions in Canada, and internationally. In addition, he was involved in repositioning the British Columbian grape and wine industry and was a partner in an Okanagan winery. Mr. Thorpe formerly served on the Boards of the Insurance Corporation of British Columbia from May 2012 to October 2014 as Director and Vice-Chair, and the Canadian Snowbirds Association as Director from 2012 to 2014. He is a former volunteer Chair of the Fiscal Review Board for the City of Penticton (2010 to 2013), and has also served on non-profit boards, including Summerland Charity Shops Society (Penny Lane) 2010 to 2013, Agur Lake Camp Society, and the Heart & Stroke Foundation of British Columbia and Yukon. Mr. Thorpe is a chartered professional accountant and a certified management accountant. Mr. Thorpe was recognized as a Fellow of the Society of Management Accountants of Canada in 2007,

and named a Fellow of the Institute of Chartered Professional Accountants in 2015.



Myles Bourke B.Comm., FCPA, FCA

Lethbridge, Alberta (Re-appointed October 2012 for 3 years)

Nominated by the Province of Alberta, Myles Bourke is a chartered accountant who worked for KPMG and predecessor firms for over 30 years before his retirement in 2001. Mr. Bourke's experience spans a range of functional areas within the assurance field, including audit and review engagements, training and program development, special provider to larger institutions, and confidant and advisor to owner-managers. He served as a member of the Not-for-Profit Organizations Advisory Committee of the Canadian Institute of Chartered Accountants. From 2004 to 2005, Mr. Bourke held the position of President of the Institute of Chartered Accountants of Alberta. He has been a member of the Board of Governors of the University of Lethbridge, where he has also been a lecturer and a member of the Senate. Mr. Bourke has served as well as President of the Rotary Club of Lethbridge and as a Rotary District Committee Chair. He has also served as a Director of the Lethbridge Chamber of Commerce and as Chair of the City of Lethbridge's Economic Development Committee. Mr. Bourke holds a Bachelor of Commerce degree from the University of Toronto, as well as his Chartered Accountant and FCA designations.



Rossana Buonpensiere CMC, LL.B

Winnipeg, Manitoba (Appointed December 2014 for 3 years)

Nominated by the Province of Manitoba, Rossana Buonpensiere is a partner in MNP's national consulting services practice responsible for leading all aspects of the firm's organization and people services practice in the Manitoba region. Ms. Buonpensiere has extensive experience working with clients to improve organisational efficiency and effectiveness in the areas of human resources, organisational development, performance, strategy and managing change. Ms. Buonpensiere has worked with a broad range of clients, with a strong emphasis on Crown corporations and the public sector, and has a proven track record of delivering high-quality professional services. She has also worked with public sector clients on many planning and human resource management initiatives that have included developing an executive development program and talent pool assessment process for senior level positions. Ms. Buonpensiere is certified in the Prosci Change Management methodology, which provides her

with a wide range of tools for assessing change readiness and promoting effective staff transition and leadership engagement during significant workplace changes. Ms. Buonpensiere is a Certified Management Consultant, and holds a Bachelor of Law degree from the University of Manitoba and a Bachelor of Arts degree from the University of Winnipeg. Ms. Buonpensiere was called to the Manitoba bar in June of 1998.



Richard J. Daw FCPA, FCA, CMC

St. John's, Newfoundland and Labrador (Re-appointed June 2013 for 3 years)

Nominated by the Province of Newfoundland and Labrador, Richard J. Daw was most recently the Executive in Residence at the Faculty of Business Administration of Memorial University and a senior counsel to Deloitte's Newfoundland and Labrador practice.

A chartered accountant since 1975, Mr. Daw was a tax partner in the St. John's office of Deloitte & Touche, LLP from 1984 until his retirement in 2008. He had served as Chair of the Government Affairs Committee of the Institute of Chartered Accountants of Newfoundland, on the Board of Directors of the Institute of Certified Management Consultants of Atlantic Canada, and as Vice-Chair of the Dr. H.Bliss Murphy Cancer Care Foundation.

Mr. Daw currently serves on the executive of the Institute of Corporate Directors, Newfoundland Chapter. He is a member of the Memorial University's Faculty of Business Advisory Board and of the Board of Muskrat Falls Corporation, a Nalcor subsidiary. Most recently, he was elected to the governing council of the Institute of Chartered Accountants of Newfoundland and Labrador, and was appointed to the Deloitte Retired Partner Council representing Atlantic Canada. He has served many public and private sector organizations in tax and consulting, has hosted a radio program on business, has authored a newspaper column on taxes and business and has been



Mark S. Dwor B. A., LL.B

Vancouver, British Columbia (Appointed May 2015 for 3 years)

a frequent speaker to business groups.

Mr. Mark S. Dwor, from the Province of British Columbia, is a retired member of the Law Society of British Columbia. He is a member and leader of many professional, arts, and other community organizations, with a strong emphasis on charity and not-for-profit governance. Mr. Dwor is the co-founder and chairman of the Canadian Academy of Independent Scholars. He has been a member and sat on the executive of boards including Variety, the Children's Charity, where he was the inaugural Chair of the Board Development Committee; Osteoporosis Canada, where he chaired the investment committee; and the Vancouver Children's Festival.

Mr. Dwor has presented and published papers on varied subjects in the cultural and legal arenas, including art law and franchising and distribution. He holds a Bachelor of Laws Degree from the University of British Columbia, and a Bachelor of Arts Degree from Glendon College, York University.



Gerard J. Fitzpatrick CPA, FCA, TEP

Charlottetown, Prince Edward Island (Re-appointed June 2015 for 3 years)

Nominated by the Province of Prince Edward Island, Gerard J. Fitzpatrick has more than 30 years of experience in public accounting, primarily specialising in income tax for professionals and owner-managed businesses. He is a past President of the Institute of Chartered Accountants of Prince Edward Island, past Chairperson of the Atlantic School of Chartered Accountancy, and a past Board member of the Canadian Institute of Chartered Accountants. He is currently a member of the Future Directions Committee of the Institute of Chartered Accountants of Prince Edward Island. Mr. Fitzpatrick began his career as founding partner of a firm of chartered accountants in 1977. In 2008, he established Fitzpatrick & Company, Prince Edward Island's first father and son firm of chartered accountants. Throughout his career, Mr. Fitzpatrick has provided professional services to a diverse clientele and his practice today includes management consulting, business plans and feasibility studies. He is also a regular speaker on farm and other tax matters. Mr. Fitzpatrick has served on a number of boards as both director and chair. From 2002 to 2008, he was a member of the Board of Directors of the Atlantic Pilotage Authority where he served as both vice-chair of the Board and chair of the Audit Committee. Mr. Fitzpatrick received a Bachelor of Business Administration degree from the University of PEI, and holds designations as a Chartered Accountant, Fellow of the Order of Chartered Accountants and Registered Trust and Estate Practitioner.



Norman G. Halldorson B.Comm., FCPA, FCA

Clavet, Saskatchewan (Re-appointed December 2014 for 3 years)

Nominated by the Province of Saskatchewan, Norman G. Halldorson has extensive private sector experience, having retired in 2008 from a 40-year career with KPMG Chartered Accountants, where he held several senior leadership positions. Mr. Halldorson is a member of the Board of a private company, which operates several full service hotels, and chairs their Acquisition Committee. He also served as a member of the Institute of Chartered of Accountants of Saskatchewan Council, chaired a number of their committees, and represented the University of Saskatchewan Senate. As well, he chaired the Saskatchewan Chamber of Commerce ABEX Awards, which honour outstanding achievements in business excellence. Mr. Halldorson was a founding director of the Saskatchewan chapter of the Canadian Association of Family Enterprise. Mr. Halldorson holds a Bachelor of Commerce (Honours) degree with Distinction from the University of Saskatchewan and a Chartered Accountant designation. He was awarded a Fellow of the Order of Chartered Accountants designation for distinguished service.



Susan Hayes LL.B

Halifax, Nova Scotia (Appointed February 2015 for 3 years)

Nominated by the Province of Nova Scotia, Susan Hayes is the current Chief Professional Resources Officer at the law firm of Stewart McKelvey, part of the executive team responsible for the overall operations of the firm. Ms. Hayes' community involvement includes being a Professional Development Committee member for the Canadian Bar Association, Nova Scotia Branch, and Board Member of the Halifax Visiting Dispensary. She holds a Bachelor of Laws Degree from the Dalhousie University Law School, and a Bachelor of Arts Degree from Acadia University.



Fauzia Lalani P.Eng.

Calgary, Alberta (Re-appointed June 2013 for 3 years)

Nominated by the federal government, Fauzia Lalani is an award-winning business leader who is currently working as Director, Logistics Services at Suncor Energy Services Inc. Previously, Ms. Lalani was the Vice-President of National Service Fulfilment at TELUS Corporation, prior to which she served as President and CEO of Aquila Networks Canada, an industry-leading utility provider. Ms. Lalani also spent seven years with TransAlta Corporation, a power generation and wholesale marketing company. During her career with TransAlta, she served as director of several areas, including sales and marketing, deregulation, engineering and construction, and mass market and retail services. Active in numerous national and community organizations, Ms. Lalani is the President of the Aga Khan Ismaili Council for the Prairies and also serves as a Board Director with the Sinneave Foundation. She has previously served as Chair of the Workers' Compensation Board of Alberta; STARS Air Ambulance; and the Calgary YMCA (Chair of the Board Nominating and Governance Committee). Ms. Lalani is a recipient of the 50 Key Women in Energy Award—Leadership Category, and of the Stevie International Business Award—Best Support Team Category. Ms. Lalani earned a Bachelor of Science with Distinction in electrical engineering from the University of Alberta, and she is a graduate of the University of Western Ontario's Western Executive Program.



Francine Martel-Vaillancourt FCPA, FCA, ASC

Saint-Laurent-de-l'île-d'Orléans, Québec (Appointed March 2015 for 3 years)

Nominated by the Province of Quebec, Francine Martel-Vaillancourt is currently Chair of the Board of Directors of Shared Services Canada's Audit and Evaluation Committee. She is also the vicepresident of the Board of Directors of Desjardins Financial Security, and teaches at the Collège des administrateurs de société of Université Laval, a leader in governance education. Ms. Martel-Vaillancourt's public service career has been exceptional. She was twice deputy minister at Revenu Québec (from 2000 to 2003, and 2007 to 2011), and chief executive officer and chair of the Board of Directors at the Commission des normes du travail. She was also chief executive officer of Services Québec. Ms. Martel-Vaillancourt has been recognized by her peers. In 1997, she received both the CA Émérite award and the title of Fellow from the Ordre des comptables agréés du Québec. She was also awarded the "Public Service" grand prize at the YWCA Women of Distinction Awards in 2006, the Hermès de carrière 2007-2008 from the Faculty of Administrative Sciences at Université Laval, and the "Prix hommage 2011" from the Institut d'administration publique du Québec. Ms. Martel-Vaillancourt has a bachelor's degree in actuarial sciences and a licence in accounting from Université Laval in Québec. She also completed the "programme de certification universitaire en gouvernance de sociétés" of the Collège des administrateurs de sociétés at Université Laval. She is a Fellow of the Ordre des comptables professionnels agréés du Québec.



Margaret Melhorn B.A., M.A.

Yellowknife, Northwest Territories (Appointed November 2012 for 3 years)

Nominated by the Northwest Territories, Margaret Melhorn is a former Deputy Minister of Finance and Secretary to the Financial Management Board of the Government of the Northwest Territories. Ms. Melhorn's 28-year career at the Department of Finance was spent in areas such as economic analysis, fiscal policy and budget development. Among her many significant achievements, Ms. Melhorn led the successful amalgamation of Finance and the Financial Management Board Secretariat addressing issues related to organisational structure, human resources, systems and corporate culture. She also oversaw the replacement of the GNWT's 30-year-old financial information system with a new Enterprise Reporting and Planning System, on time and within budget. Ms. Melhorn began her career as a Financial Analyst with Alberta Treasury. Ms. Melhorn is currently a member of the Board of the Yellowknife Community Foundation. She is a former member of the Northwest Territories Opportunities Fund Board and has recent governance experience on numerous GNWT Deputy Minister committees, such as the Audit Committee, Informatics Policy Committee, Capital Planning Committee and Human Resources Deputies Committee. Ms. Melhorn holds a Bachelor of Arts (Honours) in Economics and History from Carleton University and a Master of Arts in Economics from the University of Alberta.



Mireille A. Saulnier B.Ps., LL.B

Tracadie-Sheila, New Brunswick (Appointed June 2016 for 3 years)

Nominated by the Province of New Brunswick, Mireille A. Saulnier is the owner of the law firm Mireille A. Saulnier C.P. Inc. Prior to her current role, Ms. Saulnier was a partner with the lawyer-notary firm Lebouthillier Boudreau Saulnier where she began as an articling student before being made partner.

She is an active leader in her community, participating in various initiatives including being a member of the Board of Directors at Service New Brunswick since October 2015. Ms. Saulnier is also the outgoing chairman of the Chambre de Commerce du Grand Tracadie-Sheila, Inc. Since 2010, she has been the regional representative of the Association des juristes d'expression française du Nouveau-Brunswick. Prior to that, she was a student advisor at the Université de Moncton, in the administrative tribunals.

Ms. Saulnier holds a Bachelor of Laws degree from the Faculty of Law and a Bachelor of Psychology degree, both from the Université de Moncton. She was called to the New Brunswick bar in 2008.



Joyce Sumara B.A.

Haliburton, Ontario (Appointed December 2014 for 3 years)

Nominated by the federal government, Ms. Joyce Sumara is an accomplished information technology (IT) executive with over 30 years of experience in large multi-national organizations. Ms. Sumara has broad experience in systems delivery and IT strategic planning in the automotive, healthcare and telecommunications industries. From 2009 to 2011, Ms. Sumara was the Vice President, IT and Information Security Officer, with Rogers Communications, where she was responsible for the security of corporate information and IT governance. She previously held the positions of Chief Information Officer of GM Canada, and Chief Information Officer of OnStar at General Motors Corporation. Throughout her career, she has occupied various consulting positions, and served on the boards of the Grandview Children's Centre for six years, and Medic-Alert Canada for two years. Ms. Sumara holds a Bachelor of Arts degree in Mathematics from Wayne State University, in Detroit, Michigan, as well as an Industrial Engineering Certificate from General Motors Institute (now Kettering University), in Flint, Michigan. She was recognized as a "Top 100 Most Powerful Women in Canada," both in 2003, and 2004.



Bob Hamilton

Commissioner of Revenue and Chief Executive Officer of the CRA (Appointed August 2016)

Bob Hamilton was appointed as the Commissioner of the Canada Revenue Agency (CRA) effective August 1, 2016. Prior to joining the Canada Revenue Agency, Bob served as Deputy Minister of Environment Canada, and Deputy Minister of Natural Resources Canada. Bob was appointed Senior Associate Secretary of the Treasury Board in March 2011 and named by the Prime Minister as the lead Canadian on the Canada-United States Regulatory Cooperation Council. Bob has held many senior positions in the Department of Finance, including Senior Assistant Deputy Minister, Tax Policy, and Assistant Deputy Minister of Finance Sector Policy. He received his Honours BA and Master's degrees in Economics from the University of Western Ontario.

Committee membership and director participation

The Board of Management is supported by four committees: they undertake much of the detailed review of items brought before the Board for its consideration. The following table shows the membership of each committee as well as directors' committee attendance over the 2015-2016 fiscal year.

Board Members	Board of Management (9 meetings) ¹	Audit Committee (5 meetings) ²	Governance Committee (2 meetings)	Human Resources Committee (4 meetings)	Resources Committee (4 meetings)	BoMOF Sub- committee (4 meetings)
	Board i	nembers present	throughout the	fiscal year		
Myles Bourke	7/7	5/5	2/2		4/4	
Rossana Buonpensiere	7/7		2/2	4/4		
Richard J. Daw	7/7	5/5		4/4		4/4
Gerard J. Fitzpatrick	6/7	4/5			4/4	
Norman G. Halldorson	9/9	5/5	2/2			4/4
Susan Hayes	6/7	5/5		4/4		
Fauzia Lalani	8/9		2/2		4/4	3/4
Robert (Bob) Manning	9/9				4/4	2/2
Francine Martel- Vaillancourt	5/7	5/5		4/4		
Margaret Melhorn	7/7			4/4	4/4	
Joyce Sumara	7/7	1/1	2/2		4/4	2/2
Richard (Rick) Thorpe	9/9	5/5	2/2	4/4	4/4	4/4
Andrew Treusch ³	7/7		2/2	4/4	4/4	
Board members who joined during the fiscal year						
Mark S. Dwor	6/6		2/2		4/4	
Todd McCarthy	3/3		1/2	3/3	3/3	
Average attendance per meeting	103/109=94%	35/36=97%	17/18=95%	31/31=100%	39/39=100%	19/20=95%

The total includes all in-person and teleconference meetings. One Board teleconference to finalize the Corporate Business Plan was restricted to chairs of the Board and committees and the Commissioner.

Andrew Treusch retired in June 2016, but was Commissioner of the CRA throughout the 2015-2016 fiscal year and therefore is included in the Board committee membership list.

	Governor in Council Rates of Pay ¹	
Member Capacity	Per Annum Retainer	Per Diem
Board chair	\$14,500 - \$17,100	\$565 - \$665
Committee chair	\$11,100 - \$13,000	\$565 - \$665
Director	\$7,300 - \$8,600	\$475 - \$550

¹ Source: <u>www.appointments-nominations.gc.ca</u>^{xi}

 $^{^{2}}$ This includes one teleconference on the financial statements and four regular Audit Board Meetings.

Appendix BFinancial Statements

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Statement of Management Responsibility Including Internal Control Over Financial Reporting

We have prepared the accompanying financial statements of the Canada Revenue Agency (CRA) according to accounting principles consistent with those applied in preparing the financial statements of the Government of Canada. Significant accounting policies are set out in Note 2 to the financial statements. Some of the information included in the financial statements, such as accruals and the allowance for doubtful accounts, is based on management's best estimates and judgment, with due consideration to materiality. The CRA's management is responsible for the integrity and objectivity of data in these financial statements. Financial information submitted to the Public Accounts of Canada, and included in this report, is consistent with these financial statements.

To fulfill its accounting and reporting responsibilities, management maintains sets of accounts which provide records of the CRA's financial transactions. Management also maintains an effective system of internal control over financial reporting (ICFR) that take into account costs, benefits and risks. They are designed to provide reasonable assurance that transactions are within the authorities provided by Parliament, and by others such as provinces and territories, are executed in accordance with prescribed regulations and the *Financial Administration Act*, and are properly recorded to maintain the accountability of funds and safeguarding of assets.

Financial management and internal control systems are reinforced by the maintenance of internal audit programs. The CRA also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training, and development of qualified staff; by organizational arrangements that provide appropriate divisions of responsibility; by communication programs aimed at ensuring that its regulations, policies, standards, and managerial authorities are understood throughout the organization; and by conducting an annual assessment of the effectiveness of its system of ICFR. An assessment for the year ended March 31, 2016 was completed in accordance with the Treasury Board Policy on Internal Control and the results and action plans are summarized in the Annex.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments. The effectiveness and adequacy of the CRA's financial management and its system of internal control are reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the CRA's operations, and by the Board of Management which is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board of Management. To assure objectivity and freedom from bias, these financial statements have been reviewed by the Audit Committee and approved by the Board of Management. The Audit Committee is independent of management and meets with management, the internal auditors, and the Auditor General of Canada on a regular basis. The auditors have full and free access to the Audit Committee.

The Auditor General of Canada conducts independent audits and expresses separate opinions on the accompanying financial statements which do not include an audit opinion on the annual assessment of the effectiveness of the CRA's internal controls over financial reporting.

Approved by:	
Bob Hamilton Commissioner of Revenue and Chief Executive Officer of the Canada Revenue Agency	Roch Huppé Chief Financial Officer and Assistant Commissioner, Finance and Administration Branch
Ottawa, Ontario	

August 30, 2016



Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Board of Management of the Canada Revenue Agency and the Minister of National Revenue

I have audited the accompanying financial statements of the Agency Activities of the Canada Revenue Agency, which comprise the statement of financial position as at 31 March 2016, and the statement of operations and agency net financial position, statement of change in agency net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agency Activities of the Canada Revenue Agency as at 31 March 2016, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chantale Perreault, CPA, CA
Principal
for the Auditor General of Canada

30 August 2016 Ottawa, Canada Canada Revenue Agency Financial Statements – Agency Activities

Canada Revenue Agency Statement of Financial Position – Agency Activities as at March 31 (in thousands of dollars)

	2016	2015
Liabilities		
Accrued salaries	329,274	267,026
Accounts payable and accrued liabilities (note 4)	87,790	120,595
Vacation pay and compensatory leave	189,038	188,444
Employee severance benefits (note 5e)	604,149	606,770
Employee sick leave benefits (note 5e)	253,665	246,742
Cotal liabilities	1,463,916	1,429,577
inancial assets		
Due from the Consolidated Revenue Fund	269,109	282,102
Accounts receivable and advances (note 6)	7,415	10,153
Total financial assets	276,524	292,255
Agency net debt	1,187,392	1,137,322
Non-financial assets		
Prepaid expenses	12,454	12,538
Tangible capital assets (note 7)	402,322	393,415
Total non-financial assets	414,776	405,953
Agency net financial position	772,616	731,369
Contingent liabilities (note 13) The accompanying notes form an integral part of these financial state Approved by:	ements.	August 30, 2016
Bob Hamilton		Date
Commissioner of Revenue and Chief Executive Officer of the Canada Revenue Agency		
		August 30, 2016

Canada Revenue Agency Statement of Operations and Agency Net Financial Position – Agency Activities for the year ended March 31 (in thousands of dollars)

Planed results Actual results Actual results Actual results Expenses (note 8)		2016	2016	2015
Reporting compliance	T () ()	Planned results	Actualresults	Actual results
Internal services	Expenses (note 8)			
Collections and returns compliance	Reporting compliance	1,142,140	1,180,967	1,185,957
Assessment of returns and payment processing 720,214 699,127 726,520 Taxpayer and business assistance 364,406 379,574 382,732 Appeals 238,525 247,009 264,331 Benefit programs 149,102 154,287 149,088 Taxpayers' Ombudsman 3,466 2,213 2,755 Total expenses 4,472,524 4,539,294 4,607,493 Non-tax revenues (note 9) 8 20,000 28,820 26,096 Internal services 153,903 167,592 165,488 Collections and returns compliance 197,662 198,428 193,499 Assessment of returns and payment processing 60,846 56,498 56,442 Taxpayer and business assistance 65,481 62,986 61,126 Appeals 20,470 23,049 18,992 Benefit programs 26,386 22,095 23,671 Revenues camed on behalf of Government 665,511 (69,543) (64,694) Total non-tax revenues 3,983,567 4,049,369 4,126,873	Internal services	1,159,390	1,143,400	1,155,630
Taxpayer and business assistance 364,406 379,574 382,732 Appeals 238,525 247,009 264,331 Benefit programs 149,102 154,287 149,088 Taxpayers' Ombudsman 3,466 2,213 2,755 Total expenses 4,472,524 4,539,294 4,607,493 Non-tax revenues (note 9) 8 28,820 26,096 Internal services 153,903 167,592 165,488 Collections and returns compliance 197,662 198,428 193,499 A ssessment of returns and payment processing 60,846 56,498 56,442 Taxpayer and business assistance 65,481 62,986 61,126 Appeals 20,470 23,049 18,992 Benefit programs 26,386 22,095 23,671 Revenues carned on behalf of Government (66,511) (69,543) (64,694) Total non-tax revenues 3,983,567 4,049,369 4,126,873 Net cost of operations before government funding and transfers 3,983,567 4,049,369	Collections and returns compliance	695,281	732,717	740,480
Appeals 238,525 247,009 264,331 Benefit programs 149,102 154,287 149,088 Taxpayers' Ombudsman 3,466 2,213 2,755 Total expenses 4,472,524 4,539,294 4,607,493 Non-tax revenues (note 9) Reporting compliance 30,720 28,820 26,096 Internal services 153,903 167,592 165,488 Collections and returns compliance 197,662 198,428 193,499 A seessment of returns and payment processing 60,846 56,498 56,442 Taxpayer and business assistance 65,481 62,986 61,126 A preals 20,470 23,049 18,992 Benefit programs 26,386 22,095 23,671 Revenues earned on behalf of Government (66,511) (69,543) (64,694) Total non-tax revenues 3,983,567 4,049,369 4,126,873 Revenues earned on behalf of Government of Canada 4,064,775 3,558,385 3,574,766 Change in due from the Consolidated Revenue Fund<	Assessment of returns and payment processing	720,214	699,127	726,520
Benefit programs 149,102 154,287 149,088 Tapayavers' Ombudsman 3,466 2,213 2,755 Total expenses 4,472,524 4,539,294 4,607,493 Non-tax revenues (note 9) Reporting compliance 30,720 28,820 26,096 Internal services 153,903 167,592 165,488 20,496 119,492 149,498 189,499 189,499 189,499 189,499 189,499 189,499 189,499 189,292 186,488 16,484 19,42 19,489 18,492 18,992	Taxpayer and business assistance	364,406	379,574	382,732
Taxpayers' Ombudsman 3,466 2,213 2,755 Total expenses 4,472,524 4,539,294 4,607,493 Non-tax revenues (note 9) Reporting compliance 30,720 28,820 26,096 Internal services 153,903 167,592 165,488 Collections and returns compliance 197,662 198,428 193,499 Assessment of returns and payment processing 60,846 56,498 56,422 Taxpayer and business assistance 65,818 62,986 61,126 Appeals 20,470 23,049 18,992 Benefit programs 26,386 22,095 23,571 Revenues earned on behalf of Government (66,511) (69,543) (64,694) Total non-tax revenues 488,957 489,925 480,620 Net cost of operations before government funding and transfers 3,983,567 4,049,369 4,126,873 Government funding and transfers 4,064,775 3,558,385 3,574,766 Change in due from the Consolidated Revenue Fund 4,064,775 3,558,385 3,574,766	Appeals	238,525	247,009	264,331
Non-tax revenues (note 9) Reporting compliance 30,720 28,820 26,096 10 153,903 167,592 165,488 153,903 167,592 165,488 160,000 198,428 193,499 199,602 198,428 193,499 199,602 198,428 193,499 199,602 198,428 193,499 199,602 198,428 193,499 199,603 1	Benefit programs	149,102	154,287	149,088
Non-tax revenues (note 9)	Taxpayers' Ombuds man	3,466	2,213	2,755
Reporting compliance 30,720 28,820 26,096 Internal services 153,903 167,592 165,488 Collections and returns compliance 197,662 198,428 193,499 Assessment of returns and payment processing 60,846 56,498 56,442 Taxpayer and business assistance 65,481 62,986 61,126 Appeals 20,470 23,049 18,992 Benefit programs 26,386 22,095 23,671 Revenues earned on behalf of Government (66,511) (69,543) (64,694) Total non-tax revenues 488,957 489,925 480,620 Net cost of operations before government funding and transfers 3,983,567 4,049,369 4,126,873 Government funding and transfers 3,983,567 4,049,369 4,126,873 Government funding and transfers (12,993) 118,697 Services provided by the Government of Canada 4,064,775 3,558,385 3,574,766 Change in due from the Consolidated Revenue Fund (12,993) 118,697 Services provided without charge from other government agencies and departments (note 10) 436,284 463,247 449,754 Transfer of transition payments for implementing salary payments in arrears (note 11) (506) Net transfers of tangible capital assets to other government departments (OGD) (11) (6) Total government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603	Total expenses	4,472,524	4,539,294	4,607,493
Internal services	Non-tax revenues (note 9)			
Collections and returns compliance	Reporting compliance	30,720	28,820	26,096
Assessment of returns and payment processing Taxpayer and business assistance Appeals Appeals Benefit programs Benefit programs Bevenues earned on behalf of Government (66,511) (69,543) (64,694) Total non-tax revenues Net cost of operations before government funding and transfers Net cash provided by the Government of Canada Change in due from the Consolidated Revenue Fund Services provided without charge from other government gaencies and departments (note 10) Agency net financial position - Beginning of year Agency net financial position - Beginning of year Agency net financial position - Beginning of year 56,481 56,498 56,442 56,498 56,442 66,5481 62,986 61,126 65,481 62,986 61,126 61,267 65,481 62,986 61,126 61,267 64,694) 65,481 62,986 61,126 61,267 65,481 62,986 61,126 61,267 64,694) 64,694		153,903	167,592	165,488
Taxpayer and business assistance	Collections and returns compliance	197,662	198,428	193,499
Appeals 20,470 23,049 18,992 Benefit programs 26,386 22,095 23,671 Revenues earned on behalf of Government (66,511) (69,543) (64,694) Total non-tax revenues 488,957 489,925 480,620 Revenues to operations before government funding and transfers 3,983,567 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,049,369 4,126,873 4,049,369 4,126,873 4,049,369 4,049,369 4,126,873 4,049,369 4,	Assessment of returns and payment processing	60,846	56,498	56,442
Revenues earned on behalf of Government 26,386 22,095 23,671	Taxpayer and business assistance	65,481	62,986	61,126
Revenues earned on behalf of Government (66,511) (69,543) (64,694) Total non-tax revenues 488,957 489,925 480,620 Net cost of operations before government funding and transfers 3,983,567 4,049,369 4,126,873 Government funding and transfers Services provided by the Government of Canada 4,064,775 3,558,385 3,574,766 Change in due from the Consolidated Revenue Fund (12,993) 118,697 Services provided without charge from other government agencies and departments (note 10) 436,284 463,247 449,754 Transfer of transition payments for implementing salary payments in arrears (note 11) (506) (88,104) Net transfers of tangible capital assets to other government departments (OGD) (11) (6) Total government funding and transfers 4,501,059 4,008,122 4,055,107 Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603	Appeals	20,470	23,049	18,992
Revenues earned on behalf of Government (66,511) (69,543) (64,694) Total non-tax revenues 488,957 489,925 480,620 Net cost of operations before government funding and transfers 3,983,567 4,049,369 4,126,873 Government funding and transfers Services provided by the Government of Canada 4,064,775 3,558,385 3,574,766 Change in due from the Consolidated Revenue Fund (12,993) 118,697 Services provided without charge from other government agencies and departments (note 10) 436,284 463,247 449,754 Transfer of transition payments for implementing salary payments in arrears (note 11) (506) (88,104) Net transfers of tangible capital assets to other government departments (OGD) (11) (6) Total government funding and transfers 4,501,059 4,008,122 4,055,107 Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603	Benefit programs	26,386	22,095	23,671
Net cost of operations before government funding and transfers Sovernment funding and transfers Net cash provided by the Government of Canada 4,064,775 3,558,385 3,574,766 Change in due from the Consolidated Revenue Fund (12,993) 118,697 Services provided without charge from other government agencies and departments (note 10) 436,284 463,247 449,754 Transfer of transition payments for implementing salary payments in arrears (note 11) (506) (88,104) Net transfers of tangible capital assets to other government departments (OGD) (11) (6) Total government funding and transfers 4,501,059 4,008,122 4,055,107 Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603	Revenues earned on behalf of Government	(66,511)	(69,543)	(64,694)
Government funding and transfers Net cash provided by the Government of Canada 4,064,775 3,558,385 3,574,766 Change in due from the Consolidated Revenue Fund (12,993) 118,697 Services provided without charge from other government agencies and departments (note 10) 436,284 463,247 449,754 Transfer of transition payments for implementing salary payments in arrears (note 11) (506) (88,104) Net transfers of tangible capital assets to other government departments (OGD) (11) (6) Total government funding and transfers 4,501,059 4,008,122 4,055,107 Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603	Total non-tax revenues	488,957	489,925	480,620
Net cash provided by the Government of Canada Change in due from the Consolidated Revenue Fund Change in due from the Consolidated Revenue Fund Services provided without charge from other government agencies and departments (note 10) Transfer of transition payments for implementing salary payments in arrears (note 11) Net transfers of tangible capital assets to other government departments (OGD) Total government funding and transfers Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year	Net cost of operations before government funding and transfers	3,983,567	4,049,369	4,126,873
Change in due from the Consolidated Revenue Fund Services provided without charge from other government agencies and departments (note 10) Transfer of transition payments for implementing salary payments in arrears (note 11) Net transfers of tangible capital assets to other government departments (OGD) Total government funding and transfers Net cost (surplus) of operations after government funding and transfers Agency net financial position - Beginning of year (12,993) 118,697 449,754 449,754 (506) (88,104) (11) (6) (11) (6) 4,501,059 4,008,122 4,055,107 Agency net financial position - Beginning of year 731,369 731,369 731,369 659,603	Government funding and transfers			
Change in due from the Consolidated Revenue Fund Services provided without charge from other government agencies and departments (note 10) Transfer of transition payments for implementing salary payments in arrears (note 11) Net transfers of tangible capital assets to other government departments (OGD) Total government funding and transfers Net cost (surplus) of operations after government funding and transfers Agency net financial position - Beginning of year (12,993) 118,697 449,754 449,754 (506) (88,104) (11) (6) (11) (6) 4,501,059 4,008,122 4,055,107 Agency net financial position - Beginning of year 731,369 731,369 731,369 659,603	Net cash provided by the Government of Canada	4,064,775	3,558,385	3,574,766
Services provided without charge from other government agencies and departments (note 10) 436,284 463,247 449,754 Transfer of transition payments for implementing salary payments in arrears (note 11) (506) (88,104) Net transfers of tangible capital assets to other government departments (OGD) (11) (6) Total government funding and transfers 4,501,059 4,008,122 4,055,107 Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603			(12,993)	
Transfer of transition payments for implementing salary payments in arrears (note 11) Net transfers of tangible capital assets to other government departments (OGD) Total government funding and transfers Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603				
implementing salary payments in arrears (note 11) Net transfers of tangible capital assets to other government departments (OGD) Total government funding and transfers Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603	government agencies and departments (note 10)	436,284	463,247	449,754
Net transfers of tangible capital assets to other government departments (OGD) Total government funding and transfers 4,501,059 4,008,122 4,055,107 Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603	Transfer of transition payments for			
other government departments (OGD) Total government funding and transfers 4,501,059 4,008,122 4,055,107 Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603	implementing salary payments in arrears (note 11)		(506)	(88,104)
Total government funding and transfers 4,501,059 4,008,122 4,055,107 Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603	Net transfers of tangible capital assets to			
Net cost (surplus) of operations after government funding and transfers (517,492) 41,247 71,766 Agency net financial position - Beginning of year 731,369 731,369 659,603	other government departments (OGD)		(11)	(6)
Agency net financial position - Beginning of year 731,369 731,369 659,603	Total government funding and transfers	4,501,059	4,008,122	4,055,107
	Net cost (surplus) of operations after government funding and transfers	(517,492)	41,247	71,766
Agency net financial position - End of year 213,877 772,616 731,369	Agency net financial position - Beginning of year	731,369	731,369	659,603
	Agency net financial position - End of year	213,877	772,616	731,369

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency Statement of Change in Agency Net Debt – Agency Activities for the year ended March 31 (in thousands of dollars)

	2016	2016	2015
	Planned results	Actual results	Actual results
Net cost (surplus) of operations after government funding and transfers	(517,492)	41,247	71,766
Change in tangible capital assets			
Acquisition of tangible capital assets (note 7)	140,107	93,664	91,855
Amortization of tangible capital assets (note 7)	(83,426)	(83,842)	(79,171)
Proceeds from disposal of tangible capital assets		(51)	(127)
Net loss on disposal/write-off of tangible capital assets	(1,908)	(853)	(5,463)
Net transfers of tangible capital assets to OGD		(11)	(6)
Total change in tangible capital assets	54,773	8,907	7,088
Change in prepaid expenses		(84)	575
Net increase (decrease) in agency net debt	(462,719)	50,070	79,429
Agency net debt - Beginning of year	1,137,322	1,137,322	1,057,893
Agency net debt - End of year	674,603	1,187,392	1,137,322

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency Statement of Cash Flows – Agency Activities for the year ended March 31 (in thousands of dollars)

_	2016	2015
Operating activities		
Net cost of operations before government funding and transfers	4,049,369	4,126,873
Items not affecting cash		
Amortization of tangible capital assets (note 7)	(83,842)	(79,171)
Net loss on disposal/write-off of tangible capital assets	(853)	(5,463)
Services provided without charge from other		
government agencies and departments (note 10)	(463,247)	(449,754)
Transition payments for implementing salary payments in arrears (note 11)	506	88,104
Change in accounts receivable and advances	(2,738)	3,475
Change in prepaid expenses	(84)	575
Change in accrued salaries	(62,248)	(137,437)
Change in accounts payable and accrued liabilities	32,805	(25,694)
Change in vacation pay and compensatory leave	(594)	1,228
Change in employee severance benefits	2,621	(36,656)
Change in employee sick leave benefits	(6,923)	(3,042)
Cash used in operating activities	3,464,772	3,483,038
Capital investing activities		
A cquisition of tangible capital assets (note 7)	93,664	91,855
Proceeds from disposal of tangible capital assets	(51)	(127)
Cash used in capital investing activities	93,613	91,728
Net cash provided by the Government of Canada	3,558,385	3,574,766

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency Notes to the Financial Statements – Agency Activities

1. Authority and objectives

The Canada Revenue Agency (CRA) is an agent of Her Majesty in right of Canada under the Canada Revenue Agency Act. The CRA is a departmental corporation named in Schedule II of the Financial Administration Act and reports to Parliament through the Minister of National Revenue.

The mandate of the CRA is to support the administration and enforcement of tax legislation and other related legislation. The CRA provides support, advice, and services by:

- (a) supporting the administration and enforcement of program legislation;
- (b) implementing agreements between the Government of Canada or the CRA and the government of a province, territory or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;
- (c) implementing agreements or arrangements between the CRA and departments or agencies of the Government of Canada to carry out an activity or administer a program; and
- (d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The CRA administers revenues, including income and sales taxes and employment insurance premiums, administers tax legislation, delivers a number of social benefit programs to Canadians for the federal, provincial, territorial, and First Nations governments, and administers other amounts, including Canada Pension Plan contributions, for other groups or organizations. It is responsible for administering and enforcing the following acts or parts of acts: the Air Travellers Security Charge Act, the Canada Revenue Agency Act, the Children's Special Allowances Act, Part V.1 of the Customs Act, section 2 of the Energy Costs Assistance Measures Act, the Excise Act, the Excise Tax Act (including the goods and services tax (GST) and the harmonized sales tax (HST) except for GST/HST on imported goods), the Excise Act, 2001, the Income Tax Act, the Softwood Lumber Products Export Charge Act, 2006, the Universal Child Care Benefit Act, and others including various provincial acts.

In delivering its mandate, the CRA operates under the following program activities:

- (a) Reporting compliance: Verifies complete and accurate disclosure by taxpayers of all required information to establish tax liabilities;
- (b) Internal services: Provides internal services across the CRA, such as human resources management, financial management and information technology, to support the needs of programs and corporate obligations;
- (c) Collections and returns compliance: Identifies and addresses non-compliance with taxpayer filing and remittance requirements;
- (d) Assessment of returns and payment processing: Processes and validates taxpayer returns; registers, establishes, and maintains taxpayer accounts; and, receives payments;
- (e) Taxpayer and business assistance: Assists taxpayers in meeting their obligations under the self-assessment;
- (f) Appeals: Provides a dispute resolution process for taxpayers who disagree with decisions taken by the CRA;
- (g) Benefit programs: Provides Canadians certain income-based benefits, credits and other services on behalf of federal, provincial (except Québec), and territorial governments;
- (h) Taxpayers' Ombudsman: Addresses requests for reviews made by taxpayers and benefit recipients with respect to service matters.

2. Summary of significant accounting policies

For financial reporting purposes, the CRA's activities have been divided into two sets of financial statements: agency activities and administered activities. The Financial Statements – Agency Activities include those operational revenues and expenses which are managed by the CRA and utilized in running the organization. The Financial Statements – Administered Activities include those revenues and expenses that are administered on behalf of the federal, provincial, and territorial governments, First Nations, and other organizations. The purpose of the distinction between agency and administered activities is to facilitate, among other things, the assessment of the administrative efficiency of the CRA in achieving its mandate. Tax-related assets, liabilities, revenues and expenses are excluded from these financial statements because they can only accrue to a government, not to the tax agency that administers those transactions.

As required by the *Canada Revenue Agency Act*, the Financial Statements – Agency Activities have been prepared using accounting principles consistent with those applied in the preparation of the financial statements of the Government of Canada. The accounting principles used are based on Canadian public sector accounting standards. A summary of significant accounting policies follows:

(a) Parliamentary appropriations

The CRA is financed by the Government of Canada through Parliamentary appropriations. Financial reporting of authorities provided to the CRA does not parallel financial reporting according to Canadian public sector accounting standards, as they are based in large part on cash flow requirements. Consequently, items recognized in the Statement of Financial Position and the Statement of Operations and Agency Net Financial Position may be different from those provided through appropriations from Parliament. Note 3(b) provides a high-level reconciliation between the two bases of reporting. The Future-oriented Statement of Operations – Agency Activities and its accompanying notes included in the 2015-2016 Report on Plans and Priorities are the source of information for the planned results in the financial statements.

(b) Net cash provided by the Government of Canada

The CRA operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the CRA is deposited to the CRF and all cash disbursements made by the CRA are paid from the CRF. The net cash provided by government is the difference between all respendable cash receipts and all cash disbursements including transactions with departments and agencies.

(c) Expense recognition

Expenses are recognized when goods are received and/or services are rendered.

(d) Services provided without charge from other government agencies and departments

Estimates of the cost for services provided without charge from other government agencies and departments are recorded as expenses at their estimated cost.

(e) Revenue recognition

Non-tax revenues are recognized when the services are rendered by the CRA.

Non-tax revenues that are not available for spending cannot be used to discharge the CRA's liabilities. While management is expected to maintain accounting control, it has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the CRA's gross revenues.

(f) Vacation pay and compensatory leave

Vacation pay and compensatory leave expenses are accrued as the benefits are earned by the employees under their respective terms of employment. The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and compensatory leave benefits accruing to employees.

(g) Employee future benefits

a) Pension benefits

All eligible CRA employees participate in the Public Service Pension Plan administered by the Government of Canada. The CRA's contributions reflect the full cost as employer. These amounts are currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the plan. The CRA's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the CRA. Current legislation does not require the CRA to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

b) Health and dental benefits

The Government of Canada sponsors employee benefit plans (health and dental) in which the CRA participates. Employees are entitled to health and dental benefits, as provided for under labour contracts and conditions of employment. The CRA's contributions to the plans, which are provided without charge by the Treasury Board Secretariat, are recorded at cost based on a percentage of the salary expenses and charged to personnel expenses in the year incurred. They represent the CRA's total obligation to the plans. Current legislation does not require the CRA to make contributions for any future unfunded liabilities of the plans.

c) Severance benefits

Some employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. These benefits represent an obligation of the CRA that entails settlement by future payments. The liability resulting from the benefits earned by CRA employees is calculated using information from an actuarial valuation based on the projected benefit method prorated on services. Changes in actuarial assumptions and any variance between the expected and the actual experience of the severance benefits plan give rise to actuarial gains or losses. These gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees starting in the fiscal year following the one in which they arose.

d) Sick leave benefits

Employees are eligible to accumulate sick leave benefits until retirement or termination according to their terms of employment. Sick leave benefits are earned based on employee services rendered and are paid upon an illness or injury related absence. These are accumulating non-vesting benefits that can be carried forward to future years, but are not eligible for payment on retirement or termination, nor can these be used for any other purpose. A liability is recorded for unused sick leave credits expected to be used in future years in excess of future allotments, based on an actuarial valuation using an accrued benefit method. Changes in actuarial assumptions and any variance between the expected and the actual experience of the sick leave benefits plan give rise to actuarial gains or losses. These gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees starting in the fiscal year following the one in which they arose.

(h) Due from the Consolidated Revenue Fund (CRF)

Amounts due from the CRF are the result of timing differences between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the CRA is entitled to draw from the CRF without further authorities to discharge its liabilities.

(i) Accounts receivable and advances

Accounts receivable and advances are stated at the lower of cost and net recoverable value. An allowance for doubtful accounts is recorded where recovery is considered uncertain.

(j) Tangible capital assets

All initial costs of \$10,000 or more incurred by the CRA to acquire or develop tangible capital assets are capitalized and amortized over the useful lives of the assets. Similar items under \$10,000 are expensed.

Tangible capital assets are amortized on a straight-line basis over the estimated useful lives of assets as follows:

Asset class	Useful life
Machinery, equipment, and furniture	10 years
In-house developed software	5-10 years
Vehicles and other means of transportation	5 years
Information technology equipment	5 years
Purchased software	3 years

Assets under construction/development are recorded as costs are incurred and are not amortized until completed and put into operation.

(k) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable, the CRA's best estimate of the contingency is disclosed in the notes to the financial statements.

(I) Foreign currency translation

Transactions involving foreign currencies are translated into Canadian dollars by applying the exchange rate in effect at the time of those transactions. Realized foreign exchange gains and losses resulting from foreign currency transactions are included in the other services and expenses category in note 8 – Segmented information – Expenses.

(m) Financial instruments

The CRA uses non-derivative financial instruments in the course of its operations. Those financial instruments gave rise to the following financial assets and financial liabilities that are measured at cost or amortized cost, as per the table below.

Financial assets and financial liabilities	Measurement
Accounts receivable and advances	Amortized cost
Accrued salaries	Cost
Accounts payable and accrued liabilities	Cost
Vacation pay and compensatory leave	Cost

(n) Measurement uncertainty

The preparation of these financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of liabilities, assets, revenues, expenses and related disclosure reported on the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Employee severance and sick leave benefits, contingent liabilities, the useful life of tangible capital assets and services provided without charge are the most significant items where estimates and assumptions are used. Actual results could differ significantly from the current estimates. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the period in which they become known. The methodologies used to determine the estimates were applied consistently with the previous year.

3. Parliamentary appropriations

The CRA receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Financial Position and the Statement of Operations and Agency Net Financial Position in one year may be funded through Parliamentary appropriations in prior, current, or future years. Accordingly, the CRA has different net results of operations for the year on a government funding basis than on an accrual accounting basis. These differences are reconciled below.

a) Reconciliation of Parliamentary appropriations provided and used:

	2016	2015
_	(in thousands of dollars	
Parliamentary appropriations — provided:		
Vote 1 – Operating expenditures, contributions and recoverable expenses on		
behalf of the Canada Pension Plan and the Employment Insurance Act	3,268,072	3,391,870
Vote 5 – Capital expenditures	128,693	123,414
Spending of revenues received through the conduct of operations pursuant to		
section 60 of the Canada Revenue Agency Act	169,032	166,085
Spending of proceeds from disposal of surplus Crown assets	92	174
Statutory expenditures:		
Contributions to employee benefit plans	432,794	447,675
Disbursements to provinces under the Softwood Lumber		
Products Export Charge Act, 2006 ¹	121,481	(15,119)
Children's special allowance payments	309,173	214,761
Other	1,577	3,536
<u> </u>	4,430,914	4,332,396
Less:		
Appropriations available for future year ² :		
Vote 1	(227,536)	(214,323)
Vote 5	(49,890)	(47,123)
Appropriations lapsed:		
Vote 1	(6,501)	(10,117)
Expenditures related to administered activities 1	(430,661)	(199,672)
	(714,588)	(471,235)
Total Parliamentary appropriations used	3,716,326	3,861,161

- In accordance with the division of activities for financial reporting purposes outlined in note 2, the payments under the *Softwood Lumber Products Export Charge Act, 2006* and the *Children's Special Allowances Act* are reported as federal administered expenses on the Statement of Administered Expenses and Recoveries of the CRA's Financial Statements Administered Activities. The Softwood Lumber Agreement expired on October 12, 2015 and the CRA will continue to administer retroactive transactions in accordance with the terms set in the Agreement.
- 2 Pursuant to section 60(1) of the *Canada Revenue Agency Act*, the CRA has up to two fiscal years to utilize parliamentary appropriations once approved.

b) Reconciliation of net cost of operations before government funding and transfers to current year Parliamentary appropriations used:

	2016	2015
	(in thousands	of dollars)
Net cost of operations before government funding and transfers	4,049,369	4,126,873
Expenses not requiring use of current year appropriations:		
Amortization of tangible capital assets (note 7)	(83,842)	(79,171)
Adjustment to prior years' accruals	3,131	1,871
Loss on disposal/write-off of tangible capital assets Services provided without charge from other	(899)	(5,584)
government agencies and departments (note 10)	(463,247)	(449,754)
Other	(489)	(134)
	(545,346)	(532,772)
Changes to non financial assets affecting appropriations:		
Tangible capital assets acquisitions (note 7)	93,664	91,855
Less: Variation in prior years expenses capitalization	486	278
Variation in prepaid expenses Transition payments for implementing salary	(84)	575
payments in arrears (note 11)	506	88,104
<u>-</u>	94,572	180,812
Changes in future funding requirements:		
Salary, vacation pay and compensatory leave	(45,488)	(39,130)
Employee severance benefits	2,621	(36,656)
Employee sick leave benefits	(6,923)	(3,042)
-	(49,790)	(78,828)
Non-tax revenues available for spending (note 9)	167,521	165,076
Total Parliamentary appropriations used	3,716,326	3,861,161

4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are measured at cost, the majority of which are due within 30 days of year-end.

	2016	2015
	(in thousands	of dollars)
Accounts payable and accrued liabilities - Related parties	30,503	56,630
Accounts payable and accrued liabilities - External	57,287	63,965
	87,790	120,595

5. Employee future benefits

a) Pension benefits

The CRA and all eligible employees contribute to the public service pension plan (The "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the CRA and the employees contribute to the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to the *Jobs and Growth Act* 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013.

Each group has a distinct contribution rate. The current year expense for the CRA's contributions for Group 1 members represents approximately 1.25 times (1.41 times in 2014-2015) the contributions by employees and, for Group 2 members, approximately 1.24 times (1.39 times in 2014-2015) the contributions of employees.

The contributions to the Plan for the year were as follows:

	2016	2015
	(in thousands	of dollars)
CRA's contributions	298,325	306,030
Employees' contributions	238,747	217,120

The CRA's responsibility with regard to this Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada.

b) Health and dental benefits

The CRA contributes for all eligible employees to the Public Service Health Care Plan and Public Service Dental Care Plan, which are sponsored by the Government of Canada. The CRA's responsibility with regard to these plans is limited to its contributions (refer to note 10).

c) Severance benefits

The CRA provides severance benefits to entitled employees based on eligibility, years of service and salary upon termination of employment. These severance benefits are unfunded. Benefits will be paid from future appropriations.

d) Sick leave benefits

Employees are credited, based on service, a maximum of 15 days annually for use as paid absences, due to illness or injury. Employees are allowed to accumulate unused sick leave credits each year. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick leave balance for sick-leave compensation ceases on termination of employment. These sick leave benefits are unfunded. They will be paid from future appropriations.

e) Valuation of future benefits

Annually, as at March 31 of each year, the CRA obtains an actuarial valuation of the accrued employee severance and sick leave benefit obligations for accounting purposes.

Changes from the prior year in the actuarial value of these accrued employee benefit obligations that is used to determine the related employee future benefits liabilities presented in the Statement of Financial Position as at March 31 were as follows:

	Severance benefits		Sick leave b	enefits
	2016	2015	2016	2015
		(in thousands	of dollars)	
Accrued employee benefits obligations, beginning of year	629,399	519,956	214,600	214,800
Benefits earned ^{1,2}	27,622	68,992	36,164	36,300
Interest on average accrued benefit obligations (note 8)	14,826	17,976	5,177	7,500
Benefits paid	(50,876)	(46,062)	(34,011)	(38,600)
Actuarial (gain)/loss	(5,943)	68,537	17,957	(5,400)
Accrued employee benefits obligations, end of year	615,028	629,399	239,887	214,600
Accumulated net actuarial gain/(loss)	(12,436)	(18,379)	16,343	34,300
less: amortization on net actuarial gain/(loss) ¹	(1,557)	4,250	2,565	2,158
Unamortized accumulated net actuarial gain/(loss)	(10,879)	(22,629)	13,778	32,142
Employee benefits liability	604,149	606,770	253,665	246,742

¹ These expenses represent the severance and sick leave benefits that are included in the Other allowances and benefits category in note 8.

f) Actuarial assumptions

Actuarial assumptions are used to determine the severance and sick leave accrued benefit obligations and includes estimates of the discount rate and yearly salary growth. These assumptions are reviewed at March 31 of each year and are based on management's best estimate. The actuarial valuation as at March 31, 2016 for both severance and sick leave benefit obligations used a discount rate of 2.3% and salary growth of 2.2% - 2.6% (2.4% and 2.0% - 2.6% respectively as at March 31, 2015). The expected average remaining service life is 13.2 years for sick leave benefits and 11.6 years for severance benefits as at March 31, 2016 (13.3 years and 11.8 years respectively as at March 31, 2015).

² The severance benefits disclosed for the year ended March 31, 2015 include an adjustment of \$44,391,764 to the benefits earned as a result of improvements to the underlying data.

g) Sensitivity Analysis

Changes in assumptions can result in significantly higher or lower estimates of the accrued employee benefits obligations. The table below illustrates the possible impact of a 1% change in the principal actuarial assumptions being the discount rate and the salary growth.

	Severance be	enefits	Sick leave b	enefits
	2016	2015	2016	2015
		(in thousands	of dollars)	
Possible impact on the accrued employee				
benefits obligations due to:				
Increase of 1% in discount rate	(52,736)	(53,281)	(14,647)	(12,700)
Decrease of 1% in discount rate	61,952	62,575	16,666	14,400
Increase of 1% in salary growth	61,192	61,908	18,937	18,600
Decrease of 1% in salary growth	(53,128)	(53,755)	(16,926)	(16,700)

6. Accounts receivable and advances

	2016	2015	
	(in thousands of dollars		
Accounts receivable - Related parties	4,691	6,842	
Accounts receivable - External	950	898	
Advances to employees	396	689	
Salary overpayments	1,930	2,330	
	7,967	10,759	
Less: Allowance for doubtful accounts	(552)	(606)	
Total accounts receivable and advances	7,415	10,153	

7. Tangible capital assets

_			Cost		
T 111 1/11 1	Opening	A:-:	Disposals and	Transfers to	Clasina balansa
Tangible capital asset class	balance	Acquisitions	adjustments	OGD	Closing balance
		(:	in thousands of dolla	rs)	
Machinery, equipment and furniture	6,931	826	(335)	(12)	7,410
Software (purchased and in-house developed					
and/or in development)	919,072	91,622	(3,517)	(1,631)	1,005,546
Vehicles and other means of transportation	1,800	22	(175)	-	1,647
Information technology equipment	6,606	1,194	(253)	(38)	7,509
Total	934,409	93,664	(4,280)	(1,681)	1,022,112

_	Accumulated amortization				
Tangible capital asset class	Opening balance	A mortization expense	Disposals and adjustments	Transfers to OGD	Closing balance
		(i	in thousands of dollar	rs)	
Machinery, equipment and furniture	4,291	491	(283)	(11)	4,488
Software (purchased and in-house developed					
and/or in development)	529,602	82,790	(2,670)	(1,621)	608,101
Vehicles and other means of transportation	1,075	248	(170)	-	1,153
Information technology equipment	6,026	313	(253)	(38)	6,048
Total	540,994	83,842	(3,376)	(1,670)	619,790

Tangible capital asset class	2016 Net book value	2015 Net book value
	(in thousand	s of dollars)
Machinery, equipment and furniture Software (purchased and in-house developed	2,922	2,640
and/or in development)	397,445	389,470
Vehicles and other means of transportation	494	725
Information technology equipment	1,461	580
Total	402,322	393,415

The cost of software in development, which is not amortized, is \$122,875,191 as at March 31, 2016 (\$89,657,175 as at March 31, 2015).

8. Segmented information – Expenses

Presentation by segment is based on the CRA's program activity as described in note 1 of these financial statements. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred for the main program activities, by major object of expense. The segment results for the period are as follows:

	Reporting compliance	Internal	Collections rand returns p	Assessment of returns and payment processing	Taxpayer and business assistance	Appeals pr	Benefit programs	Taxpayers' Ombudsman	2016 2015 (in thousands of dollars)	2015 of dollars)
Personnel: Salaries Other allowances and benefits (including employee	731,112	517,629	429,170	308,909	236,678	107,812	74,157	1,374	2,406,841	2,420,180
benefits described in note 5)	301,058	207,338	171,900	120,433	92,047	44,986	28,426	498	966,686	995,625
	1,032,170	724,967	601,070	429,342	328,725	152,798	102,583	1,872	3,373,527	3,415,805
Professional and business services	15,928	251,121	22,875	4,623	3,816	75,849	1,573	27	375,812	370,037
Accommodation	83,597	75,131	62,895	36,802	35,385	12,730	8,487	189	315,216	331,325
Federal sales tax administration costs by the Province of Québec	•	•	•	142,275	1		•	•	142,275	142,133
Transportation and communications	17,247	23,777	16,064	42,182	2,975	929	24,709	68	127,699	125,987
Amortization of tangible capital assets (note 7)	13,542	10,552	20,355	28,488	3,388	1,351	6,167	1	83,843	79,171
Other services and expenses	5,927	10,654	3,246	2,744	1,188	2,030	9,576	3	35,368	42,573
Repair and maintenance	260	19,077	27	725	49	2	3	•	20,143	21,358
Interest on average accrued benefit obligations (note 5)	6,120	4,299	3,564	2,546	1,949	906	809	11	20,003	25,476
Materials and supplies	2,712	8,192	1,246	6,440	547	424	227	9	19,794	19,229
Equipment purchases	2,902	10,945	916	1,026	1,184	171	315	2	17,461	18,747
Advertising, information and printing services	131	2,707	175	1,576	251	3	111	11	4,865	7,710
Equipment rentals	431	1,113	284	324	117	68	28	3	2,389	2,358
Loss on disposal/write-off of tangible capital assets		865	-	34	-	-	-	-	668	5,584
Total expenses	1,180,967	1,143,400	732,717	699,127	379,574	247,009	154,287	2,213	4,539,294	4,607,493

9. Segmented information – Non-tax revenues

Presentation by segment is based on the CRA's program activity as described in note 1 of these financial statements. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the non-tax revenues generated for the main program activities, by major type of non-tax revenues. The segment results for the period are as follows:

				Assessment of					
			Collections	returns and	Taxpayer and				
	Reporting compliance	Internal services	and returns compliance	payment processing	business as sistance	Appeals	Benefit programs	2016	2015
	•		•			•)	(in thous ands of dollars)	of dollars)
Non-tax revenues credited to Vote 1									
Fees for administering the Employment Insurance Act	1	30,609	89,858	3 16,614	32,135	9,439	541	179,196	174,319
Fees for administering the Canada Pension Plan	•	27,525		9 17,790	18,381	4,063	1	143,208	141,225
	•	58,134	165,307	7 34,404	50,516	13,502	541	322,404	315,544
Non-tax revenues available for spending									
Services fees	092	48,684	253	3 2,112	368	•	1,545	53,722	54,190
Administration fees - provinces and territories	23,650	46,404	4,210) 13,566	839	3,377	18,341	110,387	108,424
Miscellaneous respendable revenues	521	300		9	2,580	•	S	3,412	2,462
	24,931	95,388	4,463	3 15,684	3,787	3,377	168'61	167,521	165,076
Non-tax revenues not available for spending									
Recovery of employee benefit costs relating to non-tax revenues									
credited to Vote 1 and revenues available for spending	3,889	13,779	28,658	3 6,410	8,683	2,571	1,663	65,653	63,925
Miscellaneous non-taxrevenues	•	291	1			3,599		3,890	692
	3,889	14,070	28,658	3 6,410	8,683	6,170	1,663	69,543	64,694
Total non-tax revenues before revenues earned on behalf of Government	28,820	167,592	198,428	3 56,498	62,986	23,049	22,095	559,468	545,314
Davanise somed on habilf of Gavenment	(3 880)	(14.070)	(859.86)	(6.410)	(8 683)	(0219)	(1663)	(60 5/13)	(64 694)
Total non-tay regenting	24 031	1	1	ľ	4	16 870	,	480 025	180 620
rotal moretax revenues	166,47	776,661				10,0/2	464,04	407,763	400,000

10. Related party transactions

The CRA is related in terms of common ownership to all Government of Canada departments, agencies, and Crown corporations. Transactions with Crown corporations entered into by the CRA are in the normal course of business and on normal trade terms applicable to all individuals and enterprises. Transactions with other Government of Canada departments and agencies are conducted on a cost recovery basis, except for transfers of tangible capital assets that are carried out at net book value.

During the year, the CRA received various services without charge from other government agencies and departments. The estimated costs for significant services provided without charge that have been recorded include:

_	2016	2015
	(in thousands	of dollars)
Employer's contribution to the health and dental insurance plans -		
Treasury Board Secretariat	237,736	228,066
Information technology services - Shared Services Canada	179,474	179,474
Legal services - Justice Canada	37,668	33,702
Audit services - Office of the Auditor General of Canada	2,600	2,594
Payroll services - Public Services and Procurement Canada	4,515	4,563
Workers' compensation benefits - Employment and Social Development Canada	1,254	1,355
Total	463,247	449,754

11. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-2015. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the CRA. However, it did result in the use of additional spending authorities by the CRA. Prior to year-end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Services and Procurement Canada, who is responsible for the administration of the Government pay system.

12. Board of Management

Pursuant to the *Canada Revenue Agency Act*, a Board of Management is appointed to oversee the organization and administration of the CRA and the management of its resources, services, property, personnel and contracts. The expenses relating to the board's activities for the year included in the net cost of operations were as follows:

	2016	2015
	(in thousands	s of dollars)
Board of Management		
Compensation	262	267
Travel	80	77
Professional services and other expenses	62	78
	404	422
Other related costs		
Corporate Secretariat support	572	596
Total	976	1,018

13. Contingent liabilities

The CRA is a defendant in certain cases of pending and threatened litigation which arises in the normal course of business of agency activities as defined in note 2. The amount to be paid in respect of the cases identified as likely to be lost has been recorded in accounts payable and accrued liabilities, based on the current best estimate of the consideration required to settle the present liabilities at the end of the reporting period, taking into account the risks and uncertainties surrounding the liabilities. All other cases, excluding those assessed as unlikely to be lost, are considered contingent liabilities and the related amounts are disclosed whenever the amount of the contingency can be reasonably estimated. As at March 31, 2016, contingent liabilities for claims and pending and threatened litigation have been estimated at \$11,848,954 (\$10,592,354 as at March 31, 2015) which is based on management's best estimate determined on a case by case basis.

14. Financial risk management

The CRA uses non-derivative financial instruments in the course of its operations that give rise to financial assets and financial liabilities. Those financial liabilities comprise accrued salaries, accounts payable and accrued liabilities, vacation pay and compensatory leave. Accounts receivable and advances represent those financial assets.

The CRA is exposed to credit risk, liquidity risk and market risk in connection with its financial instruments.

The credit risk is the risk that another party owing money to the CRA would fail to discharge its obligation creating a financial loss for the CRA. The maximum exposure of the CRA to the credit risk amounted to \$7,415,374 as at March 31, 2016 (\$10,152,549 as at March 31, 2015), which is equal to the carrying value of its accounts receivable and advances. As the vast majority of the CRA's accounts receivable and advances are either with other government departments or employees, the credit risk is low.

The liquidity risk is the risk that the CRA would encounter difficulty in meeting its obligations associated with its financial liabilities. The CRA's liquidity risk is minimal given that the CRA receives most of its funding through annual Parliamentary appropriations and maintains strong controls over expenditure management.

The market risk is defined as the risk that future cash flows of a financial instrument would fluctuate because of changes in currency rates, interest rates and/or other rates. The CRA's exposure to market risk is limited to fluctuations in the currency rates and the impact of such variations on CRA's cash flows is negligible as its financial transactions in foreign currency are immaterial.

The CRA's exposure to these risks and the policies and processes to manage and measure them did not change significantly from the prior year.

Financial Statements Discussion and Analysis – Agency Activities (unaudited)

Introduction

This section of the financial statements provides unaudited complementary information on Agency Activities, on an accrual basis, in respect of matters reported in the audited financial statements. The Canada Revenue Agency's (CRA) management is responsible for the preparation of this financial statements discussion and analysis.

Capacity to deliver services

The CRA's workforce of more than 40,000 employees is fundamental to the achievement of its mandate. In fiscal year 2015-2016, this workforce was comprised of 77% permanent employees, 21% term employees and 2% students.

CRA employees are located throughout Canada, in the following operational regions: Ontario (31%), Headquarters (25%), Prairies (13%); Québec (12%); Pacific (11%); and Atlantic (8%). They provide services to taxpayers in more than 50 tax services offices and tax centers, as well as program services and internal services supporting those programs.

The CRA's information technology (IT) capacity is also critical to its ability to deliver services to Canadians. It involves an extensive IT infrastructure that is managed primarily by Shared Services Canada and includes the development and maintenance of applications across a distributed computing environment.

Risk management

The CRA recognizes that a variety of risks could have potential implications on its financial position and operations. The Enterprise Risk Management (ERM) Division of the Audit, Evaluation, and Risk Branch plays a key role in ensuring that corporate risks are identified, impacts are assessed, and strategies for risk management are adopted, notably by producing the CRA Corporate Risk Profile.

Further details on ERM at the CRA are discussed in this report. This financial statements discussion and analysis will elaborate on specific financial risks throughout its content, where applicable.

Financial highlights

The CRA's financial position and operations remained stable for fiscal year 2015-2016. During the year, the CRA performed its responsibilities within its approved fiscal plan while continuing to modernize its services and compliance activities to improve the efficiency and effectiveness of its operations and programs.

The CRA has managed within the Parliamentary approved authorities for 2015-2016, with underspending of \$277.4 million. These unspent funds, available for use in 2016-2017, were largely planned and are a crucial element of the current Resource Management Strategy to address known financial commitments and emerging funding challenges.

Further delays in the ratification of collective agreements have necessitated an increase to the previously established provision for retroactive payments, which represents a significant component of the CRA's appropriations available for future years as of March 31, 2016. A portion of the internally funded strategic investment plan is another important component of those available appropriations. Major IT projects can face challenges due to the long-term and complex nature of these projects and as such require flexibility in the timing of resource utilization.

As part of its resource management strategy, the CRA continuously reviews and revises plans and priorities to ensure the effective and efficient use of government resources and the achievement of its core business outcomes. In 2015-2016, the majority of key performance targets were met or exceeded.

Discussion and analysis

Net cost of operations before government funding and transfers

The CRA's 2015-2016 net cost of operations before government funding and transfers amounted to \$4,049.4 million, a decrease of \$77.5 million from the \$4,126.9 million net cost of operations before government funding and transfers in 2014-2015.

Details of the net cost of operations before government funding and transfers are illustrated below (see note 8 to the Financial Statements – Agency Activities for a further breakdown of expenses by category):

Figure 1: Details on the net cost of operations before government funding and transfers

	2016	2015	Difference
	(in the	ousands of dol	lars)
Personnel	3,373,527	3,415,805	(42,278)
Accommodation	315,216	331,325	(16,109)
IT equipment and services	352,817	346,262	6,555
Transportation	125,796	124,081	1,715
Professional and business services excluding IT	138,004	140,175	(2,171)
Federal sales tax administration costs - Province of Québec	142,275	142,133	142
Other	91,659	107,712	(16,053)
Total expenses	4,539,294	4,607,493	(68,199)
Less: Non-tax revenues	489,925	480,620	9,305
Net cost of operations before government funding and transfers	4,049,369	4,126,873	(77,504)

Personnel expenses (salaries, other allowances and benefits) represent 74% of total expenses and are the CRA's primary costs. The remaining 26% of expenses are comprised of other costs such as accommodation and information technology related expenses.

Personnel costs have remained fairly stable in 2015-2016, decreasing by 1%. The decrease in employee severance benefit expenses was the main contributor to the overall decrease in personnel costs.

Non-personnel expenses have decreased by \$25.9 million or 2% in 2015-2016. This variance mainly results from a reduction in occupied office space following the implementation of the Government-wide strategy to support the Clerk of the Privy Council's commitment to workplace renewal.

Non-tax revenues slightly increased in 2015-2016 mostly as a result of increased workloads for the administration of the *Canada Pension Plan* and the *Employment Insurance Act*.

Financial position

The change in the Agency's net financial position compared to the previous year is as follows:

Figure 2: Statement of Financial Position

	2016	2015	Difference
	(in the	ousands of dol	lars)
Liabilities	1,463,916	1,429,577	34,339
Financial assets	276,524	292,255	(15,731)
Agency net debt	1,187,392	1,137,322	50,070
Non-financial assets	414,776	405,953	8,823
Agency net financial position	772,616	731,369	41,247

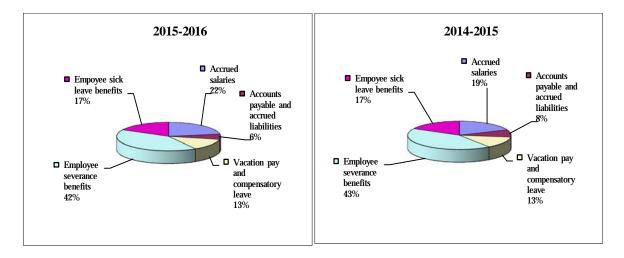
Liabilities

Liabilities have increased by \$34.4M mainly as a result of increased salary accruals in 2015-2016. This was offset in part, by a decrease in the accounts payable considering the amount payable to Treasury Board Secretariat (TBS) in 2014-2015 for the CRA's employee benefit plan.

Employee benefits represent a significant component of the CRA liabilities. They include obligations for severance and sick leave benefits as well as vacation pay and compensatory leave accrual.

Employee severance benefits remain the CRA's most important obligation as illustrated in the table below.

Figure 3: Liabilities by category



Employee sick leave and severance benefits account for 59% of the CRA total liabilities in 2015-2016. These are significant liabilities that require the use of management estimates and assumptions to determine their present value as at March 31 of each year. As such, there is a financial risk of imprecision in the financial position of the CRA where actual liabilities and the related expenses may differ significantly from current estimates. To minimize this risk, the CRA uses the expertise of the Office of the Chief Actuary, who provides an actuarial valuation report on a yearly basis, presenting the actuarial assumptions and method used to determine the actuarial present value of those employee benefits. Actuarial assumptions used by the CRA are consistent with those used by the Government of Canada.

It should be noted that, in August 2016, the CRA reached a tentative agreement with the Union of Taxation Employees in the Public Service Alliance of Canada, which will be subject to a ratification vote by employees. If ratified, employees will be given the option to be paid their accrued severance benefits in accordance to the provisions of the new collective agreement. As a result, it is anticipated that the CRA's employee severance benefit liability will be significantly reduced in the coming and future years.

Non-financial assets

Non-financial assets are comprised of 97% tangible capital assets. The CRA managed a capital budget of \$128.7 million for the year 2015-2016 (\$123.4 million for 2014-2015), of which a total of \$49.9 million (\$47.1 million for 2014-2015) remains available for use in future years in accordance with the CRA's multi-year resource management strategy.

The net book value of tangible capital assets remained fairly stable in 2015-2016 with a net increase of \$8.9 million. The vast majority of tangible capital assets owned by the CRA relates to IT, specifically in-house developed software. As a large organization responsible for delivering an extensive range of tax and benefits programs on behalf of the federal and of provincial governments, the CRA has specialized software needs that are primarily fulfilled internally through the development of in-house tailored applications by CRA employees.

To prioritize investment decisions regarding in-house developed software and support the effective management of resources, the CRA Finance Committee (FC) oversees investment projects above \$1 million. All projects brought to the FC require a formal attestation from the ERM Division that the CRA risk management process was followed and that sound risk information forms part of the submission. The attestation process takes place at various project development stages. Enterprise risk information is also used to inform the development of the CRA Strategic Investment Plan, a long-term plan of significant future investments. Alignment with the priorities outlined in the CRA Corporate Risk Profile is one of the considerations used to inform the priority ranking of initiatives.

Five year comparative financial information

The following tables provide a five year comparison of financial information based on the accounting policies described in note 2 to the audited financial statements.

Figure 4: Statement of Financial position

	2012	2013	2014	2015	2016
		(in thou	usands of dol	lars)	
Liabilities					
Accrued salaries	78,257	84,546	129,589	267,026	329,274
Accounts payable and accrued liabilities	152,187	118,466	94,901	120,595	87,790
Vacation pay and compensatory leave	182,977	187,625	189,672	188,444	189,038
Employee severance benefits	732,313	580,511	570,114	606,770	604,149
Employee sick leave benefits	234,700	235,200	243,700	246,742	253,665
Total liabilities	1,380,434	1,206,348	1,227,976	1,429,577	1,463,916
Financial assets					
Cash	77	67	54	-	-
Due from the Consolidated Revenue Fund	175,851	132,003	163,405	282,102	269,109
Accounts receivable and advances	8,382	37,348	6,624	10,153	7,415
Total financial assets	184,310	169,418	170,083	292,255	276,524
Agency net debt	1,196,124	1,036,930	1,057,893	1,137,322	1,187,392
Non-financial assets					
Prepaid expenses	12,953	10,350	11,963	12,538	12,454
Tangible capital assets	403,936	391,779	386,327	393,415	402,322
Total non-financial assets	416,889	402,129	398,290	405,953	414,776
Agency net financial position	779,235	634,801	659,603	731,369	772,616

Comparative figures have been reclassified with the current year presentation.

Figure 5: Segmented information – Expenses

	2012	2013	2014	2015	2016
		(in the	usands of do	llars)	_
Personnel:					
0.1.	2 260 040	2 201 012	2 400 276	2 420 100	2 406 041
Salaries	2,360,040	2,381,913	2,408,276	2,420,180	2,406,841
Other allowances and benefits	1,184,690	979,491	979,750	995,625	966,686
	3,544,730	3,361,404	3,388,026	3,415,805	3,373,527
Professional and business services	259,437	368,636	372,352	370,037	375,812
Accommodation	344,894	348,320	349,810	331,325	315,216
Federal sales tax administration costs by the Province of Québec	141,067	142,222	142,772	142,133	142,275
Transportation and communications	160,653	126,048	115,408	125,987	127,699
Amortization of tangible capital assets	94,770	70,131	75,040	79,171	83,843
Other services and expenses	47,102	39,120	28,726	42,573	35,368
Repair and maintenance	68,769	30,274	17,102	21,358	20,143
Interest on average accrued benefit obligations	-	24,749	21,526	25,476	20,003
Materials and supplies	26,319	23,951	20,094	19,229	19,794
Equipment purchases	63,924	25,788	17,056	18,747	17,461
Advertising, information and printing services	8,836	8,815	8,805	7,710	4,865
Equipment rentals	3,611	2,755	3,162	2,358	2,389
Loss on disposal/write-off of tangible capital assets	19,929	2,789	2,204	5,584	899
Total expenses	4,784,041	4,575,002	4,562,083	4,607,493	4,539,294

 $Comparative \ figures \ have \ been \ reclassified \ with \ the \ current \ year \ presentation.$

Figure 6: Segmented information – Non-tax revenue

	2012	2013	2014	2015	2016
		(in thou	sands of doll	ars)	
Non-tax revenues credited to Vote 1					
Fees for administering the Employment Insurance Act	176,355	182,573	182,794	174,319	179,196
Fees for administering the Canada Pension Plan	138,828	147,718	147,771	141,225	143,208
	315,183	330,291	330,565	315,544	322,404
Non-tax revenues available for spending					
Services fees	138,698	61,214	56,496	54,190	53,722
Administration fees - provinces and territories	103,315	102,539	104,115	108,424	110,387
Miscellaneous respendable revenues	2,444	2,701	2,325	2,462	3,412
	244,457	166,454	162,936	165,076	167,521
Non-tax revenues not available for spending					
Recovery of employee benefit costs relating to non-tax revenues					
credited to Vote 1 and revenues available for spending	61,242	60,717	61,834	63,925	65,653
Miscellaneous non-tax revenues	1,470	2,898	1,172	769	3,890
	62,712	63,615	63,006	64,694	69,543
Total non-tax revenues before revenues earned					
on behalf of Government	622,352	560,360	556,507	545,314	559,468
Revenues earned on behalf of Government	(62,712)	(63,615)	(63,006)	(64,694)	(69,543)
Total non-tax revenues	559,640	496,745	493,501	480,620	489,925

Comparative figures have been reclassified with the current year presentation.

Outlook

Looking ahead, the CRA will continue to modernize its services and compliance activities to improve the efficiency and effectiveness of its operations and programs while contributing to the Government of Canada's priorities.

As announced in the 2016 federal budget, the Government of Canada will invest an additional \$1 billion over the next five years to strengthen the CRA's capacity to improve service to Canadians, combat tax evasion and tax avoidance and enhance tax collections.

Canada Revenue Agency Financial Statements – Administered Activities



Office of the Auditor General of Canada Bureau du vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Board of Management of the Canada Revenue Agency and the Minister of National Revenue

I have audited the accompanying statement of administered assets and liabilities of the Canada Revenue Agency as at 31 March 2016, and the statement of administered revenues and pension contributions, statement of administered expenses and recoveries and statement of administered cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (together "the financial information"). The financial information has been prepared by management using the basis of accounting described in Note 2.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this financial information in accordance with the basis of accounting described in Note 2; this includes determining that the basis of accounting is an acceptable basis for the preparation of the financial information in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial information based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial information presents fairly, in all material respects, the administered assets and liabilities of the Canada Revenue Agency as at 31 March 2016, and the results of its administered operations and its administered cash flows for the year then ended in accordance with the basis of accounting described in Note 2.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 2 to the financial information, which describes the purpose and basis of accounting for reporting activities administered by the Canada Revenue Agency on behalf of others. This financial information may not be suitable for another purpose. Management prepares a separate set of financial statements to report the operational revenues and expenses of the Canada Revenue Agency.

Chantale Perreault, CPA, CA Principal for the Auditor General of Canada

30 August 2016 Ottawa, Canada

Canada Revenue Agency Statement of Administered Assets and Liabilities as at March 31 (in thousands of dollars)

	2016	2015
Administered assets		
Cash on hand	7,861,143	7,397,817
Amounts receivable from taxpayers (note 3)	105,225,411	96,885,030
Amounts receivable under the tobacco civil settlements (note 4)	240,578	310,633
Total assets	113,327,132	104,593,480
Administered liabilities		
Amounts payable to taxpayers (note 5)	53,701,199	56,203,780
Amounts payable to provinces (note 6)	624,017	600,570
Deposit accounts (note 7)	189,979	178,508
	54,515,195	56,982,858
Net amount due to the Consolidated Revenue Fund		
on behalf of the Government of Canada and others (note 8) Total liabilities	58,811,937 113,327,132	47,610,622 104,593,48 0
Contingent liabilities (note 9)		
The accompanying notes form an integral part of these financial state. Approved by:	ments.	
	August 30, 2	2016
Bob Hamilton Commissioner of Revenue and Chief Executive Officer of the Canada Revenue Agency	Date	
	August 30, 2	2016

Canada Revenue Agency Statement of Administered Revenues and Pension Contributions for the year ended March 31 (in thousands of dollars)

	2016	2015
Federal administered revenues		
Income tax revenues		
Individuals and Trusts (note 10)	144,953,138	135,810,323
Corporations	41,443,831	39,446,519
Non-resident tax withholdings	6,505,060	6,216,306
	192,902,029	181,473,148
Other taxes, duties, and charges		
Goods and services tax (note 11)	11,214,278	10,310,612
Energy taxes	5,495,888	5,469,039
Other excise taxes and duties	3,619,059	3,530,554
Miscellaneous charges (note 12)	851,571	691,002
	21,180,796	20,001,207
Employment insurance premiums	23,491,100	22,962,274
Interest, penalties, and other revenues (note 13)	4,346,573	4,508,971
Revenues administered for the Government of Canada	241,920,498	228,945,600
Provincial, territorial and First Nations administered revenues		
Income tax revenues		
Individuals and Trusts	66,859,379	62,206,617
Corporations	18,130,252	15,869,127
	84,989,631	78,075,744
Provincial portion of harmonized sales tax (note 14)	24,542,052	23,515,772
Other revenues (note 15)	489,217	568,300
Revenues administered for		
provincial and territorial governments and First Nations	110,020,900	102,159,816
Pension contributions, interest, and penalties administered for the	46 212 741	AE 150 70A
Canada Pension Plan (note 16) Total administrated revenues and pension contributions	46,212,741	45,158,794
Total administered revenues and pension contributions	398,154,139	376,264,210

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency Statement of Administered Expenses and Recoveries for the year ended March 31 (in thousands of dollars)

_	2016	2015
Federal administered expenses		
Transfers to individuals		
Child tax benefits (note 18)	10,509,650	10,372,188
Universal child care benefits (note 18)	7,522,699	3,935,467
Working income tax benefit	1,241,999	1,257,805
Children's special allowances	309,173	214,761
Refundable tax credits	334,245	142,496
_	19,917,766	15,922,717
Transfers to corporations		
Refundable investment tax credit	1,350,582	1,392,292
Film and video tax credits	343,663	357,768
_	1,694,245	1,750,060
Other federal expenses		
Doubtful accounts expense (note 3)	3,840,614	3,861,357
Interest expense	396,414	388,469
Transfers to provinces for softwood lumber products export charge	121,481	(15,119)
· · · · · · · · · · · · · · · · · · ·	4,358,509	4,234,707
Total	25,970,520	21,907,484
Federal administered recoveries		
Old age security benefits	(1,517,042)	(1,449,945)
Employment insurance benefits	(270,830)	(235,234)
	(1,787,872)	(1,685,179)
Net expenses and recoveries administered for the		
Government of Canada	24,182,648	20,222,305
Provincial and territorial administered expenses		
Transfers to individuals		
Ontario energy and property tax credit	1,357,865	1,196,643
Family benefit programs	1,358,369	1,188,203
British Columbia low-income climate action tax credit	194,802	191,869
Ontario senior homeowners' property tax grant	233,708	232,893
Other property tax credits	122,964	121,184
Other transfers	371,588	398,527
	3,639,296	3,329,319
Transfers to corporations	, ,	
Refundable investment tax credits	740,872	852,539
Film and television production services tax credits	839,993	873,830
	1,580,865	1,726,369
Expenses administered for provincial and territorial governments	5,220,161	5,055,688
Doubtful accounts expense administered for the	- / = - /	- , ,
Canada Pension Plan (note 3)	93,433	113,056
Total net administered expenses and recoveries	29,496,242	25,391,049

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency Statement of Administered Cash Flows for the year ended March 31 (in thousands of dollars)

	2016	2015
Total administered revenues and pension contributions	398,154,139	376,264,210
Total net administered expenses and recoveries	(29,496,242)	(25,391,049)
Revenues paid or payable directly to a province	(436,136)	(520,648)
Changes in administered assets and liabilities:		
Cash on hand	(463,326)	91,444
Amounts receivable from taxpayers	(8,340,381)	
Amounts receivable under the tobacco civil settlements	70,055	
Amounts payable to taxpayers	(2,502,581)	3,598,423
Amounts payable to provinces	23,447	(47,447)
Deposit accounts	11,471	16,178
Net cash deposited in the Consolidated Revenue Fund of the		
Government of Canada (note 8)	357,020,446	348,169,657
Consisting of:		
Cash deposits to the Consolidated Revenue Fund	484,790,491	469,928,612
Cash refunds/payments from the Consolidated Revenue Fund	(127,770,045)	(121,758,955)
Net cash deposited in the Consolidated Revenue Fund of the		· · · · · · · · · · · · · · · · · · ·
Government of Canada (note 8)	357,020,446	348,169,657

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency Notes to the Financial Statements – Administered Activities

1. Authority and objectives

The Canada Revenue Agency (CRA) is an agent of Her Majesty in right of Canada under the Canada Revenue Agency Act. The CRA is a departmental corporation named in Schedule II of the Financial Administration Act and reports to Parliament through the Minister of National Revenue.

The mandate of the CRA is to support the administration and enforcement of tax legislation and other related legislation. The CRA provides support, advice and services by:

- (a) supporting the administration and enforcement of the program legislation;
- (b) implementing agreements between the Government of Canada or the CRA and the government of a province, territory, or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;
- (c) implementing agreements or arrangements between the CRA and departments or agencies of the Government of Canada to carry out an activity or administer a program; and
- (d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The CRA administers revenues, including income and sales taxes and Employment insurance premiums, administers tax legislation, delivers a number of social benefit programs to Canadians for the federal, provincial, territorial, and First Nations governments, and administers other amounts, including Canada Pension Plan contributions, for other groups or organizations. It is responsible for administering and enforcing the following acts or parts of acts: the Air Travellers Security Charge Act, the Canada Revenue Agency Act, the Children's Special Allowances Act, Part V.1 of the Customs Act, section 2 of the Energy Costs Assistance Measures Act, the Excise Act, the Excise Tax Act (including the goods and services tax (GST) and the harmonized sales tax (HST) except for GST/HST on imported goods), the Excise Act, 2001, the Income Tax Act, the Softwood Lumber Products Export Charge Act, 2006, the Universal Child Care Benefit Act, and others including various provincial acts.

In the province of Quebec, Revenu Québec (RQ) acts as an agent of the CRA in administering and enforcing the GST, except for GST in respect of selected listed financial institutions. The CRA monitors cash transfers made by RQ, reports the GST revenues administered on its behalf, and transfers funds out of the Consolidated Revenue Fund to RQ so it can issue refunds.

Under an agreement with the province of Nova Scotia, the CRA receives worker's compensation payments and transfers these to the province. The CRA's mandate for administering customs legislation is limited to the collection functions noted under Part V.1 of the Customs Act. The CRA also provides collection services to Employment and Social Development Canada for certain accounts receivable under various acts.

2. Summary of significant accounting policies

For financial reporting purposes, the CRA's activities have been divided into two sets of financial statements: agency activities and administered activities. The purpose of these administered activities statements is to give information about the tax-related revenues, expenses, assets, and liabilities that the CRA administers on behalf of the federal, provincial, and territorial governments, First Nations, and other organizations. The CRA administers individual income tax for all provinces except Quebec, and corporation income tax for all provinces except Quebec and Alberta. The Financial Statements – Agency Activities include the operational revenues and expenses that the CRA manages and uses to run the organization.

The Canada Revenue Agency Act requires the CRA to prepare financial statements in accordance with accounting principles consistent with those applied in preparing the financial statements of the Government of Canada. As a result, CRA follows those accounting principles to account for the federal administered activities. In addition, activities administered for the provincial and territorial governments, First Nations and other organizations are accounted for on the same basis as those administered for the federal government, and may differ from the accounting principles used by those provincial and territorial governments, First Nations and other organizations. These stated accounting policies are based on Canadian public sector accounting standards.

A summary of the significant accounting policies follows:

(a) Revenue and pension contributions recognition

Revenues and pension contributions are recognized in the year in which the event that generates the revenue or the pension contribution occurs and when the effective date of the related legislation has passed and either the legislation, regulation or by-laws have been approved by the legislature or the ability to assess and collect tax has been provided through legislative convention.

The Canadian tax system is based on self-assessment, so taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The CRA has implemented systems and controls to detect and correct situations where taxpayers are not complying with the various acts it administers. These systems and controls include audits of taxpayer records when the CRA decides they are necessary, but these procedures cannot be expected to identify all sources of unreported income or other cases of non-compliance with tax laws. The CRA is unable to estimate the amount of unreported tax.

An assessment (or reassessment) of tax includes all decisions and other steps made or taken by the Minister of National Revenue and officials of the CRA under the federal, provincial, and territorial acts or sections of the acts the CRA administers to calculate tax payable by taxpayers. When verifying a taxpayer's return, the CRA uses the various tax acts it administers and other criteria it developed that are designed to substantially meet the provisions of these acts. Reassessments include changes to previously assessed taxes payable at the request of the taxpayer, for example to claim a subsequent loss carry-back, or changes the CRA initiated as a result of applying procedures to verify reporting compliance, such as taxpayer audits.

Revenues are reported net of tax concessions. As foregone revenue, tax concessions do not give rise to assets or expenses of the taxing government. Refundable tax credits, deductions, or exemptions provided by the federal, provincial, territorial or First Nations governments are considered tax concessions when they provide tax relief to taxpayers and relate to the types of taxes that are a revenue source administered by CRA. When the CRA does not administer the related tax revenue, these refundable tax credits, deductions, or exemptions are accounted for as transfers made through the tax system.

The following policies are applied for specific streams:

(i) Income taxes, Canada Pension Plan contributions, and Employment insurance premiums:

Income tax revenues are recognized when the taxpayer has earned income that is subject to tax. Income is calculated net of tax deductions and credits allowed under the *Income Tax Act*, including refundable taxes resulting from current-year activity.

Canada Pension Plan (CPP) contributions from employees, employers and self-employed persons are recognized when the pensionable income is earned. Employment insurance (EI) premiums are recognized as revenue in the period the insurable earnings are earned. For non-resident taxpayers (individuals and corporations), revenues are recognized when the taxpayers receive income from which tax is withheld on active and inactive income they earned in Canada.

These revenues and pension contributions are measured from amounts assessed/reassessed and from estimates of amounts not yet assessed/reassessed based on cash received that relates to the fiscal year ended March 31. Revenues and pension contributions for the fiscal year also include adjustments between the estimated revenues of previous years and actual amounts, as well as revenues from reassessments relating to prior years. An additional estimate of future reassessments is only recorded when it can be reliably determined. This is limited to assessments under objection or appealed to various courts.

(ii) Other taxes, duties, and charges:

Goods and services tax (GST) and harmonized sales tax (HST) revenues on domestic goods and services, as well as the Quebec sales tax in respect of selected listed financial institutions are recognized at the time the goods are sold or the services provided. Revenues are reported net of input tax credits, GST/HST rebates, and the GST quarterly tax credits in the case of GST revenues. Input tax credits are the recovery of GST/HST paid or owed on purchases related to domestic and imported commercial activities of the taxpayer. Rebates are granted in various circumstances, for example to relieve the tax burden in areas where the cost of housing is very high, or to allow for the recovery of taxes on purchases where the purchaser cannot claim an input tax credit. The GST quarterly tax credit for low-income individuals and families is recorded in the period it relates to. It is intended to offset the cost of the tax for low-income individuals and families.

For excise taxes, revenue is recognized when a taxpayer sells goods taxable under the Excise Tax Act. For excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the Excise Act and the Excise Act, 2001.

These revenues are measured from amounts assessed, and from estimates of amounts not yet assessed based on cash received or historical information, that relate to the fiscal year ended March 31. Miscellaneous charges are recognized as revenue when they are earned.

(iii) Interest, penalties, and other revenues:

Interest, penalties, and other revenues are recorded when they are earned. Except for the portion related to CPP which is credited to the CPP account, all interest and penalty revenues are reported as revenues administered for the federal government as stated in the terms of the tax collection agreements with the provinces and territories. Interest and penalties are recorded net of amounts waived under the various tax acts.

(b) Expenses

(i) Transfers:

Transfers are recognized in the year during which the events giving rise to them occur, provided that the transfer is authorized and all eligibility criteria have been met by the recipient, and a reasonable estimate of the amounts can be made. Transfers made through a tax system are considered authorized when the related tax measures are authorized. Transfers to provinces for the softwood lumber products export charge are recorded as an expense in the same year that the related softwood lumber products export charge revenues are recognized.

(ii) Interest expense:

Refunds may arise late, largely from the resolution of long-standing corporation tax files in favour of the taxpayer. Interest is accrued on refunds from the date that the tax instalment was initially paid to the date that the case is resolved. The CRA records the interest expense in the fiscal year it relates to.

(iii) Administered recoveries:

Recoveries of old age security and EI benefits are recognized when assessed. Amounts not yet assessed are estimated. The CRA reports only recoveries assessed through the individual income tax system. Recoveries determined by other federal government departments are not reported in these financial statements.

(c) Cash on hand

Cash on hand refers to amounts received in the CRA's offices or by its agents up to March 31 but not yet deposited to the credit of the Consolidated Revenue Fund of the Government of Canada. CRA or its agents deposit funds to the Consolidated Revenue Fund on a daily basis.

(d) Amounts receivable from taxpayers

Amounts receivable from taxpayers include taxes, interest, penalties, and other revenues assessed or estimated by the CRA but not yet collected. A significant portion of the receivable balance results from recording accrued receivables that relate to the current fiscal year but are not due to be paid by taxpayers until the next fiscal year.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts is management's best estimate of the portion of receivable amounts that have been assessed that won't be collected, including the related interest and penalties, but not yet paid. The allowance for doubtful accounts has two components. A general allowance is calculated based on the age and type of tax accounts using rates based on historical collection experience. A specific allowance is calculated based on an annual review of all accounts over \$10 million.

The allowance for doubtful accounts is adjusted every year through the doubtful accounts expense and is reduced by amounts written off as uncollectible during the year. The annual expense is reported in the Statement of Administered Expenses and Recoveries. Except for the portion related to CPP contributions, which is charged to the CPP account, the provision is charged to expenses administered for the federal government because it assumes all collection risks, as stated in the terms of the tax collection agreements with the provinces, territories, and First Nations.

(f) Amounts payable to taxpayers

Amounts payable to taxpayers include refunds and related interest assessed or estimated by the CRA that were not paid up to March 31. A significant portion of the amount payable results from recording accrued payables that relate to the current year but are not due for payment until the next fiscal year. They include refunds resulting from assessments completed after March 31, and estimates of refunds for individual and trust income tax and corporation income tax not yet assessed.

(g) Contingent liabilities

Contingent liabilities are potential liabilities resulting from, for example, previously assessed taxes recorded as revenue that might become actual liabilities if one or more future events occurs or does not occur. If the future event is likely to occur or likely to not occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and the revenues are reduced. If the likelihood cannot be determined or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(h) Measurement uncertainty

To prepare these statements, management has to make estimates and assumptions that affect the amounts of assets, liabilities, revenues, expenses, and recoveries reported. For these financial statements items, measurement uncertainty is inherent but inestimable. Estimates are used to record unassessed tax revenues and the related amounts receivable and payable, as well as the allowance for doubtful accounts. In particular, estimates are made to determine individual and trust income tax revenues, corporation income tax revenues, non-resident tax withholdings, GST/HST revenues, energy taxes, other excise tax and duty revenues, El premiums, CPP contributions, and the related amounts receivable and payable.

A key assumption used in estimating tax revenues is that tax installments and historical information on refund rates, payments received upon filing tax returns and amounts receivable assessed are good indicators of the amount of tax revenue earned to March 31 that has not yet been assessed. Another assumption is that historical tax assessment information is a good basis to allocate tax revenues between their various components (for example, between federal, provincial and territorial tax revenues). Relevant factors such as new administered activities, legislative changes and economic factors may also be considered. Finally, the key assumption used to estimate the general allowance for doubtful accounts is that historical collection information is a good indicator of uncollectible receivables.

Estimates are based on the best information available at the time of preparation of these statements and management believes these estimates and assumptions to be reasonable. Actual results could differ significantly from the estimates and any differences are recorded in the year the actual amounts are determined. Management monitors the accuracy of the estimates and the underlying assumptions through annual validation procedures and adjusts its estimation models as required. The methodologies used to determine the estimates were applied consistently with the previous year.

3. Amounts receivable from taxpayers

Amounts receivable from taxpayers include taxes, interest, penalties, and other revenues assessed or estimated by the CRA but not yet collected. A significant portion of the receivable balance results from recording accrued receivables that relate to the current fiscal year but are not due to be paid by taxpayers until the next fiscal year.

The following table shows details of the amounts receivable from taxpayers as reported in the Statement of Administered Assets and Liabilities. Amounts receivable from individuals and employers include Canada Pension Plan contributions and Employment insurance premiums as applicable.

		2016		2015
		Allowance for doubtful	NT.	
	Gross	accounts	Net	Net
		(in thousands of	of dollars)	
Income taxes				
Individuals	60,869,309	(6,997,325)	53,871,984	48,489,647
Employers	20,068,858	(1,134,713)	18,934,145	16,801,814
Corporations	18,183,660	(2,528,528)	15,655,132	14,681,833
Non-residents	1,510,733	(132,148)	1,378,585	1,324,307
GST/HST	16,829,107	(2,522,301)	14,306,806	14,257,423
Excise taxes and duties and miscellaneous charges	1,527,779	(449,020)	1,078,759	1,330,006
Total	118,989,446	(13,764,035)	105,225,411	96,885,030

Changes in the allowance for doubtful accounts include the following:

	Allowance for doubtful accounts March 31, 2015	Doubtful accounts expense	Write-offs	Allowance for doubtful accounts March 31, 2016
		(in thousands	of dollars)	
Income taxes				
Individuals	(6,659,992)	(1,780,452)	1,443,119	(6,997,325)
Employers	(1,051,753)	(365,856)	282,896	(1,134,713)
Corporations	(2,282,670)	(763,236)	517,378	(2,528,528)
Non-residents	(137,764)	(27,065)	32,681	(132,148)
GST/HST	(2,693,741)	(724,911)	896,351	(2,522,301)
Excise taxes and duties and miscellaneous charges	(195,689)	(272,527)	19,196	(449,020)
Total	(13,021,609)	(3,934,047)	3,191,621	(13,764,035)

The doubtful accounts expense of \$3,934 million (\$3,974 million in 2015) reported above includes an amount of \$3,841 million (\$3,861 million in 2015) recorded as an expense administered on behalf of the federal government (see note 2(e)) and \$93 million (\$113 million in 2015) charged against expenses administered on behalf of the Canada Pension Plan.

4. Amounts receivable under the tobacco civil settlements

On July 31, 2008, the federal and provincial governments entered into civil settlement agreements with two tobacco companies to resolve potential civil claims. Under the terms of the agreements, payments totalling \$850 million are to be made to Canada, for Canada and the provinces. The federal government's share is \$325 million and the provincial governments' share is \$525 million. The settlement agreements state that the amounts will be fully paid by 2023. Up to \$800 million is expected to be received in the first 10 years of the agreements and about \$50 million in the following five years. These amounts are recorded at the nominal value.

The following table gives details of the amounts receivable related to the tobacco civil settlement agreements:

		2016			2015	
	Government of Canada	Provincial		Government of Canada	Provincial	
	share	share	Total	share	share	Total
			(in thousan	ds of dollars)		
Balance, beginning of year Amounts	162,000	148,633	310,633	196,000	202,444	398,444
received during the year	(34,000)	(36,055)	(70,055)	(34,000)	(53,811)	(87,811)
Balance, end of year	128,000	112,578	240,578	162,000	148,633	310,633

5. Amounts payable to taxpayers

The following table gives details of the amounts payable to taxpayers as reported in the Statement of Administered Assets and Liabilities:

	2016	2015
	(in thousands o	of dollars)
Individuals	34,321,628	35,815,426
Corporations	8,293,710	9,327,020
GST/HST	10,755,233	10,904,114
Employers and non-residents	268,023	59,617
Excise taxes and duties and miscellaneous charges	62,605	97,603
Total	53,701,199	56,203,780

6. Amounts payable to provinces

The following table gives details of amounts payable to provinces as reported in the Statement of Administered Assets and Liabilities:

	2016	2015
	(in thousands of dollars)	
Provincial share of the tobacco civil settlements (note 4)	112,578	148,633
Amounts payable to Quebec:		
Individual income tax withholdings	211,846	221,576
GST refunds issued by Quebec	88,983	110,504
Quebec sales tax in respect of selected listed financial institutions	159,746	139,375
British Columbia sales tax transitional measures	1,487	(2,942)
Nova Scotia worker's compensation	1,139	1,126
Ontario corporation income tax and opportunities fund	1,244	1,584
Softwood lumber products export charge net of costs incurred		
by the federal government	46,994	(19,286)
Total	624,017	600,570

The CRA is acting as an agent for the provinces under the tobacco civil settlements. The CRA's liability to the provinces for their expected share of the settlement amounts is limited to the amounts that will ultimately be collected from the tobacco companies.

Amounts payable to provinces, territories, and other organizations, which are settled by other departments such as the Department of Finance for provincial, territorial, and First Nations taxes, are not recorded in these financial statements because these amounts are outside the CRA's responsibility.

The CRA received \$270 million in Nova Scotia worker's compensation payments during the year (\$265 million in 2015), these payments are transferred directly to the province. Since this is a flow through arrangement, it is not reported as administered revenues.

7. Deposit accounts

Deposit accounts are established to record cash and securities required to guarantee payment of GST for non-resident registrants and certain licensees for excise taxes, which are both payable pursuant to the Excise Tax Act. The following table shows activity on the deposit accounts as reported in the Statement of Administered Assets and Liabilities:

	2016	2015	
	(in thousands of dollars)		
Balance, beginning of year	178,548	162,370	
Receipts and other credits	40,981	41,120	
Payments and other charges	(29,510)	(24,942)	
Balance, end of year	190,019	178,548	
Securities held in trust	(40)	(40)	
Net deposit accounts	189,979	178,508	

8. Net amount due to the Consolidated Revenue Fund

The net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others is the difference between administered assets (taxes not yet received and/or deposited in the fund) and administered liabilities payable by the CRA out of the fund.

The net cash deposited in the Consolidated Revenue Fund of the Government of Canada includes amounts the CRA receives on behalf of the federal government, provinces, territories, and other organizations and deposits in the fund, less refunds and payments issued from the fund during the year.

The following table shows the change in the net amount due to the Consolidated Revenue Fund during the fiscal year:

	2016	2015
	(in thousands of dollars)	
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the beginning of the year	47,610,622	45,427,766
Total administered revenues and pension contributions	398,154,139	376,264,210
Total net administered expenses and recoveries	(29,496,242)	(25,391,049)
Revenues paid or payable directly to a province	(436,136)	(520,648)
Net cash deposited in the Consolidated Revenue Fund of the Government of Canada Net amount due to the Consolidated Revenue Fund on behalf	(357,020,446)	(348,169,657)
of the Government of Canada and others at the end of the year	58,811,937	47,610,622

Contingent liabilities

Contingent liabilities include previously assessed taxes where amounts are under objection or are being appealed to the Tax Court of Canada, the Federal Court of Canada, or the Supreme Court of Canada. As of March 31, 2016, \$21,915 million was under objection at the CRA level (\$22,987 million for 2015) and \$7,035 million was being appealed to the courts (\$5,450 million for 2015). The CRA has recorded, in the amounts payable to taxpayers or in reduction of the amounts receivable from taxpayers, as applicable, the estimated amount of objections or appeals that are considered likely to be lost and that can be reasonably estimated.

10. Quebec abatement

The Quebec abatement is provided to Quebec residents under the *Income Tax Act* (ITA) and the *Federal-Provincial Fiscal Arrangement Act*. Residents of Quebec subtract 16.5 per cent of the Basic Federal Tax owed to the Government of Canada when compiling their taxes while the government of Quebec receives additional tax room. In accordance with the *Federal-Provincial Fiscal Revision Act*, 1964 and the *Federal-Provincial Fiscal Arrangement Act*, the Government of Quebec pays the federal government the value of the Quebec Abatement through an equivalent reduction in transfer payments to the province of Quebec for programs delivered by the federal government.

The Quebec Abatement reduces the federal tax payable under the ITA and is therefore accounted for as a tax concession netted against individual income tax revenues. For the fiscal year ended March 31, 2016, the Quebec abatement assessed by CRA was \$4,489 million (\$4,236 million for 2015).

11. Goods and services tax revenues

The GST reported on the Statement of Administered Revenues and Pension Contributions includes the federal portion of HST. It is net of input tax credits (ITC), rebates, and the GST quarterly tax credit for low income individuals and families that the CRA administers. It does not include GST revenues on imported goods, which are administered and reported by the Canada Border Services Agency. The CRA has sole responsibility for administering all ITC, including those claimed on imported goods. ITC relating to GST on imports are not accounted for separately from ITC relating to GST on domestic transactions.

The following table shows details of the GST revenues that the CRA administers for the Government of Canada as reported in the Statement of Administered Revenues and Pension Contributions:

	2016	2015
	(in thousands	of dollars)
Gross GST revenues	153,378,249	155,155,484
ITC	(131,711,894)	(134,592,306)
GST revenues net of ITC	21,666,355	20,563,178
GST rebates	(6,094,603)	(6,058,107)
GST quarterly tax credits for low-income individuals and families	(4,357,474)	(4,194,459)
GST net revenues	11,214,278	10,310,612

12. Miscellaneous charges

The following table details the miscellaneous charges that the CRA administers for the federal government as reported in the Statement of Administered Revenues and Pension Contributions:

	2016	2015
	(in thousands o	f dollars)
Softwood lumber products export charge	130,347	(4,700)
Air travellers security charge	721,224	695,702
Total	851,571	691,002

The Softwood Lumber Agreement expired on October 12, 2015. CRA will continue to administer retroactive transactions in accordance with the terms set out in the Agreement.

13. Interest, penalties, and other revenues

Various tax legislations give the CRA the authority, under certain conditions, to assess interest and penalties related to taxes due and regulations that taxpayers have not complied with. Interest is charged on overdue balances using rates determined quarterly, which in most cases are based on the ninety day Treasury Bills rate rounded plus 4%. The interest rate applicable as at March 31, 2016 on most overdue balances was 5% (5% in 2015). The CRA has the authority to waive the interest and penalties that would normally be charged under certain circumstances such as processing delays caused by the CRA, financial hardship experienced by taxpayers, or other extraordinary circumstances.

Other revenues consist of miscellaneous fees and charges such as court fines and administration charges for dishonoured payments.

The following table gives details on interest, penalties, and other revenues that the CRA administers for the federal government as reported in the Statement of Administered Revenues and Pension Contributions:

	2016	2015
	(in thousands o	f dollars)
Gross interest and penalties	4,646,250	4,775,971
Interest and penalties waived under authority		
of the <i>Income Tax Act</i>	(309,179)	(274,874)
Net interest and penalties	4,337,071	4,501,097
Fines imposed under various acts	8,343	6,620
Other revenues	1,159	1,254
Interest, penalties, and other revenues	4,346,573	4,508,971

14. Provincial portion of harmonized sales tax

During the year, CRA administered the provincial portion of the HST for the provinces of Ontario, Nova Scotia, New Brunswick, Newfoundland and Labrador and Prince Edward Island as well as returns for the period from July 2010 to March 2013 for British Columbia. CRA recorded these revenues in accordance with the accounting policies described in note 2.

The provincial portion of HST reported on the Statement of Administered Revenues and Pension Contributions is net of input tax credits (ITC), rebates and credits accounted as tax concessions. It includes the recaptured ITC, which applies to certain types of supplies purchased by large businesses. It does not include the provincial portion of HST collected on imported goods, which is administered and reported by the Canada Border Services Agency.

The following table details the provincial portion of HST revenues as reported in the Statement of Administered Revenues and Pension Contributions:

	2016	2015
	(in thousands of dollars)	
Provincial portion of gross HST revenues	107,485,979	108,574,218
Provincial portion of ITC	(76,958,195)	(79,425,774)
Provincial portion of HST rebates	(899,766)	(900,547)
Recaptured ITC	480,221	524,468
Transitional tax	21,712	26,537
HST provincial rebates	(4,145,471)	(3,963,636)
Provincial portion of HST net revenues before credits	25,984,480	24,835,266
Provincial sales tax credits		
Ontario sales tax credit	(1,315,607)	(1,193,820)
British Columbia harmonized sales tax credit	(8,756)	(9,960)
Nova Scotia affordable living tax credit	(65,625)	(65,698)
Newfoundland and Labrador harmonized sales tax credit	(46,008)	(43,888)
Ontario sales tax transition benefit	6	22
Prince Edward Island sales tax credits	(6,438)	(6,150)
Total provincial sales tax credits	(1,442,428)	(1,319,494)
Net Provincial portion of HST	24,542,052	23,515,772

15. Other revenues

The following table gives details of other revenues the CRA administers for provincial and territorial governments and First Nations as reported in the Statement of Administered Revenues and Pension Contributions.

	2016	2015
	(in thousands of	of dollars)
Quebec sales tax in respect of selected listed financial institutions	436,136	520,648
First Nations sales tax and GST	24,717	24,494
First Nations income tax	28,364	23,158
Total	489,217	568,300

16. Pension contributions, interest, and penalties administered on behalf of the Canada Pension Plan

The following table shows details of the transactions the CRA administers on behalf of the Canada Pension Plan as reported in the Statement of Administered Revenues and Pension Contributions:

	2016	2015	
	(in thousands o	of dollars)	
Pension contributions	46,021,004	44,959,939	
Interest and penalties	191,737	198,855	
Total	46,212,741	45,158,794	

17. Related-party transactions

The CRA is related in terms of common ownership to all Government of Canada departments, agencies, and Crown corporations. The CRA deposits all monies received to the Consolidated Revenue Fund (CRF), and the Department of Finance makes payments out of the CRF to provinces, territories, and other organizations for amounts such as provincial, territorial, and First Nations taxes, for which the CRA administers the revenue. Old age security benefit recoveries, Canada Pension Plan contributions (net of overpayments refunded by the CRA), and Employment insurance premiums are credited to Employment and Social Development Canada, which administers the Old Age Security program, the Canada Pension Plan, and the Employment Insurance Operating Account. The CRA also administers a refund set-off program that can use individuals' tax refunds to pay debts they owe under federal, provincial, or territorial programs.

The CRA provides collection services to the Canada Border Services Agency under Part V.I of the Customs Act. It also provides collection services to Employment and Social Development Canada for certain accounts receivable under the Canada Education Savings Act, the Canada Student Loans Act, the Canada Student Financial Assistance Act, the Canada Pension Plan, and the Old Age Security Act. The related payments are made directly to either the Canada Border Services Agency or Employment and Social Development Canada, who are responsible for their deposits to the CRF, as well as their accounting and reporting. These payments are not recorded in the CRA's accounts.

Employment insurance premiums administered on behalf of the federal government include the employer's share that the federal government pays. The GST declared to the CRA includes the GST the federal government pays to its suppliers on domestic purchases. The GST that other federal government departments collect is deposited to the CRF, declared to the CRA, and included in the GST domestic revenues.

18. Future changes to the child tax benefit and the universal child care benefit

Effective July 1st 2016, the CRA will begin to administer the Canada child benefit (CCB) announced in the federal budget, which was tabled in Parliament on March 22, 2016. It will replace the child tax benefit (CTB) and the universal child care benefit (UCCB). Similar to the CTB, the CCB will be paid monthly and benefits will be income tested and not taxable.

The CRA will also continue to administer retroactive payments for the CTB and the UCCB for a period of 10 years after the original entitlement period.

Financial Statements Discussion and Analysis – Administered Activities (unaudited)

Introduction

The Financial Statements – Administered Activities reflect the total assets and liabilities, tax and non-tax revenues, expenses and recoveries, and cash flows administered by the Canada Revenue Agency on behalf of the Government of Canada, provinces, territories, First Nations, and other government organizations. Revenues and expenses are recognized on an accrual basis.

Tax Revenues

The Canada Revenue Agency collects the majority of federal tax revenues. Other agencies and departments, such as the Canada Border Services Agency, account for the balance of total federal revenues reported in the Public Accounts of Canada. For further information on revenues collected by the Government of Canada as a whole, please refer to the Annual Financial Report of the Government of Canada, available at www.fin.gc.ca/purl/afr-eng.asp.

Revenues Administered for the Government of Canada

Federal administered revenues (\$000)	2016	2015	+ (-)	%
Income tax revenues				
Individuals and trusts	144,953,138	135,810,323	9,142,815	6.7%
Corporations	41,443,831	39,446,519	1,997,312	5.1%
Non-resident tax withholdings	6,505,060	6,216,306	288,754	4.6%
	192,902,029	181,473,148	11,428,881	6.3%
Other taxes, duties, and charges				
Goods and services tax	11,214,278	10,310,612	903,666	8.8%
Energy taxes	5,495,888	5,469,039	26,849	0.5%
Other excise taxes and duties	3,619,059	3,530,554	88,505	2.5%
Miscellaneous charges	851,571	691,002	160,569	23.2%
	21,180,796	20,001,207	1,179,589	5.9%
Employment insurance premiums	23,491,100	22,962,274	528,826	2.3%
Interest, penalties, and other revenues	4,346,573	4,508,971	(162,398)	(3.6%)
	27,837,673	27,471,245	366,428	1.3%
Revenues administered for				
the Government of Canada	241,920,498	228,945,600	12,974,898	5.7%

Revenues administered for the Government of Canada were \$241.9 billion in 2016, approximately \$13.0 billion higher than in 2015. Revenues increased as a result of the growth in individuals and trusts and corporations income tax revenues, higher goods and services tax (GST) revenues, and higher employment insurance premiums.

Individuals and trusts income tax

Individuals and trusts income tax revenues increased by \$9,143 million or 6.7%. The increase reflects the growth in employment and wages and various federal legislative changes.

Corporations income tax

Corporations income tax revenues increased by \$1,997 million or 5.1%. The increase is due to large credit reassessments and low accrued revenue estimates in fiscal year 2015, partly offset by lower resource sector earnings.

Non-resident tax withholdings

Non-resident tax withholdings revenues increased by \$289 million or 4.6%. The increase is due to the growth in the financial and manufacturing sectors.

Goods and services tax

GST revenues increased by \$904 million or 8.8%. The increase is due to the growth in retail sales and relatively low input tax credits related to GST on imports.

Energy taxes

Energy taxes increased by \$27 million or 0.5%. The increase is attributable to slightly higher gasoline and diesel fuel consumption, partially offset by lower aviation gas revenue.

Other excise taxes and duties

Other excise taxes and duties increased by \$89 million or 2.5%. The increase reflects higher tobacco production, as well as higher liquor, spirits and beer duty revenues.

Miscellaneous charges

Miscellaneous charges increased by \$161 million or 23.2%. The increase is mostly due to higher softwood lumber products export charge revenues as a result of the decrease in the price of lumber.

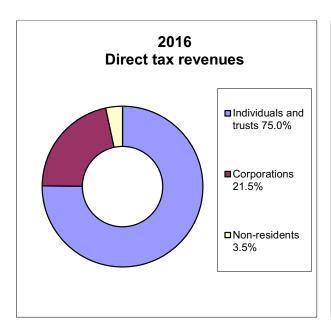
Employment insurance premiums

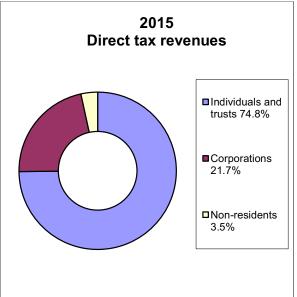
Employment insurance premiums increased by \$529 million or 2.3%. The increase results from the growth in employment and wages, offset in part by the impact of the small business job credit.

Interest, penalties, and other revenues

Interest, penalties, and other revenues decreased by \$162 million or 3.6%. The decrease results from lower corporations income tax transfer pricing penalties and some large non-resident tax credit reassessments, offset in part by higher arrears interest.

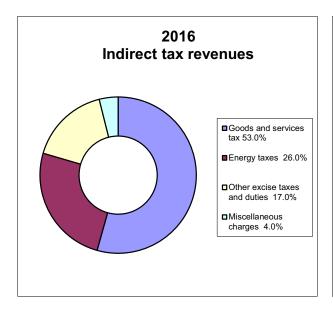
Figure 1 - Direct tax revenues

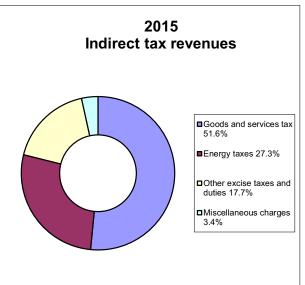




As shown in Figure 1, the distribution of direct tax revenues remained stable in 2016.

Figure 2 – Indirect tax revenues





As shown in Figure 2, the proportion of goods and services tax increased, and the proportion of energy taxes and other excise taxes and duties decreased in 2016.

Revenues Administered for Provincial and Territorial Governments, First Nations, and the Canada Pension Plan

Provincial and territorial governments and First Nations administered revenues (\$000)

	2016	2015	+ (-)	%
Income tax revenues				
Individuals and trusts	66,859,379	62,206,617	4,652,762	7.5%
Corporations	18,130,252	15,869,127	2,261,125	14.2%
Provincial portion of harmonized sales tax	24,542,052	23,515,772	1,026,280	4.4%
Other revenues	489,217	568,300	(79,083)	(13.9%)
Revenues administered for provincial and				
territorial governments and First Nations	110,020,900	102,159,816	7,861,084	7.7%
Pension contributions, interest and penalties				
administered for the Canada Pension Plan	46,212,741	45,158,794	1,053,947	2.3%

Revenues administered for the provincial and territorial governments and First Nations (FN) were \$110.0 billion in 2016, approximately \$7.9 billion higher than in 2015. Pension contributions and other revenues administered for the Canada Pension Plan were \$46.2 billion in 2016, \$1.1 billion more than in 2015.

Individuals and trusts income tax

Individuals and trusts income tax revenues increased by \$4,653 million, or 7.5%. The increase reflects the growth in employment and wages and various legislative changes.

Corporations income tax

Corporations income tax revenues increased by \$2,261 million or 14.2%. The increase is due to generally strong corporate earnings, as well as large credit reassessments and low accrued revenue estimates in fiscal year 2015.

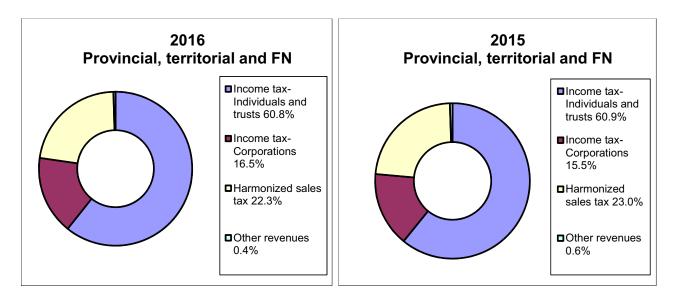
Provincial portion of harmonized sales tax (HST)

Provincial HST revenues increased by \$1,026 million or 4.4%. The increase reflects the growth in retail sales.

Other revenues

Other revenues decreased by \$79 million or 13.9%. The decrease is due to large Quebec selected listed financial institutions assessments in fiscal year 2015.

Figure 3 - Revenues administered for the provincial and territorial governments and First Nations



As shown in Figure 3, the distribution of revenues administered for the provincial and territorial governments and First Nations was generally stable in 2016.

Pension contributions, interest and penalties administered for the Canada Pension Plan

Canada Pension Plan pension contributions and other revenues rose by \$1,054 million or 2.3%. The increase results from the growth in employment and wages.

Expenses and Recoveries Administered for the Government of Canada and Provincial and Territorial Governments

Administered expenses and recoveries (\$000)	2016	2015	+ (-)	%
Federal administered expenses	25,970,520	21,907,484	4,063,036	18.5%
Federal administered recoveries	(1,787,872)	(1,685,179)	(102,693)	6.1%
Net expenses and recoveries administered				
for the Government of Canada	24,182,648	20,222,305	3,960,343	19.6%
Provincial and territorial administered expenses	5,220,161	5,055,689	164,472	3.3%
Provision for doubtful accounts administered for the Canada Pension Plan	93,433	113,056	(19,623)	(17.4%)
Total net administered expenses and recoveries	29,496,242	25,391,050	4,105,192	16.2%

Net federal expenses and recoveries were \$24.2 billion in 2016, \$4.0 billion higher than in 2015. Provincial and territorial expenses were \$5.2 billion, \$165 million higher than in 2015.

Federal administered expenses

Federal administered expenses increased by \$4,063 million or 18.5%. The increase is due to higher universal child care benefit payments as a result of the implementation of the enhanced benefits effective January 1, 2015.

Federal administered recoveries

Federal administered recoveries increased by \$103 million or 6.1%. The increase reflects a higher number of old age security benefit recipients and a growth in taxable income.

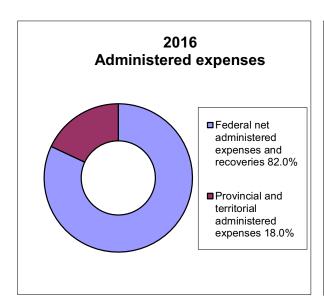
Expenses administered for provincial and territorial governments

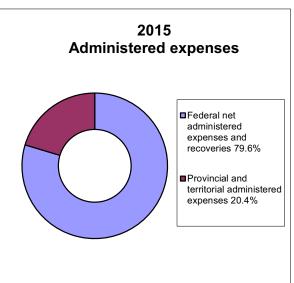
Expenses administered for provinces and territories increased by \$165 million or 3.3%. The increase is due to the implementation of the British Columbia early childhood tax benefit effective April 1, 2015, as well as higher Ontario energy and property tax credits, offset by lower Ontario apprenticeship training tax credits and British Columbia mining exploration tax credits.

Doubtful accounts expense administered for the Canada Pension Plan

The doubtful accounts expense administered for the Canada Pension Plan decreased by \$20 million or 17.4%. The decrease is due to lower write-offs allocated to Canada Pension Plan.

Figure 4 – Expenses and recoveries administered for the Government of Canada and provincial and territorial governments





As shown in Figure 4, the proportion of expenses and recoveries administered on behalf of the Government of Canada rose in 2016 due to higher universal child care benefit payments.

Summary of the assessment of effectiveness of the system of internal control over financial reporting and the action plan of the Canada Revenue Agency

Fiscal Year 2015-2016

1. Introduction

This document provides summary information on the measures taken by the Canada Revenue Agency (CRA) to maintain an effective system of internal control over financial reporting (ICFR), including information on internal control management, assessment results, and related action plans.

Detailed information on the CRA's authority, mandate, and program activities can be found in the *Departmental Performance Report* at www.cra-arc.gc.ca/gncy/prfrmnc_rprts/menu-eng.html and the Report on Plans and Priorities www.cra-arc.gc.ca/gncy/rprts/menu-eng.html .

2. CRA system of internal control over financial reporting

2.1 Internal control management

The CRA has a well-established governance and accountability structure to support the CRA's assessment efforts and oversight of its system of internal control. A CRA internal control management framework, approved by the Commissioner and the Board of Management, is in place and includes:

- > organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers in their areas of responsibility for control management;
- > values and ethics;
- > ongoing communication and training on statutory requirements and policies and procedures for sound financial management and control; and
- > regular updates on internal control management as well as the provision of related assessment results and action plans to the Commissioner, senior management and the Audit Committee of the Board of Management.

The CRA Finance Committee provides support to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) in relation to control activities. It is chaired by the CFO and has representatives from each branch and region at the executive level.

In addition, the Audit Committee of the Board of Management provides advice on the adequacy and functioning of the CRA's risk management, control and governance frameworks and processes.

2.2 Service arrangements relevant to financial statements

The CRA relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows:

Common Arrangements

- > Public Services and Procurement Canada centrally administers the payments of salaries and the procurement of some goods and services in accordance with the CRA's Delegation of Authority and provides accommodation services.
- > Treasury Board Secretariat provides the CRA with information used to calculate various accruals and allowances.
- > Department of Justice provides legal services to the CRA.
- > Shared Services Canada provides information technology (IT) infrastructure services to the CRA in the areas of data centres and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between Shared Services Canada and the CRA.

Specific Arrangements

- > Revenu Québec is responsible for the joint administration of the goods and services tax and Quebec sales tax for businesses in the Province of Quebec.
- > Department of Finance Canada provides the CRA with the federal and provincial shares of Goods and Services Tax/ Harmonized Sales Tax (GST/HST) revenues that are used to determine provincial payments for the HST.
- > Canada Border Services Agency provides the CRA with the amount of GST revenues collected from importers, which is used in the calculation of the provincial portion of the HST revenues.
- > Department of Finance Canada and Employment and Social Development Canada provide estimates of Canada Pension Plan and Employment Insurance revenues respectively for the months of January to March.

Other government departments rely on the CRA for the processing of certain transactions or information that affect financial statements as follows:

- > Canada Border Services Agency for information technology services such as commensurate internal controls testing for general computer controls, as well as collection services on their behalf for duties, taxes, fees, penalties, or other amounts owing under the Customs Act, Customs Tariff, Excise Tax Act, Excise Act 2001, and/or related regulations;
- > Department of Finance Canada for the determination of tax receivables and payables under Tax Collection Agreements (TCAs) with provincial and territorial governments and First Nations; and
- > Employment and Social Development Canada for the collection of its accounts receivable and the administration of a number of activities related to the Canada Pension Plan and Employment Insurance Operating Account.

3. CRA assessment results during fiscal year 2015-2016

3.1 Design effectiveness testing of key controls

In 2015-2016, the CRA commenced the design effectiveness testing of the Individual Income Tax (T1) Program, which includes a limited scope around the T1 system redesign. Furthermore, the CRA completed design effectiveness testing of the Non-Resident Tax program.

As a result of the Non-Resident design effectiveness testing, the CRA identified the following required remediation:

- > Implementation of the final phases of the CRA action plan relating to the granting and monitoring of system access to prevent segregation of duty conflicts and to ensure minimum access need to be completed. The plan is complex and requires a multi-phased implementation, but the completion date remains on schedule.
- > Continued implementation of controls over procedures with respect to recording and modifying non-financial information in the Non-Resident Source Deductions system including implementation of a review process.

3.2 Ongoing monitoring of key controls

In 2015-2016, the CRA completed planned ongoing monitoring of the following processes:

- 1. Entity-level controls;
- 2. General computer controls; and
- 3. All other business processes:
 - a. Payroll
 - b. Procurement to pay
 - c. Capital assets
 - d. Budgeting
 - e. Financial close and reporting

As a result of ongoing monitoring, the CRA identified the following required remediation:

- > Further progress is required to improve the process surrounding the granting and monitoring of access to prevent segregation of duty conflicts and ensure minimum access.
- > Controls over the timely review of Agency financial information must be improved and documentation retained, to support the existing process.

4. CRA Action Plan

4.1 Progress during fiscal year 2015-2016

The CRA continued to make progress in assessing and improving its key controls. The following table summarizes the CRA's progress based on the plans identified in the previous fiscal year's Annex.

	Progress during fiscal year 2015-2016
Element in previous year's action plan	Status
Agency Activities ongoing monitoring	Ongoing monitoring testing was completed for entity-level controls, general computer controls, and Agency business processes including payroll, procurement to pay, capital assets, budgeting, and financial close and reporting process.
Non-Resident Tax	Design effectiveness testing was completed and remediation actions plans are being developed.
Individual Income Tax (T1) Program	Documentation of the control framework was finalized as planned. Testing of the design and implementation of the controls is in progress.
Follow-up of activities requiring remediation from previous assessments	The CRA has followed up on action plans from the: 2014-2015 Agency Activities testing as part of ongoing monitoring;
	 T2 design effectiveness assessment and OAG audit report as at November 30, 2008;
	 T1 design effectiveness assessment and OAG audit report as at November 30, 2010;
	 T2 operating effectiveness assessment and OAG audit for the six-month period ending March 31, 2013;
	 T1 Unapplied Taxes as part of the Individual Income Tax Program design effectiveness assessment and OAG audit report as at January 31, 2014; and
	• GST/HST design effectiveness assessment as at March 31, 2014.
	Overall results have been positive and the majority of the recommendations made have been implemented. However, the following items that were identified in prior years remain:
	 Access to systems and segregation of duties; and
	 Implementing the final phase for processing of GST/HST elections filed by registrants.

4.2 Status and action plan for the next fiscal year and subsequent years

The CRA has continued to make progress on assessing its internal controls over financial reporting throughout the numerous programs that the CRA administers. It is recognized that implementation for all its processes requires multi-year initiatives. After design effectiveness and operational effectiveness testing are complete, the CRA will be applying its rotational ongoing monitoring plan to reassess control performance on a risk basis across all control areas, with the exception of those under the scope of TCA assessments as explained in Note 3.

Status and action plan for the next fiscal year and subsequent years			
Key control areas	Design effectiveness testing and remediation	Operational effectiveness testing and remediation	Ongoing monitoring rotation ^{Note 1}
Administered Activities under	the Tax Collection Agreeme	ents with the provinces and	l territories
T1 individual income tax (legacy system)	Complete		
T1 unapplied taxes/source deductions	Complete		
T1 individual income tax (including limited scope T1 System Redesign) ^{Note 2}	2016-2017	Future years ^{Note 3}	N/A ^{Note 3}
T2 corporation income tax	Complete	Complete	N/A ^{Note 3}
T ₃ trust income tax	Complete	Future years ^{Note 3}	N/A ^{Note 3}
	Other Administered Acti	vities	
GST/HST	Complete	Future years	Future years
Non-resident income tax	Complete	Future years	Future years
Benefits	2016-2017	Future years	Future years
Excise Tax	2017-2018	Future years	Future years
	Agency Activities		
Entity level controls ^{Note 4}	Complete	Complete	2016-2017
IT general controls under CRA management ^{Note 4}	Complete	Complete	2016-2017
Payroll ^{Note 5}	Complete	Complete	2016-2017
Procurement to pay	Complete	Complete	2016-2017
Capital assets	Complete	Complete	2016-2017
Budgeting	Complete	Complete	2016-2017
Financial close and reporting	Complete	Complete	2016-2017

Note 1: The frequency of the ongoing monitoring of key control areas is risk-based and occurs over a three-year cycle with the exception of high risk areas, which are tested on an annual basis, or controls with prior year exceptions which are tested in the following fiscal year.

Note 2: The legacy T1 system is being upgraded through the T1 System Redesign initiative. This initiative is a multi-year project resulting in a significant modification to the systems and business processes related to the processing of T1 returns. Due to the magnitude of these changes, it was determined that design effectiveness testing of the new processes and systems with a limited scope would be appropriate as a next step.

Note 3: The CRA performs the control assessment testing for engagements related to the TCA with the Provinces and Territories and submits the results to the OAG who is responsible to review the controls in accordance with an approved framework. TCA-related control assessments do not go into a regular ongoing monitoring phase because complete reassessment engagements are required to fully test all control activities to ensure that the selected income tax program is still designed and operating effectively. As such, the timing and frequency of these complete control assessment audits are determined in conjunction with the OAG and will continue to be conducted on a rotational annual basis.

Note 4: Entity Level Controls and IT general controls under CRA management are also evaluated through the Administered Activities projects.

Note 5: In April 2016 the CRA transitioned to the new Phoenix pay system. Controls for the new system will be assessed beginning in 2016-2017.

Unaudited Supplementary Financial Information

Financial Performance Information – Parliamentary Appropriations

Introduction

This section provides the details of the CRA's resource management performance for the purpose of reporting to Parliament on the use of appropriations in 2015-2016. This complements the information provided in the spending profile sections under each program and satisfies the reporting requirements set for annual reports to Parliament.

Financial reporting methodologies

The CRA's funding is provided by Parliament through annual appropriations (modified cash accounting basis) and, in this section, the CRA reports its expenditures and performance, together with details on the management of Parliamentary appropriations on the same basis. In addition to its reporting requirements, the CRA also has to prepare its annual financial statements in accordance with the accounting principles applied in preparing the financial statements of the Government of Canada (full accrual accounting basis). Accordingly, the audited Statement of Operations and Agency Net Financial Position – Agency Activities on page 104 includes certain items such as services received without charge from other government departments and federal agencies. A reconciliation can be found in Note 3 on page 111.

The CRA prepared and included future-oriented financial statements in the 2015-16 Report on Plans and Priorities. As directed by the Treasury Board of Canada Secretariat (TBS), this future-oriented financial information was prepared on an accrual basis to strengthen accountability and improve transparency and financial management. As part of the analysis of net cost of operations, the report compares actual results to the initial future-oriented financial statements contained in the 2015-16 Report on Plans and Priorities.

CRA financial information

Activities of the CRA 2015-16	(dollars)	(FTEs)
Main Estimates ¹	3,804,844,388	38,416
Planned Spending ²	3,804,844,388	38,416
Total Authorities ³	4,430,914,195	-
Actual Spending	4,146,987,294	37,977

- ¹ Spending authorized by Parliament at the beginning of the fiscal year.
- ² Main Estimates authorities plus other amounts authorized as reported in the 2015-16 Report on Plans and Priorities.
- ³ Total spending authorized by Parliament during the fiscal year.

The Financial Statements – Agency Activities reports total Parliamentary appropriations used as \$3,716.3 million (Note 3b on page 112 shows the reconciliation to the net cost of operations). The difference from the \$4,147.0 million noted above is primarily explained by two items reported in the Financial Statements – Administered Activities, namely statutory disbursements to provinces under the Softwood Lumber Products Export Charge Act, 2006, \$121.5 million; and children's special allowance payments, \$309.2 million.

Overview

For 2015-2016, Parliament approved \$3,804.8 million through the Main Estimates, as shown in the CRA's 2015-16 Report on Plans and Priorities.

The 2015-2016 Main Estimates were adjusted to include:

- > \$261.4 million for the carry-forward from 2014-2015;
- > \$121.5 million for disbursements to provinces under the Softwood Lumber Products Export Charge Act, 2006;
- > \$81.9 million for severance payments, parental benefits and vacation credits;
- > \$72.2 million in payments under the *Children's Special Allowance Act* for eligible children in the care of agencies and foster parents;
- > \$63.9 million for the implementation and administration of various tax measures announced in the 2015 federal budget;
- > \$19.6 million transferred from Public Services and Procurement Canada due to a reduction in CRA's accommodation needs;
- > \$4.6 million for contributions to employee benefit plans; and
- > \$1.7 million for court awards and Crown assets disposal.

These increases were offset by the following reductions:

- > \$0.4 million in the spending of revenues received through the conduct of its operations; and
- > \$0.3 million for a transfer to Transfer to Innovation, Science and Economic Development Canada for the Get it in Writing Campaign for Canadian Home Builders' Association.

This resulted in total approved authorities of \$4,430.9 million for 2015-2016, representing an in-year increase of 16.5% over the Main Estimates.

Of the \$4,430.9 million total authority, CRA's actual spending totalled \$4,147.0 million resulting in \$283.9 million remaining unexpended at year-end. After deducting unused resources related primarily to Government advertising campaigns, accommodation and real property services, the back-office transformation initiative and the 2016 census, the remaining \$277.4 million is available for use by the CRA in 2016-2017 under its statutory two-year spending authority.

The CRA's two-year spending authority enables the CRA to be more strategic in using public funds by taking a multi-year view of plans and budgets. The financial flexibility in 2015-2016 is relatively consistent with that of the prior fiscal year as the agency continues to focus its efforts to implement initiatives that improve efficiency. The carry-forward from 2015-2016 forms part of the CRA's strategy to address unfunded operating pressures in 2016-2017, including the amounts set aside in anticipation of wage settlements for the period under the operating budget freeze.

Revenues administered by the CRA

Total revenues administered by the CRA amount to \$398.2 billion in 2015-2016, an increase of 5.8% from the \$376.3 billion administered in 2014-2015.

(in dollars)	2015-16	2014-15
Federal government	241,920,498,000	228,945,600,000
Provincial, territorial governments and First Nations	110,020,900,000	102,159,816,000
Canada Pension Plan	46,212,741,000	45,158,794,000
Total	398,154,139,000	376,264,210,000

Appendix CService Standards

Services on **Target**¹ 91.5%

The CRA has 47 service standards for 2015-2016 which demonstrate our commitment to taxpayers and benefit recipients and outline the services they should expect under normal circumstances.

Based on results from 2015-2016, the CRA has achieved its targets¹ for the following service standards:

Tax returns, claims, and benefits



Pension, deferred, and education plans



^{1.} Met or mostly met (within 5% of target)

Charities



Rulings and interpretations



Issue resolution



Enquiries and requests



Here is a detailed list of our service standards, as well as targets, for each service standard:

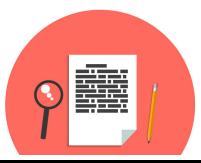


Tax returns, c	laims, and benefits	Target	2013-14	2014-15	2015-16
Processing T1 individual income tax returns (EFILE and NETFILE)	Our goal is to process electronic T1 returns (EFILE and NETFILE) within an average of two weeks of receipt	100%	1.6 weeks	1.6 weeks	1.7 weeks
Processing T1 individual income tax returns (paper)	Our goal is to process a paper T1 return and mail a notice of assessment and refund, if applicable, within an average of four to six weeks	100%	5 weeks	5.6 weeks	5.6 weeks
Processing T2 corporation income tax returns – electronic	Our goal is to assess electronic T2 returns (corporation income tax) in 45 calendar days or less	90%	97.1%	96.5%	97-5%
Processing T2 corporation income tax returns – paper	Our goal is to assess paper T2 returns (corporation income tax) in 90 calendar days or less	90%	91.4%	92.1%	92.8%
Processing GST/HST returns	Our goal is to process GST/HST returns within 30 calendar days of receipt	95%	96.5%	97%	96.7%
Processing T ₃ trust returns	Our goal is to process T3 trust returns within four months	95%	99.3%	96.3%	96.4%
Processing excise tax, excise duty, softwood lumber returns, and air travellers' security charge returns	Our goal is to assess excise tax, excise duty, softwood lumber returns, and air travellers' security charge returns in 60 calendar days or less of receipt	95%	97.2%	97.6%	98.5%
Responding to taxpayer- requested adjustments (T1)	Our goal is to complete the adjustment and mail a notice of reassessment within an average of eight weeks, provided all requisite information has been received from the taxpayer	100%	7 weeks	7 weeks	7.8 weeks
Responding to taxpayer- requested adjustments (T1) received by Internet	Our goal is to complete the adjustment and mail a notice of reassessment within an average of two weeks, provided all requisite information has been received from the taxpayer	100%	1.6 weeks	1.6 weeks	1.8 weeks

Tax returns, c	laims, and benefits	Target	2013-14	2014-15	2015-16
Responding to benefit and credit enquiries – timeliness	Our goal is to respond to written enquiries and telephone referrals from call centers within 80 calendar days	98%	99.1%	98.7%	97.8%
Responding to benefit and credit enquiries – accuracy	Our goal is to respond to written enquiries and telephone referrals from call centres, with the correct information, and accurately process new recipient information, including issuing a payment, notice, or letter	98%	98%	98%	96.7% ¹
Processing benefit applications and marital status change forms – accuracy	Our goal is to accurately process the appropriate payment and notice and, if necessary, issue a letter requesting additional information	98%	99%	99.1%	99.4%
Processing benefit applications and marital status change forms – timeliness	Our goal is to issue a payment, notice, or explanation within 80 calendar days	98%	99.5%	99.1%	99.1%
Benefits validation and compliance – results of review	Our goal is to inform you of the result of our review within 45 calendar days after we receive the information requested	90%	98.9%	99.6%	98.5%
Claims – SR&ED tax incentives – claimant-requested adjustments to non- refundable claims	Our goal is to process claims for tax incentives from businesses conducting scientific research and experimental development (SR&ED) in Canada within 365 calendar days from receipt of a complete claim for non-refundable claims related to adjustments requested to previously filed income tax returns	90%	93%	95%	93%
Claims – SR&ED tax incentives – claimant-requested adjustments to refundable claims	Our goal is to process claims for tax incentives from businesses conducting scientific research and experimental development (SR&ED) in Canada within 240 calendar days from receipt of a complete claim, for refundable claims related to adjustments requested to previously filed income tax returns	90%	96%	93%	95%
Claims – SR&ED tax incentives – non-refundable claims	Our goal is to process claims for tax incentives from businesses conducting scientific research and experimental development (SR&ED) in Canada within 365 calendar days from receipt of a complete claim for non-refundable claims	90%	96%	96%	97%

Tax returns, c	laims, and benefits	Target	2013-14	2014-15	2015-16
Claims – SR&ED tax incentives – refundable claims	Our goal is to process claims for tax incentives from businesses conducting scientific research and experimental development (SR&ED) in Canada within 120 calendar days from receipt of a complete claim for refundable claims	90%	96%	95%	95%
Claims – video and film tax credits – refundable claims – audited	Our goal is to review T2 corporation income tax returns which include claims for the Canadian Film or Video Production Tax Credit, the Film or Video Production Services Tax Credit, the B.C. Film and Television Tax credit, the B.C. Production Services Tax Credit, the Manitoba Film and Video Production Tax Credit, the Ontario Film and Television Tax Credit, and the Ontario Production Services Tax Credit within 120 calendar days from the date of receipt where audit action is undertaken	90%	96%	94%	95%
Claims – video and film tax credits – refundable claims – unaudited	Our goal is to review T2 corporation income tax returns which include claims for the Canadian Film or Video Production Tax Credit, the Film or Video Production Services Tax Credit, the B.C. Film and Television Tax credit, the B.C. Production Services Tax Credit, the Manitoba Film and Video Production Tax Credit, the Ontario Film and Television Tax Credit, and the Ontario Production Services Tax Credit within 60 calendar days from the date of receipt where no audit action is undertaken	90%	96%	96%	98%

¹ Processing errors were identified as attributable to a deficiency in the Benefit Online Manual, which has since been corrected.



Pension, deferre	d, and education plans	Target	2013-14	2014-15	2015-16
Deferred income plans – response to written enquiries	Our goal is to respond to written enquiries within 60 calendar days	80%	89%	43%	61% ¹
Actuarial valuation reports	Our goal is to review actuarial valuation reports within nine months and provide written approval of the recommended employer contributions	80%	71%	81%	87%
Applications to register pension plans	Our goal is to complete a full review and provide a response on applications to register pension plans within 180 calendar days	85%	89%	81%	87%
Deferred profit sharing plans – reviewing applications	Our goal is to review applications to register new deferred profit sharing plans within 180 calendar days	80%	98%	97%	96%
Education savings plans (applications to register, amend, or terminate)	Our goal is to respond to applications to approve, amend, and terminate education savings plans specimen plans within 60 calendar days	85%	92%	85%	92%
Retirement income funds (applications to register, amend, or terminate)	Our goal is to respond to applications to register, amend, or terminate retirement income funds within 60 calendar days	80%	99%	100%	99%
Retirement savings plans (applications to register, amend, or terminate)	Our goal is to respond to applications to register, amend, or terminate retirement savings plans (RSPs) within 60 calendar days	80%	99%	99%	99%

We continue to work on the oldest enquiries first, in an effort to reduce the backlog caused by high staff turnover. Since there is a relatively low volume of enquiries, each enquiry that is completed outside the 60 day service standard will have a significant impact on overall results for this standard.



Charity registration		Target	2013-14	2014-15	2015-16
Charities – responding to telephone enquiries	Our goal is to respond to calls in agent queue within two minutes	80%	85.1%	76.2%	76.8% ¹
Charities – written enquiries – routine	Our goal is to review and respond to routine written enquiries in 30 calendar days or less of receipt	80%	79.8%	83.3%	71.6% ²
Charities – written enquiries – complex	Our goal is to review and respond to complex written enquiries in 75 calendar days or less of receipt	80%	55%	62.6%	42% ³
Charities – responding to simple applications	Our goal is to respond to simple ⁴ applications for charitable registration within two months, upon receipt of a complete application	80%	90.9%	91.2%	87.8%
Charities – responding to regular applications	Our goal is to respond to regular applications for charitable registration within six months, upon receipt of a complete application	80%	99%	94.7%	86.1%

¹ There was a shortage of available staff in Q1 and Q2 to address higher than anticipated incoming call volumes.

Available staff diverted to support telephone program delivery.

Shortage of available staff to address complex enquiries, and existing staff diverted to support telephone program delivery.

⁴ An application that has exclusively charitable purposes and activities and for which no further information is needed.

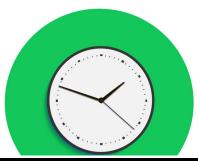


Rulings and	d interpretations	Target	2013-14	2014-15	2015-16
GST/HST rulings and interpretations – telephone enquiries	Our goal is to respond to calls in the queue within two minutes	80%	95%	93.2%	86%
GST/HST rulings and interpretations – written enquiries	Our goal is to respond to written requests for GST/HST rulings and interpretations within 45 business days of Canada Revenue Agency receipt of the request and all the relevant facts and supporting documentation. This excludes highly technical and precedent and/or policy-setting rulings and interpretations.	80%	74%	83%	74 ^{%1}
Advance income tax rulings	Our goal is to issue advance income tax rulings within 90 business days of receipt of all essential information from the client	85%	75%	81%	87%
Technical interpretations	Our goal is to issue technical interpretations within 90 business days of receipt of all essential information from the client	85%	87%	88%	87%

In 2015-2016, the program experienced an influx of new resources. Significant time was invested in learning and coaching new officers which impacted productivity.



Issue resolution		Target	2013-14	2014-15	2015-16
First contact letter for disputes	Our goal is to acknowledge taxpayer disputes within 30 calendar days after we receive them	85%	85.2%	91.5%	87.2%
Service Complaints – two-day acknowledgement	Our goal is to acknowledge receipt of the complaint within two business days	80%	85.8%	98.3%	98.5%
Service Complaints – 30 day resolution	Our goal is to resolve the complaint within 30 business days	80%	95.3%	95.9%	91.8%



Enquirie	s and requests	Target	2013-14	2014-15	2015-16
e-Services Helpdesk – telephone service level	Our goal is to respond to calls in the agent queue within two minutes	80%	N/A	81%	80.9%
General enquiries – telephone service level	Our goal is to respond to calls in the agent queue within two minutes	80%	80%	81%	81%
Canada child tax benefit enquiries – telephone service level	Our goal is to respond to calls in the agent queue within two minutes	75%	75%	76%	76%
GST/HST credit enquiries telephone service level	Our goal is to respond to calls in the queue within two minutes	75%	75%	75%	76.1%
Business enquiries – telephone service level	Our goal is to respond to calls in the agent queue within two minutes	80%	81%	81%	81.4%
Processing a request to authorize or cancel a representative – paper	Our goal is to process your complete paper request to authorize or cancel a representative in 20 business days or less of receipt by the CRA provided the request is complete	90%	96.1%	95.2%	96.2%

Enquiries and requests			2013-14	2014-15	2015-16
Processing a request to authorize or cancel a representative – electronic	Our goal is to process your complete electronic request to authorize or cancel a representative in 5 business days or less of receipt by the CRA provided the request is complete	90%	99.4%	97.4%	99.7%
Taxpayer requests for statistical tax data	Our goal is to respond to taxpayer requests for statistical data within an average of 30 calendar days	100%	11 days	11 days	18 days

Appendix D Taxpayer Bill of Rights

- 1. You have the right to receive entitlements and to pay no more and no less than what is required by law.
- 2. You have the right to service in both official languages.
- 3. You have the right to privacy and confidentiality.
- 4. You have the right to a formal review and a subsequent appeal.
- 5. You have the right to be treated professionally, courteously, and fairly.
- 6. You have the right to complete, accurate, clear, and timely information.
- 7. You have the right, unless otherwise provided by law, not to pay income tax amounts in dispute before you have had an impartial review.
- 8. You have the right to have the law applied consistently.
- 9. You have the right to lodge a service complaint and to be provided with an explanation of our findings.
- 10. You have the right to have the costs of compliance taken into account when administering tax legislation.
- 11. You have the right to expect us to be accountable.
- 12. You have the right to relief from penalties and interest under tax legislation because of extraordinary circumstances.
- 13. You have the right to expect us to publish our service standards and report annually.
- 14. You have the right to expect us to warn you about questionable tax schemes in a timely manner.
- 15. You have the right to be represented by a person of your choice.
- 16. You have the right to lodge a service complaint and request a formal review without fear of reprisal.

Commitment to Small Business

- 1. The Canada Revenue Agency (CRA) is committed to administering the tax system in a way that minimizes the costs of compliance for small businesses.
- 2. The CRA is committed to working with all governments to streamline service, minimize cost, and reduce the compliance burden.
- 3. The CRA is committed to providing service offerings that meet the needs of small businesses.
- 4. The CRA is committed to conducting outreach activities that help small businesses comply with the legislation we administer.
- 5. The CRA is committed to explaining how we conduct our business with small businesses.

Appendix EOther Items of Interest

Public Service Commission and Assessment of recourse reports

The Canada Revenue Agency Act requires the CRA to include in its annual reporting a copy of any report produced under section 59 or a summary statement of any assessment produced under subsection 56(1). The report and assessment are produced on an as needed basis.

During 2015-2016, the Public Service Commission did not prepare, or have prepared on its behalf, a report to the CRA pursuant to section 59 of the *Canada Revenue Agency Act* on the consistency of the Agency's staffing program with the principles set out in the summary of its corporate business plan. For the same period, the CRA did not prepare pursuant to subsection 56(1) of the *Canada Revenue Agency Act* an assessment of the recourse the Agency provides or administers in its management of human resources.

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

Six federal benefit programs

Canada child tax benefit

Disability tax credit

Goods and services tax/harmonized sales tax credit

Children's special allowances

Universal child care benefit – on behalf of Employment and Social Development Canada

Working income tax benefit advance payments

Twenty-nine ongoing benefit programs for provinces and territories

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Program	ıst year	Program	1st year
British Columbia – BC family bonus	1996	Saskatchewan low-income tax credit	2000
Alberta family employment tax credit	1997	Newfoundland and Labrador – mother baby nutrition supplement	2001
New Brunswick child tax benefit	1997	Ontario child benefit	2007
New Brunswick working income supplement	1997	British Columbia low-income climate action tax credit	2008
Newfoundland and Labrador harmonized sales tax credit	1997	Ontario senior homeowners' property tax grant	2009
British Columbia – BC earned income benefit	1998	Ontario sales tax credit	2010
Saskatchewan child benefit	1998	British Columbia harmonized sales tax credit	2010
Northwest Territories child benefit	1998	Nova Scotia affordable living tax credit	2010
Northwest Territories – territorial worker's supplement	1998	Ontario energy and property tax credit	2011
Nova Scotia child benefit	1998	Northern Ontario energy credit	2011
Yukon child benefit	1999	Ontario trillium benefit	2012
Nunavut child benefit	1999	New Brunswick school supplement	2012
Nunavut – territorial worker's supplement	1999	Prince Edward Island sales tax and credit	2013
Newfoundland and Labrador child benefit	1999	British Columbia early childhood tax benefit	2015
Newfoundland and Labrador seniors' benefit	1999		

Ten one-time payment programs

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

One hundred and two data exchange and data transfer services

- Sixty-five income verification data exchanges using File Transfer Protocol (FTP) with provinces and territories to support programs
- Seven data transfers with provinces to support top-ups for CRA administered child benefit programs
- Eight data exchanges and transfers to support the Nova Scotia pharmacare program, the British Columbia low-income climate action tax credit/BC harmonized sales tax credit, Ontario senior homeowners property tax grant, Ontario sales tax credit, Ontario energy and property tax credit/Northern Ontario energy credit, Ontario trillium benefit, Prince Edward Island sales tax credit and to assist the ministère du Revenu du Québec in administering the Quebec Taxation Act
- Ten national child benefit supplement data exchanges with provinces and territories to facilitate the calculation of social assistance
- Two data transfers of income and child information to support administration of the Ontario child care supplement and Quebec family allowance programs
- Ten data exchanges and data transfers to support federal administration of the employment insurance family supplement, guaranteed income supplement, Canada learning bond, Canada education savings grant (basic grant and additional grant), Canada disability savings bond, Canada disability savings grant, Old Age Security recovery tax, universal child care benefit and employment insurance long tenured workers program

Appendix FDefinitions

Appropriation: Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

Budgetary expenditures: Include operating and capital expenditures; transfer payments to other levels of government, organizations, or individuals; and payments to Crown corporations.

Departmental performance report: A report on an appropriated organization's accomplishments against the plans, priorities, and expected results set out in the corresponding report on plans and priorities. The report is tabled in Parliament in the fall.

Full-time equivalent: Is a measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes: A set of 16 high-level objectives defined for the Government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs, and government affairs.

Management, resources, and results structure: A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators, and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the strategic outcomes to which they contribute. A management, resources and results structure is developed from the program alignment architecture.

Non-budgetary expenditures: Include net outlays and receipts related to loans, investments, and advances, which change the composition of the financial assets of the Government of Canada.

Performance: What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve, and how well lessons learned have been identified.

Performance indicator: A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy, or initiative respecting expected results.

Performance reporting: The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability, and transparency.

Planned spending: For reports on plans and priorities and departmental performance reports, planned spending refers to those amounts that receive Treasury Board of Canada Secretariat approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates. A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a

departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their reports on plans and priorities and departmental performance reports.

Plan: The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

Priorities: Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired strategic outcomes.

Program: A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program alignment architecture: A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the strategic outcomes to which they contribute.

Report on plans and priorities: Provides information on the plans and expected performance of an appropriated organization over a three-year period. This report is tabled in Parliament each spring.

Results: An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of one organization, policy, program, or initiative. Instead, they are within the area of the organization's influence.

Statutory expenditures: Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

Strategic outcome: A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision, and core functions.

Sunset program: A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level, and duration.

Target: A measurable performance or success level that an organization, program, or initiative plans to achieve within a specified time. Targets can be either quantitative or qualitative.

Voted expenditures: Expenditures that Parliament approves annually through an Appropriation Act. The Vote wording becomes the governing conditions under which these expenditures may be made.

Whole-of-government framework: Maps the financial contributions of federal organizations receiving appropriations by aligning their programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.

Endnotes

- i. Copyright information, http://www.cra-arc.gc.ca/cpyrght-eng.html
- ii. Canada Revenue Agency Act, http://laws-lois.justice.gc.ca/eng/acts/c-10.11/
- iii. Office of the Taxpayers' Ombudsman, http://www.oto-boc.gc.ca/menu-eng.html
- iv. Minister of National Revenue Mandate Letter, http://pm.gc.ca/eng/minister-national-revenue-mandate-letter
- v. Public Accounts of Canada 2016, http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html
- vi. Whole-of-government framework, http://www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx
- vii. CRA Twitter, https://www.twitter.com/canrevagency
- viii. Canada Revenue Agency, http://www.cra-arc.gc.ca/
- ix. Supplementary information tables, http://www.cra-arc.gc.ca/gncy/prfrmnc_rprts/menu-eng.html
- x. Report on Federal Tax Expenditures, http://www.fin.gc.ca/purl/taxexp-eng.asp
- xi. Governor in Council Appointments, http://www.appointments-nominations.gc.ca/prsnt.asp?menu=1&page=approt&lang=eng
- xii. Department of Finance Canada, http://www.fin.gc.ca/purl/afr-eng.asp
- xiii. Department Performance Report, http://www.cra-arc.gc.ca/gncy/prfrmnc rprts/menu-eng.html
- xiv. Report on Plans and Priorities, http://www.cra-arc.gc.ca/gncy/rprts/menu-eng.html