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Implementation of the Report of the Progressive
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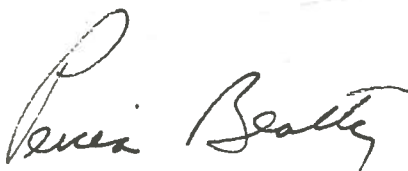
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Implementation of the Report of the Progressive
Conservative Task Force on Revenue Canada

WATER DAMAGE
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Ottawa
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Perrin Beatty
Minister of National Revenue

Implementation of the Report of the Progressive Conservative Task Force on Revenue Canada

Introduction

On this the first anniversary of the Report of the Progressive Conservative Task Force on Revenue Canada, I consider it appropriate to provide this report on the reforms initiated to date in response to the Task Force's recommendations. For this purpose, it is useful to group the actions under the broad headings of Improved Taxpayer Services, Improved Taxpayer Rights, and Improved Program Management.

Improved Taxpayer Services

The Task Force recommended many improvements to the services provided to taxpayers. I am pleased to say that significant steps have now been taken in this key area.

It is now clearly established that the Department's management officials are to be accessible to taxpayers so that actual and potential problems can be resolved promptly at the local level. I have asked senior officials throughout the Department to seek out opportunities to meet with taxpayers, community organizations, and with legal and accounting groups in their areas. Also, I have instructed senior officials across the country to maintain contact with Members of Parliament in their areas and explain how Members and staff of the Department can resolve problems brought to the attention of Parliamentarians.

To better reach more taxpayers, I have more than doubled the number of seasonal tax centres to a total of 35 for the current filing season. Services have also been improved for all taxpayers by extending the hours of toll-free telephone service in all district offices and by establishing a toll-free line to Ottawa for matters concerning charities. Furthermore, notices of assessment are now being accompanied by a pamphlet designed to help taxpayers understand their assessments, get their assessments adjusted, and protect their appeal rights.

The distribution of tax forms by Canada Post continues to be monitored closely, thereby providing a basis for on-going improvements. Additionally, I am examining options for Canada Post to store more National Revenue materials that may be required by the public.

Another important ingredient of good service to taxpayers, noted by the Task Force, is the clarity of the reasons for reassessments. To this end, all computer-generated messages on reassessments have been reviewed and improvements have been made to the most commonly used explanations. As a result, millions of explanations of changes made by the Department to taxpayers' returns will in future be clearer, simpler and more polite.

I am especially pleased by the improved assistance we have been able to extend to those Canadians who need help in understanding the tax laws and in completing their tax returns. I have ensured that a bilingual communications service is available nationally through toll-free lines for the hearing-impaired. The Canadian National Institute for the Blind has, for the first time this year, distributed to the blind copies of a master tape recording the 1985 tax guide. This tape is also available on request from the Department's district offices. To further assist the deaf, a TV program on how to complete a tax return is available for free public broadcasting in closed caption format. Additionally, the Department's program for training volunteers to help senior citizens, new Canadians and low income groups, has been re-emphasized, and increased resources have been applied to it.

The adequacy of services to taxpayers is also reflected in the length of time they have available to respond to departmental requests for information, and in the time taken for the department to respond to taxpayer queries. I am pleased to say that the time available to taxpayers to respond to departmental requests for information has been doubled to 30 days. With regard to taxpayer enquiries generally, increased resources and improved technology are now being applied to service those enquiries more promptly. In the case of mail received from taxpayers, I have directed that this correspondence receive top priority within our current resources.

For business taxpayers especially, the provision of advance rulings on proposed transactions is an important service offered by National Revenue. I am pleased to tell you that I have secured additional resources for this purpose. They are being applied to clearing up a backlog of applications and to reducing the time needed to provide decisions. They will also be applied to publishing the substance of rulings of general interest. Also, I am committed to consulting with interested parties on changes I propose to make in the guidelines applied to establish whether an advance ruling can be given.

Services to business taxpayers have also been enhanced by providing them with improved statements of their accounts.

Starting last November, corporations began to be provided with a full statement of their accounts every time they change. I expect that the same type of service will be extended to the vastly greater number of individual taxpayers within 24 months.

A number of other service improvements remain to be made and are being pursued on a priority basis. A survey of National Revenue's premises is being undertaken, and will provide a basis for ensuring that these premises meet at least minimum standards for the physically handicapped.

The Task Force recommendation that a small claims tax tribunal be created has been studied thoroughly by the Department of Justice, and its specific proposals are being reviewed by Ministers.

Also, I have asked my officials to examine ways to simplify tax forms. The full range of options is under active review.

A number of enhancements of computer applications have recently been introduced by National Revenue. These include the on-line charge-out of files and retrieval of taxpayer information. These and other recent enhancements should considerably improve the speed and efficiency with which taxpayer enquiries are handled. These measures should also make it much easier for information available in taxation centres to reach district office staff quickly. I intend to monitor the results closely until I am satisfied that there is no need to act on the recommendation of the Task Force to return current files to district offices after processing by taxation centres.

As a final comment in the area of taxpayer services, I should say that the Task Force's proposal that National Revenue maintain a record of tax advisors representing taxpayers, has been examined. Unless zero defects in such a record can be guaranteed, unauthorized persons might gain access to a taxpayer's file. Since such a zero defects record of tax advisors cannot yet be guaranteed, I have deferred action on this proposal.

Improved Taxpayer Rights

The Progressive Conservative Task Force on Revenue Canada recommended numerous enhancements to the rights of taxpayers, some of which require legislative measures. However, I am pleased to be able to say that significant steps have already been taken in this area.

As recommended by the Task Force, I have issued a declaration setting forth basic rights that taxpayers can expect in their dealings with National Revenue. Included in the declaration are the right to information, impartiality, courtesy and consideration, the presumption of honesty, the right to privacy, confidentiality, independent review and to an impartial hearing before payment of taxes in dispute. The wide dissemination of this declaration to taxpayers and employees of National Revenue will, I am confident, do much to ensure that taxpayer rights are understood and respected.

In keeping with the spirit of the Declaration of Taxpayer Rights, National Revenue has ceased seeking publicity at the time tax charges are laid against an individual. In addition, quarterly press releases and summaries of convictions no longer include the names of persons convicted.

As recommended by the Task Force, our Government has acted to ease the tax instalment burden. Legislation to increase the instalment threshold was passed in December 1984 and applies to the 1984 and subsequent taxation years. I estimate that, as a result of this action, upwards of 200,000 individual taxpayers and 50,000 corporations will now be exempted from the obligation to pay tax instalments.

I have also taken steps to alleviate the tax situation of taxpayers who are required, under a pension plan contract, to make a non-tax deductible contribution to a plan but who will be taxed in full on all benefits received from that plan.

In the Speech from the Throne announcing our legislative program, action was promised on some fundamental aspects of tax law and administration. On January 30, I had the honour to table, on behalf of my colleague, the Honourable Michael Wilson, draft legislation whose provisions will ensure that taxpayers are not required to pay disputed income taxes until after a court has ruled on their appeal. The provisions of this draft legislation ensure that legal collection action for disputed income taxes will not be started until the taxpayer has had the benefit of an impartial hearing. In addition, the draft legislation includes a provision requiring the Minister of National Revenue to accept adequate security furnished by the taxpayer. I am confident that these and other changes we have made will do much to strengthen the feelings of mutual respect and trust between taxpayers and National Revenue on which our self-assessment tax system is based.

Other steps taken in the collections area will help reinforce the spirit of this draft legislation and reduce the amount of outstanding taxes that are not in dispute. I have secured through the Treasury Board additional resources which will help National Revenue to telephone debtors before proceeding with contemplated legal action. This advance contact will afford an opportunity to work out an arrangement, if there is no alternative, and contribute further to the fair treatment of taxpayers. Comparable action is now being taken in the area of assessments. Taxpayers now have an advance opportunity to respond before assessments are issued that alter the amount owing, except where the change is clearly indisputable. Many more situations where this approach is to be followed have been established. All audit reassessments are now preceded by a proposal letter to the taxpayer describing the adjustments.

As a further complement to the Declaration of Taxpayer Rights, I have taken steps to ensure that taxpayers are better informed of National Revenue's policies on collection of delinquent accounts and the associated rights of taxpayers. Computer-generated letters to delinquent taxpayers have been revised to better meet their needs. In addition, more information will be provided when assessment notices and collection letters are issued.

I have also acted to guard against possible inappropriate treatment of taxpayers when garnishees and third party demands are served. The practice has been established that third party demands are referred to progressively more senior National Revenue managers according to the importance of the case. Furthermore, signature stamps are not being issued to junior collection employees.

I was very pleased when legislation was passed last December to provide increased safeguards in the case of assets transferred in marriage breakdowns. More generally, on the administrative side, steps have been taken to ensure that the seizure of assets is approved only by senior officials.

The Progressive Conservative Task Force on Revenue Canada drew attention to the importance of consistent and fair interpretation of the law. It was in this spirit that I announced in January a change in the tax treatment of workers' compensation awards - another area in need of attention noted by the Task Force. Henceforth, all injury-related remuneration is

to be treated alike: an injured worker will only be taxed on any amount received from an employer which exceeds the amount of compensation awarded.

The legislation enacted last December enhanced taxpayer rights in two assessing matters on which the Task Force called for action. Thanks to that legislation there is now one common 3-year period for audit reassessing situations. Also, a taxpayer may now, upon six months' notice, revoke a waiver which authorized the Minister to reassess a statute-barred year.

I have reviewed with my officials the Task Force's concerns regarding the reliance placed on net worth assessments and the department's powers to tax both sides of a transaction. I have emphasized that every effort is to be made to reduce reliance on net worth assessments. Also, I can affirm that every effort will be made by National Revenue to ensure that taxpayers are not treated differently in respect of matters arising out of the same transaction.

The Progressive Conservative Task Force on Revenue Canada urged that court costs awarded to taxpayers be more realistic. I am pleased that the government has acted on this matter by securing Parliament's approval of legislation empowering the Tax Court to order National Revenue to pay costs of a taxpayer's appeal. The Court now has the discretion to determine the amount to be awarded, and costs may not be awarded to the Minister of National Revenue.

The same legislation enacted last December reduced the time a taxpayer must wait, after filing a Notice of Objection, before appealing to the Courts. This period was reduced by half to 90 days, after which the taxpayer may appeal to the Courts without having to obtain Ministerial consent.

In keeping with the provisions of the Declaration of Taxpayer Rights, National Revenue's policy with respect to valuations is to be as open as possible with the taxpayer. As a general rule, appraisal/valuation reports prepared by the department are being made available to the taxpayer.

Our Task Force also drew attention to certain provisions of the Income Tax Act as they relate to particular groups of taxpayers such as artists and writers, farmers, disabled persons, Northerners and the voluntary sector.

I am very pleased that, in December, I was able to convene a conference with representatives of performing artists and writers to review a range of matters. Active dialogue continues with representatives of these groups. Its purpose is to clarify and update National Revenue's administrative position

related to the employment status of performing artists and the application of the reasonable expectation of profit test to artists and writers generally.

I am also pleased that the Standing Committee on Finance, Trade and Economic Affairs pressed ahead so expeditiously with hearings on the paper on Tax Issues in Agriculture prepared by the Honourable Michael Wilson.

In the matter of fair taxation of Northerners, the government has confirmed the structure of remission orders to be in effect through 1985, and has indicated its intention to review the issue of northern taxation with all interested parties.

I am pleased to say that consultations with the voluntary sector have been started and will be continued with a view to resolving certain longstanding problems. Additionally, procedures have been implemented to permit applicants for registration as a charitable organization, and organizations the Department proposes to deregister, to know the Department's reasons and to respond. The question of facilitating appeals from the Department's decisions is under active review.

In addition to the initiatives we have already taken to promote taxpayer rights, I have a number of other matters under active review. These include procedures guiding the application of discretion in levying penalties in the law, and the possibility of taxpayers appealing garnishees and property seizures to the Courts. Also under review with Cabinet colleagues, are a range of matters in connection with National Revenue's investigatory, search and seizure powers; a possible extension of the concept of solicitor-client privilege to certain communications between an auditor and his or her client; and better ways to enhance the perception of the independence of National Revenue's appeals function. In addition, I have under review with Cabinet colleagues, the possibility of changing current practice with respect to allowing taxpayers to file amended returns; simplification of the drafting style in the Income Tax Act; the complex problem of taxing gratuities; proposals submitted by the Joint Committee of the Canadian Institute of Chartered Accountants and the Canadian Bar Association; and the continuing assurance of the confidentiality of taxpayer information.

Improved Program Management

Many of the actions taken in response to the Task Force's concerns about taxpayer rights and services are affecting how National Revenue manages its resources. This is especially true of its most important resource, its employees. Other more direct actions have been and are being taken in this area.

I have reviewed in various ways the delegation of powers to officials. The policy is now clear that relatively junior and inexperienced staff are not to exercise extraordinary powers entrusted to the Department.

In the past, Ministers of National Revenue have too often been unknown quantities to the vast majority of employees of the Department. To correct this, I have met large numbers of employees in Ottawa and in locations across Canada, and will continue to do so. In this way I am able to speak directly with my officials about the many improvements being made to policy and practices, and to listen to their concerns and suggestions.

The audit training film which depicted ordinary taxpayers as potential criminals, and which rightly provoked public criticism, has been withdrawn. Furthermore, all training materials are being reviewed to ensure that they emphasize positive relationships with taxpayers and thereby reinforce the Declaration of Taxpayer Rights.

Also in the training area, substantially increased resources are being applied to up-grade, broaden and expand staff knowledge and skills on a priority basis. In this new fiscal year, departmental personnel devoted to training are being increased by more than 80% from 135 to 245 full-time instructors. Along with this, expenditures committed to the program will increase from \$5.5 million to \$8.4 million.

A key priority is to open up the Department to Canadians. I am substantially broadening the terms of reference and representational base of the Taxation Advisory Committee, and will be meeting regularly with the reconstituted body. Opportunities for public tours of taxation centres are being expanded, and I am taking the wraps off National Revenue training programs for persons who wish to know more about them.

Where, contrary to departmental policy, quotas did exist to measure individual employee performance, they have been eliminated. Improved criteria and procedures have been implemented, and staff are being trained in their proper application.

To boost morale and further encourage excellence, National Revenue's Merit Award and Suggestion Award programs are being re-emphasized. My Deputy Minister has instituted his own Award program to complement these established programs.

As a basis for enduring improvements in responses to taxpayer enquiries at district offices, I have initiated a comprehensive study of the job of enquiries staff. The objective is to identify and evaluate the many factors determining quality performance in this sensitive job so that the bases for selecting, assessing and training staff will be as sound as they can be.

Similarly, means to ensure effective control of the quality of work in operational areas such as audit, collections and appeals, are currently under active review.

Conclusion

Much has already been done, administratively and in law, to implement the recommendations of the Progressive Conservative Task Force on Revenue Canada.

As a consequence of this action, I am confident that taxpayers and tax practitioners are better informed of their rights and their entitlements to high quality service. I believe they are experiencing a faster and fairer service from a staff who are more helpful and more courteous.

For their part, the employees of National Revenue now have a clearer understanding of what is expected of them and how their performance is to be evaluated. Given that they are a skilled and dedicated group, they are also now better able to do their difficult jobs because of the provision of additional resources, the availability of improved training, and the on-going application of more advanced technology.

For those relatively few areas still under review, a number will involve legislative change and proposals are now well advanced.

The many actions taken to date, and those pending, would not have been possible without the active support and cooperation I have received from the staff of National Revenue, my Cabinet colleagues, especially the Prime Minister, the Ministers of Finance and Justice and the President of the Treasury Board, and their senior officials. I am indeed grateful for all their help in advancing the initiatives for change set out in the Report of the Progressive Conservative Task Force on Revenue Canada.