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An examination into service issues arising from delays in
the Canada Revenue Agency's Taxpayer Relief Program

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Taxpayers'
Ombudsman

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"Without Delay"

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 [the Canada Revenue Agency] 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 [the Canada Revenue Agency] to publish [its] service standards and report annually.*
14. You have the right to expect [the Canada Revenue Agency] 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.

**Rights which the Taxpayers' Ombudsman is responsible to uphold.*

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The Role of the Taxpayers' Ombudsman

The position of Taxpayers' Ombudsman (the Ombudsman) was created to support the government priorities of stronger democratic institutions, increased transparency within institutions, and the fair treatment of all Canadians. As an independent and impartial officer, the Ombudsman handles complaints about the services provided to taxpayers by the Canada Revenue Agency (CRA).

As outlined in the *Order in Council P.C. 2007-0828*, the Ombudsman's mandate is to assist, advise, and inform the Minister of National Revenue (the Minister) about any matter relating to services provided to taxpayers by the CRA.

As part of this mandate, the Ombudsman is responsible to address any request for a review of a service matter or matter arising from the application of the provisions of articles 5, 6, 9, 10, 11, 13, 14, and 15 of the Taxpayer Bill of Rights. These service issues are reviewed at the request of the Minister, on receipt of a complaint from a taxpayer or their representative, or on the Ombudsman's own initiative.

The Ombudsman also examines systemic service issues that may negatively affect a large number of taxpayers or a segment of the population. The findings of systemic examinations are reported to the Minister, with or without recommendations for improvements to service. The Ombudsman also facilitates access for taxpayers to the proper redress mechanisms within the CRA to address service matters, and provides information to taxpayers about the mandate of the Ombudsman.

Summary

Taxpayer relief provisions provide the Minister of National Revenue (the Minister) with the discretion to cancel or waive penalties or interest; accept certain late, amended, or revoked elections; and issue income tax refunds or reduce amounts payable.¹

Taxpayers may choose to apply for relief under these provisions when, as a result of certain circumstances, they filed income tax returns late or paid outstanding balances later than required. These circumstances include delays caused by disasters (such as a flood or fire), financial hardship and other situations where penalties and/or interest are added to the taxpayer's overall tax obligation.

The Minister delegates the authority to review these requests for relief to the Canada Revenue Agency (CRA). The CRA Taxpayer Relief Program is responsible for processing requests for cancellation of penalties and interest. All other requests for relief (e.g. late-filed, amended or revoked elections and refunds or reductions in amounts payable beyond the normal three-year period) are the responsibility of other program areas within the CRA.

To file a request for taxpayer relief, taxpayers must submit a form or send a letter to the CRA with the details of their particular circumstance. The CRA acknowledges receipt of the request, reviews the facts and provides the taxpayer with a decision, either approving or denying the request for relief.

The Office of the Taxpayers' Ombudsman received a number of complaints from taxpayers who stated the CRA had not provided any acknowledgement confirming the request for taxpayer relief was received, or that there was a delay in the CRA's processing of the request.

¹ Provisions defined in the *Income Tax Act* (ITA), *Excise Tax Act* (ETA), *Air Travelers Security Charge Act* (ATSCA) and *Softwood Lumber Products Export Charge Act* (SLPECA).

Through our initial research, we found the taxpayer relief workload was in transition. Prior to 2011, taxpayer relief requests were processed by 46 different tax service offices. In 2011, requests for relief related to the cancellation of penalties and interest became centrally managed by a newly created program: the Taxpayer Relief Program. Our examination took place after the CRA's transition to the newly formed program.

The focus of our examination pertained to delays in processing and how the CRA acknowledged receipt of taxpayer relief requests.

While the CRA recognized it should acknowledge receipt of relief requests, we found there were initially no formal service standards or performance targets in place. We also found there were no standards with regard to timeliness for processing relief requests.

Over the course of our examination, the CRA proposed, then implemented on April 1, 2016, a 30 calendar day service standard for sending acknowledgement letters for taxpayer relief requests. When reviewing the CRA's acknowledgement letters, our Office noted that the wording changed over time. In one version of the letter, the taxpayer was given a minimum expectation for the length of time a request would be processed. In other versions, the taxpayer was given a maximum expectation. We notified the CRA of this discrepancy so that changes could be made immediately.

While initially unable to establish a standard for processing times due to the limited availability of data early after the transition, effective April 1, 2017, the CRA implemented a 180 calendar day processing standard, to be met 85% of the time.² At the same time, the

CRA Service Standard:
Issue a decision letter on a taxpayer relief request to cancel or waive penalties and interest within 180 days of receipt.

² Canada Revenue Agency, *Service Standards 2017-2018*, online: Canada Revenue Agency <<https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/service-standards-cra/service-standards-2017-2018-6.html#lnk1>>.

CRA retired the 30 calendar day service standard for sending acknowledgement letters. Although sending an acknowledgement letter remains part of the process for the CRA, the CRA's new focus for service standards is on issue resolution, rather than acknowledgement.

The Taxpayers' Ombudsman (the Ombudsman) is partially satisfied with the CRA's actions to address the issues identified during this examination and finds the creation of a published service standard to issue a decision on a taxpayer relief request within 180 calendar days to be an improvement. To satisfy the issues raised during the systemic examination, the Ombudsman recommends that the CRA:

1. Advise each taxpayer whether their request is routine or complex, and provide a clear and accurate estimated processing time.
2. Maintain nation-wide consistency in the processing times of taxpayer relief requests.
3. Review and identify the factors that contribute to fluctuations in the number of taxpayer relief requests, as well as the impact they may have on the Taxpayer Relief Program.
4. Allocate sufficient permanent funding to the Taxpayer Relief Program to ensure it consistently meets and/or improves upon its processing times for taxpayer relief requests.

Introduction

A Brief History

In 2008, our Office started receiving complaints regarding delays in the processing of taxpayer relief requests.

At the time, taxpayer relief requests were managed by several branches of the Canada Revenue Agency (CRA), and reviewed by approximately 2,000 employees in 46 tax services offices. There was no central management or accountability for the processing of requests, and the requests were administered by a number of different officers, team leaders, managers and directors within different program areas. The CRA had an internal performance target of four to six weeks to process taxpayer relief requests for certain accounts where all required information was received.³ The CRA aimed to achieve this standard 90% of the time. However, in the absence of a centrally managed workload, there were issues in the reliability of the data collected which prevented the CRA from determining whether this performance target was being met.

In February 2010, the CRA began work on a transformation initiative to centralize the review of taxpayer relief requests to improve governance, consistency, and control. As a result of this initiative, the workload was streamlined as a program under the responsibility of the Appeals Branch. Under the new Taxpayer Relief Program, taxpayer relief requests were screened and acknowledged through four intake centres, then transferred to four centres of expertise to be analyzed and processed. The changes were phased in over a two-year period and completed by April 2012.

Due to the extent of the anticipated changes to the program, our Office did not initiate a formal examination at that time; however, we continued to track and monitor all taxpayer relief related complaints received during the program's transformation.

³ Defined by the Canada Revenue Agency as Accounts Receivable and Trust accounts.

Following the completion of the program transformation in April 2012, our Office continued to receive complaints from taxpayers regarding processing delays and not receiving any acknowledgement that the CRA had received their request. As a result of not receiving an acknowledgement from the CRA, taxpayers were uncertain as to whether their request was received and/or if they should re-submit their request.

In December 2012, as a result of ongoing complaints, the former Ombudsman opened an examination to assess the status of the program, and review the timelines and procedures related to acknowledging and processing taxpayer relief requests.

Scope of our Examination

Our examination focused on whether the CRA acknowledged requests for relief, the timeliness of sending acknowledgements to taxpayers, the wording of the acknowledgements, and the length of time to process relief requests.

Of the eight rights in the Taxpayer Bill of Rights that are specified within the Ombudsman's mandate, the most relevant rights in this systemic examination are:

- the right to be treated professionally, courteously, and fairly (Article 5);
- the right to complete, accurate, clear, and timely information (Article 6);
- the right to expect the CRA to be accountable (Article 11); and
- the right to expect the CRA to publish its service standards and report annually (Article 13).

Taxpayer Relief Provisions – An Overview

Taxpayer relief provisions provide the Minister of National Revenue (the Minister) with the discretion to cancel or waive penalties or interest; accept certain late, amended, or revoked elections; and issue income tax refunds or reduce amounts payable.⁴ The Minister delegates the authority to review these requests for relief to the CRA. The CRA Taxpayer Relief Program is responsible for processing requests for cancellation of penalties or interest.

The CRA processes requests for taxpayer relief under specific provisions of several acts. This includes requests made for penalty, election, and refund or adjustment requests (*Income Tax Act*), interest requests (*Income Tax Act*, *Excise Tax Act*, *Air Travelers Security Charge Act*, and *Softwood Lumber Products Export Charge Act*), as well as penalty requests related to goods and services tax / harmonized sales tax (GST/HST) registrants and claimants (*Excise Tax Act*).

The granting of relief is limited to any period that ended within 10 years before the calendar year in which a request is submitted or an income tax return is filed.⁵

The CRA considers four types of situations when deciding whether to approve requests for relief:

- *Extraordinary circumstances*: This may include disasters, such as a flood or fire that destroyed a taxpayer's tax records; civil disturbances or disruption in services, such as a riot or postal strike; a serious accident or illness; or serious emotional or mental distress, such as a death in the family.
- *Actions by the CRA*: This is for delays or errors caused by the CRA.

⁴ Provisions defined in the *Income Tax Act* (ITA), *Excise Tax Act* (ETA), *Air Travelers Security Charge Act* (ATSCA) and *Softwood Lumber Products Export Charge Act* (SLPECA).

⁵ Canada Revenue Agency, *Limitation period on exercising discretion and the deadline for requesting relief*, online: <<https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/complaints-disputes/limitation-period-on-exercising-discretion-deadline-requesting-relief.html>>.

- *Inability to pay or financial hardship:* In these situations, financial hardship means that penalties or interest are causing such hardship that the taxpayer cannot provide the basic necessities, such as food, rent, or medical assistance. This category requires full financial disclosure, extensive details, and supporting documentation.
- *Other:* Unique situations not covered by other categories.⁶

The CRA recommends that requests for relief be submitted on Form RC4288, *Request for Taxpayer Relief*, with supporting documentation.⁷ Taxpayers can also write a letter with a complete and accurate description of their circumstances, clearly explaining why their situation merits relief, and address it to the taxpayer relief section of the appropriate designated office.⁸

An acknowledgement letter is sent to the taxpayer once the request is received. This letter provides the taxpayer with an estimated processing time, advises the taxpayer that the request will be assigned to a taxpayer relief officer and any balance owing will continue to accrue interest.

During the review, the CRA may contact the taxpayer to clarify facts or obtain missing information. Once the review of the request is complete, the CRA will notify the taxpayer of the decision by letter and include the reasons for the decision. The CRA will inform the taxpayer if relief was approved, either in full or in part, or denied and what the next steps should be for the taxpayer, if they do not agree with the decision.

⁶ Canada Revenue Agency, *Circumstances that may warrant relief*, online: <<https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/complaints-disputes/cancel-waive-penalties-interest/circumstances-that-may-warrant-relief.html>>.

⁷ Canada Revenue Agency, *Form RC4288, Request for Taxpayer Relief*, online: <<https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/rc4288-request-taxpayer-relief-cancel-waive-penalties-interest.html>>.

⁸ Canada Revenue Agency, *Submitting your request*, online: <<https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/complaints-disputes/submitting-your-request-1.html>>.

Analysis

Review of Taxpayer Service Complaints

Our Office reviewed complaints received between February 2008 and March 2016 regarding delayed or missing acknowledgement letters and processing delays. We received many complaints from taxpayers who had waited over a year for their request to be processed. At one point in our review, our Office noted that of those complaints related to delays in processing, approximately 50% involved taxpayers claiming to have waited over two years. In CRA's acknowledgement letters, many taxpayers were told they may have to wait 15 months for a decision.

Early in our examination, we asked the CRA about complaints submitted by taxpayers to the CRA's Service Complaints Program. The response revealed a number of similar complaints had been received with regards to either not receiving, or undue delays in receiving, acknowledgement letters, as well as the length of time it was taking to process taxpayer relief requests.

*Sidney's Story - A Case Summary*⁹

The following is an example of the type of complaint we received that caused our Office to look into this issue.

In August 2011, our Office received a complaint from Sidney, a taxpayer and co-executor of their late-brother's estate, who filed a taxpayer relief request with the CRA. Sidney stated that, due to the timing of the probate order and the release of their late-brother's registered retirement savings plan investments, the final income tax return was filed late and penalties were assessed. To compound the penalties, a postal strike also delayed receipt of the notice of assessment. As a result, Sidney stated they were only made aware of the outstanding balance two days before the CRA expected payment.

⁹ Name and dates have been changed to maintain confidentiality.

Sidney felt the penalties and interest being charged were completely beyond their control.

In late November 2011, three and a half months after filing the relief request, Sidney received an acknowledgement letter from the CRA advising it would take approximately four months to process the request. Sidney was provided with the contact information for the taxpayer relief officer assigned to the file.

Article 6: You have the right to complete, accurate, clear, and timely information.

Six months later, in May 2012, Sidney's accountant contacted the taxpayer relief officer for an update. The taxpayer relief officer stated he was still working on the request and would get back to the accountant. Having received no response by August 2012, the accountant attempted to contact the taxpayer relief officer a second time. He was informed that the officer was away but an assistant to the officer may be able to help. The accountant contacted the assistant who informed him that the relief request was not assigned to an officer at that time. This information was upsetting to Sidney because the acknowledgement letter received in November 2011 gave the impression that someone was working on the relief request. In addition, the accountant's last conversation with the taxpayer relief officer supported this expectation.

A few days later, Sidney filed a complaint with our Office regarding the undue delays in the CRA's processing of the relief request. Sidney claimed the delays meant they were unable to file for a clearance certificate to close the estate.

Our Office referred the complaint to the CRA for resolution. In September 2012, the relief request was assigned to a taxpayer relief officer. The relief was subsequently granted in full and the complaint file with our Office was closed.

Workload Management

The CRA acknowledged it had faced key challenges during the program transformation, including having to train employees (both new and existing) and dealing with the corresponding learning curve while transitioning to the new centralized process. As stated previously, this process, designed to streamline the workflow, meant taxpayer relief requests were now managed through four intake centres and four centres of expertise across the country. Each centre is located in one of four regions: Atlantic, Quebec, Pacific, and Prairie.

Most taxpayer relief requests are considered *routine*, while some are considered *complex*. The level of complexity for each request is often determined by the intake centres, using the same established criteria for all requests. This information is then recorded in the CRA's case management system. However, upon further review of some types of files, taxpayer relief officers in the centres of expertise also update the level of complexity in the system.

According to the Taxpayer Relief Procedures Manual, a taxpayer relief request is considered complex by the Intake Centre and may require additional scrutiny when it involves at least one of the following:

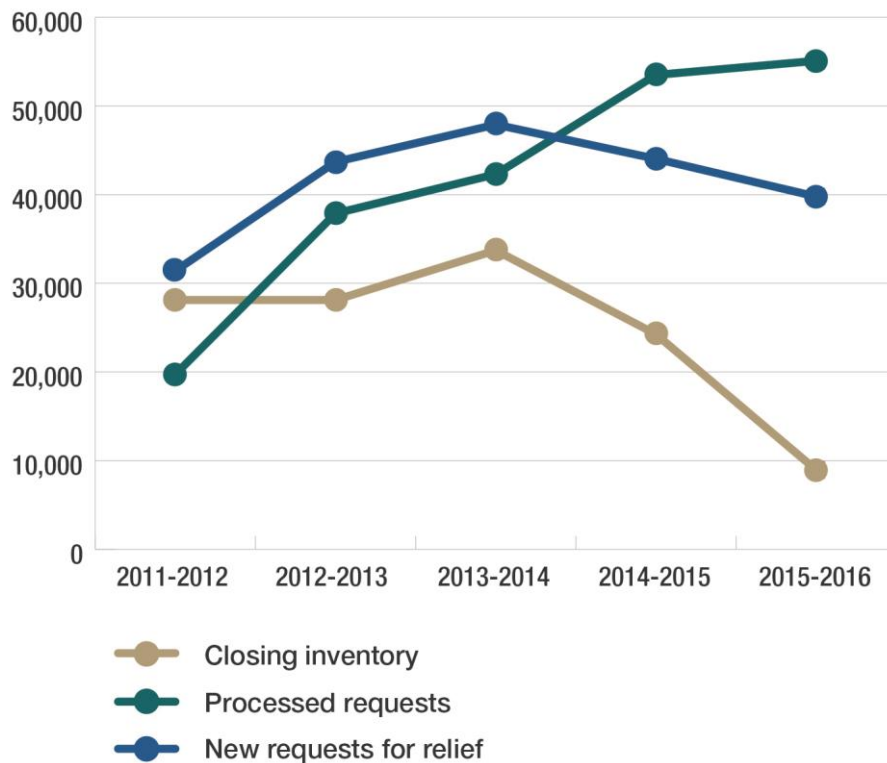
- a third/subsequent review resulting from judicial review applications or Federal Court decisions;
- a financial hardship request when the account is coded as complex by Collections; or
- a request involving a memorandum assessment.¹⁰

Our Office noted that efficiencies gained by the new process were initially overshadowed by a substantial increase in new taxpayer relief requests received. This influx of requests resulted in increases to the program's closing inventory, which is the total number of taxpayer relief requests received but not processed at the end of each fiscal year. Chart 1 shows new requests for relief, the number of requests

¹⁰ A memorandum assessment is a type of assessment that allows the CRA to recover a debt from a third party.

processed, and the number of taxpayer relief requests remaining in the Taxpayer Relief Program inventory from 2011-2016.

Chart 1 - Workload Management



We asked CRA representatives whether they were aware of the reasons for the overall increase in new taxpayer relief requests; however the CRA had not done an analysis to determine the causes or trends that accounted for this increase.

By 2014, to reduce the processing time and backlog of requests, the CRA had moved ahead on several initiatives, including:

- reviewing procedures;
- implementing new guidelines; and
- making system changes.

The information we examined for the 2015-2016 fiscal year highlighted the positive impact of the CRA's changes. The Taxpayer Relief Program's closing inventory declined by approximately 76%, from 33,714 taxpayer relief requests in 2013-2014, to 8,045 requests in 2015-2016. Furthermore, the program processed approximately 179% more taxpayer relief requests in 2015-2016 (55,089) than in 2011-2012 (19,724).

Acknowledgement Letters

In its response to our initial request for information in February 2013, the CRA informed our Office that the length of time to issue an acknowledgement letter ranged between 30 calendar days and six months following receipt of the taxpayer relief request.

Following a meeting with the CRA in March 2013 to discuss our examination, the CRA implemented an internal performance target, effective April 2013, requiring acknowledgement letters to be issued to taxpayers within 30 calendar days of receipt of the relief request.

On April 1, 2016, this internal performance target was published as an external service standard for the 2016-2017 fiscal year. The standard informed taxpayers they could expect an acknowledgement of their request by mail within 30 calendar days and the CRA aimed to meet this standard 85% of the time.¹¹

On April 1, 2017, the CRA retired this service standard. This coincided with the release of the CRA's *Summary of the Corporate Business Plan 2017-2018 to 2019-2020*, which states the CRA's focus is now on resolving the issue rather than acknowledgement.¹² Although the CRA has retired the service standard, the CRA informed our Office that the Taxpayer Relief Program still acknowledges all taxpayer relief requests within 30 calendar days.

¹¹ *Supra* note 2.

¹² Canada Revenue Agency, *Summary of the Corporate Business Plan 2017-2018 to 2019-2020*, online: <<https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/summary-corporate-business-plan/summary-corporate-business-plan-2017-2018-2019-2020.html>>.

Our Office examined the wording of the CRA's acknowledgement letters and the estimated processing time provided within the body of the letter. We found the CRA had regularly adjusted the estimated processing time provided in the letters as follows:

- In 2012, the estimated processing time stated was nine (9) months;
- In October 2013, the estimated processing time stated was fifteen (15) months;
- In January 2015, the estimated processing time stated was twelve (12) months; and
- In October 2015, the estimated processing time stated was six (6) months.

When we compared the evolving estimated processing times listed on the acknowledgement letters, we determined that the adjustments made to these times corresponded to the overall average processing times for those periods, which included both routine and complex requests. However, we also noted the same acknowledgement letter, with the same estimated processing time, is sent to every taxpayer regardless of whether the request is routine or complex.

When we examined the phrasing of the CRA's letters, we noted that a sample letter provided to our Office in February 2013 informed the taxpayer that processing "may take [the CRA] longer" than the listed estimated time. Acknowledgement letters provided to our Office in May 2014, January 2015, and March 2016 stated it "may take [the CRA]" the listed estimated time. In the more recent letters, there is no reference to the possibility that processing may take longer than the listed estimated time.

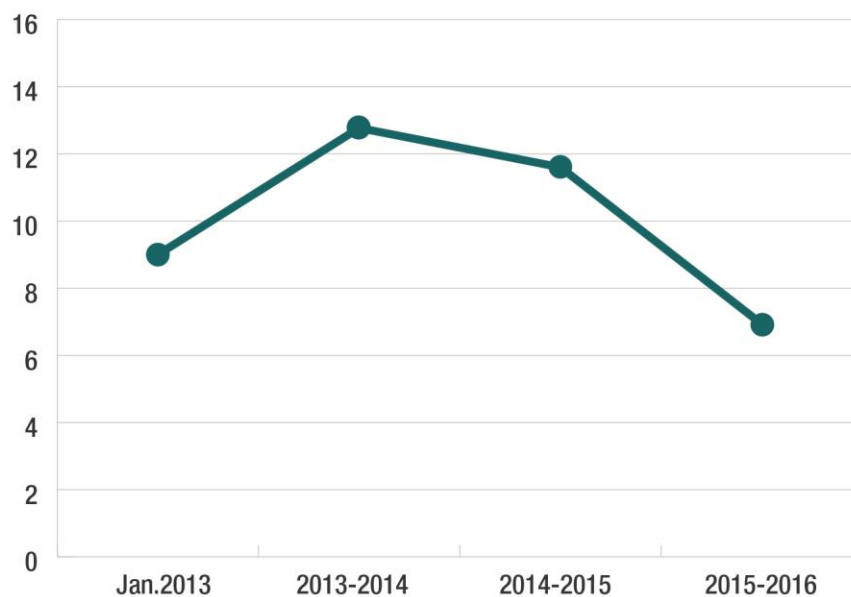
In our view, the letters in 2013 indicated a minimum expectation for the length of time a request would take to be processed, and the others in 2014, 2015, and 2016 indicated a maximum expectation. In July 2016, we notified the CRA of this inconsistency so that future discrepancies could be avoided. The CRA subsequently modified the letters to indicate processing "may take approximately 6 months [...] due to a high volume of requests or the complexity of your file."

However, no changes were made to the wording to inform taxpayers that processing may take longer in some circumstances.

Processing Times - General

In January 2013, the average processing time for taxpayer relief requests was nine months. The CRA manually calculated this processing time from data collected from the centres of expertise. At that time, there were no standards with regard to the time it should take to process taxpayer relief requests. According to the CRA, this was due to the fact there was no reliable data with which to create a standard. Chart 2 demonstrates the overall processing times for all relief requests.

**Chart 2 - Overall Processing Time for all Files
(in months)**



By December 2015, the CRA implemented various system updates to allow the CRA to obtain reliable data upon which it could build to better manage the workload of the Taxpayer Relief Program. This included the ability to transfer files in large quantities between its centres of expertise.

Over the course of our review, the CRA decreased its overall average processing time for all taxpayer relief requests, from approximately 12.5 months in 2013-2014, to approximately seven months in 2015-2016. As of March 31, 2016, the national average processing time was approximately 6.5 months for routine requests. When we compared the CRA's processing times for complex files for 2013 through 2016, we found the processing times increased by 10 days but remained at about 18 months.

In March 2017, as stated in the *Summary of the Corporate Business Plan 2017-2018 to 2019-2020*, the CRA introduced a new service standard for processing taxpayer relief requests.¹³ According to the new standard, the CRA will issue a decision on a taxpayer relief request to cancel or waive penalties and interest within 180 calendar days, 85% of the time.

The CRA's calculation of the average processing time includes "non-workable" periods. According to the CRA, "non-workable periods" are those in which a file cannot progress. These instances include, but are not limited to:

- the CRA is waiting for information from a taxpayer or their representative;
- the CRA is awaiting a court decision; or
- the CRA is awaiting the outcome of a National Appeals group project.

These are processing delays that the CRA consider out of its control.

During our examination the CRA informed our Office it was conducting further analysis on how to exclude the time a file is in *non-workable* status from its calculation on the overall age of the file. In June 2017, as our Office was finalizing its report, the CRA advised our Office that the calculation of the processing time now excludes "non-workable" time.

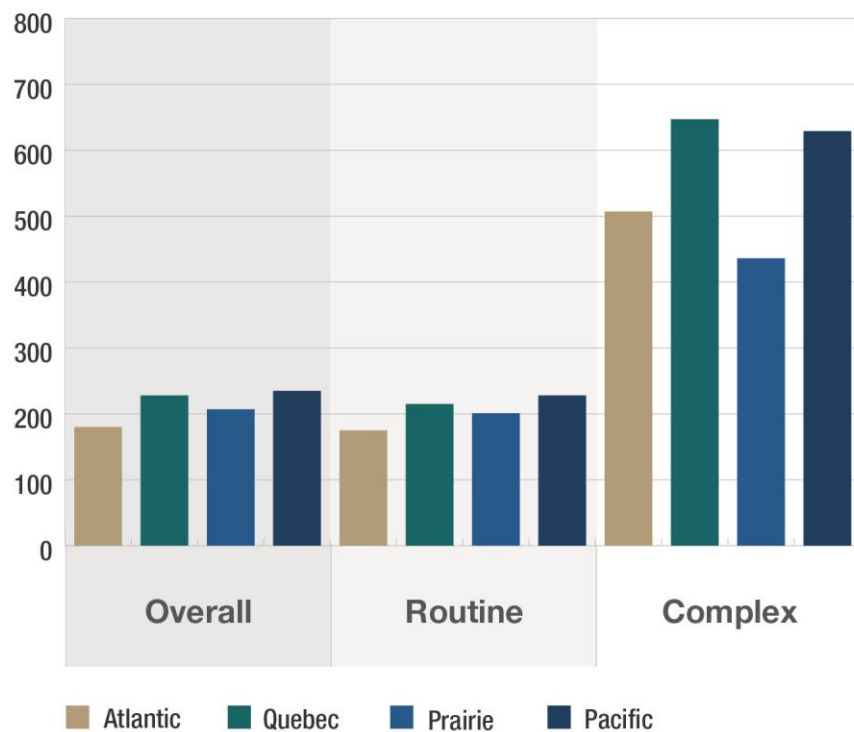
¹³ *Supra* note 12.

Processing Times – Regional Differences

Throughout our examination, while overall processing times decreased for the program, our Office noted regional differences in the processing times for both routine and complex files.

Chart 3 shows the overall processing times (in calendar days) as well as the processing times for routine and complex files for all regions for 2015-2016. Most notable is the difference of 211 days between the Quebec region (647 days) and the Prairie region (436 days) for the processing of complex files.

Chart 3 - 2015-2016 Processing Times Between Regions (in Calendar Days)



Despite these differences, the CRA uses the same estimated wait time in the acknowledgement letters.

Program Funding

In each fiscal year since 2012-2013, the Taxpayer Relief Program was underfunded and received a temporary funding increase in its planned operating budget.

Table 1

Fiscal year	Planned spending	Actual spent	Difference	Increase
2012-2013	\$12,762,000	\$22,614,000	\$9,852,000	77.2%
2013-2014	\$18,678,175	\$20,945,635	\$2,267,460	12.1%
2014-2015	\$19,573,280	\$29,161,687	\$9,588,407	48.9%

* The figures within this table are sourced from the CRA's Annual Report to Parliament for the respective years.

In July 2016, the CRA informed our office it had submitted a business case for additional permanent funding, but the request was declined. However, the CRA stated it would continue to allocate temporary funding to the program for three years; an amount equivalent to 20% of the base funding for the program.

Findings

During the course of our examination, the CRA made several changes to the way it managed the taxpayer relief workload, including changes to its estimated processing times and the acknowledgement of requests for relief. We found that the transition to a centralized program resulted in improvements to the efficiency with which the CRA managed its workload. Despite these improvements, our Office continues to receive complaints.

Acknowledgement Letters

In April 2013, the CRA implemented a 30 calendar day internal performance target for issuing acknowledgement letters by mail. The CRA later formalized this standard externally for the 2016-2017 fiscal year and our Office was satisfied with the CRA's accountability regarding this standard. However, the CRA subsequently retired this service standard on April 1, 2017. In the *Summary of the Corporate Business Plan 2017-2018 to 2019-2020*, the CRA states when updating service standards, it considers what would be most meaningful to Canadians.¹⁴ As such, while the CRA will continue to send acknowledgement letters, its focus for service standards has shifted from process and acknowledgement to output and issue resolution.

We noted that, while acknowledgement letters communicate average estimated processing times, the estimates provided do not take into account the complexity of the file. Given that the CRA is aware of varying processing times between routine and complex relief requests and a determination of complexity is made at intake, we find this is a lost opportunity to communicate a more accurate estimated processing time to taxpayers.

We also found the wording used in the acknowledgement letters to be confusing. In our view, one version of the letter gave taxpayers the impression there was a minimum estimated processing time (“may take [the CRA] longer”), while later versions referenced a maximum

¹⁴ *Supra* note 12.

estimated time (“may take [the CRA] 9 months”). In July 2016, we notified the CRA of this inconsistency so it could take action.

Following our notification, the Taxpayer Relief Program adjusted each acknowledgement letter to indicate that “It may take [the CRA] approximately 6 months to process your relief request due to a high volume of requests or the complexity of your file”. The acknowledgement letters reference a single estimated processing time, giving taxpayers the impression that this is the maximum time they will have to wait. It is important for the CRA to communicate its intention clearly and consistently so it can manage taxpayer expectations and reduce future service complaints.

Processing Times

Our examination found that, although the CRA decreased overall processing times, regional differences remain. An inconsistency in processing times between regions creates unfairness based on where each taxpayer resides.

We also found that the CRA did not make any gains in reducing overall processing times for complex files. In fact, processing times were 10 days longer in 2015-2016 than in 2012-2013 for complex taxpayer relief requests. Taxpayers with complex files still wait approximately 18 months for a resolution.

During our examination, the CRA was working to exclude “non-workable” periods in its reporting on processing times. In June 2017, at the time of finalizing this report, the CRA advised our Office that processing time now excludes “non-workable” time. It is our view that this will provide the CRA with a more accurate timeline of how long it takes to process a relief request and provide a clearer picture of the causes of delays within the process that are attributable to the CRA. This information should be used to make improvements in processing times.

Removing non-workable time from the overall age of a request will likely result in a decrease in the processing times reported by the CRA;

however, it will not affect the actual length of time the taxpayer is waiting for their request to be completed. The CRA should provide an explanation of this discrepancy to taxpayers, as the actual number of days a taxpayer waits will be different than the processing time calculated by the CRA.

Effective April 1, 2017, as stated in the *Summary of the Corporate Business Plan 2017-2018 to 2019-2020*, the CRA established a 180 day processing standard for the processing of taxpayer relief requests.¹⁵ The CRA intends to meet this expectation 85% of the time.

General

Over the course of our examination, there were fluctuations in the number of taxpayer relief requests received by the CRA. Most notably, between 2011-2012 and 2013-2014, the number of requests received rose by 53%. While this increase initially minimized the efficiencies gained through the new program, the CRA was able to meet the growing demand and decrease processing times. However, we found the CRA was unaware of the reasons for these fluctuations. As we completed our examination, no analysis had been undertaken by the CRA to determine the cause. A lack of understanding regarding the cause of these fluctuations may adversely impact processing times in the future.

In each fiscal year since 2012-2013, the Taxpayer Relief Program has required additional temporary funding to continue to meet the demand of requests received. At the completion of our examination, the CRA indicated that it was in the process of submitting another proposal for increased permanent funding. We find that an increase to the Taxpayer Relief Program's permanent base funding is required to ensure the CRA is able to maintain adequate resources to process relief requests in a timely manner.

As we completed our research, the CRA was conducting a business transformation review of the intake centres. The processes were being reviewed to identify best practices, challenges, redundancies, and

¹⁵ *Supra* note 12.

opportunities for improved efficiency in the program delivery. The CRA has advised our Office that a similar review of business processes and procedures at the centres of expertise will be conducted to ensure a consistent and efficient national approach in the delivery of the program. The results of these reviews were not available to our Office upon the conclusion of our examination.

Conclusion

Article 6 of the Taxpayer Bill of Rights states taxpayers have the right to complete, accurate, clear, and timely information from the CRA. Consequently, when a taxpayer chooses to apply for relief as part of the taxpayer relief provisions, the CRA should provide complete, accurate, clear, and timely information about their request.

The CRA made improvements in its service delivery as it transitioned the taxpayer relief workload into a formal program. Processing times have decreased and acknowledgement letters are now sent consistently as a matter of protocol. For the Taxpayer Relief Program to continue to see improvements in processing times and allow for proper planning of service delivery, the program requires an increase to its permanent base funding instead of continuously relying on temporary funding.

A service standard for the processing of taxpayer relief requests has now been established. This standard will improve the transparency and accountability of the CRA's Taxpayer Relief Program and provide taxpayers with clarity regarding processing times.

While changes were made and the transition to a program is now complete, opportunities for improvement still exist. Greater consistency in regional processing times and increased accuracy in communicating these times is required. An awareness by the CRA of the reasons for increases in taxpayer relief requests received would also contribute to program improvement.

Recommendations

Based on the findings of this examination, the following recommendations are made to the Minister of National Revenue:

1. The Taxpayers' Ombudsman recommends that for each taxpayer who has filed a request for relief, the Canada Revenue Agency:
 - a. Advise the taxpayer whether their request is routine or complex; and,
 - b. Provide the taxpayer a clear and accurate estimated processing time.
2. The Taxpayers' Ombudsman recommends that the Canada Revenue Agency maintain nation-wide consistency in the processing times of taxpayer relief requests.
3. The Taxpayers' Ombudsman recommends that the Canada Revenue Agency review and identify the factors that contribute to fluctuations in the number of taxpayer relief requests, as well as the impact they may have on the Taxpayer Relief Program.
4. The Taxpayers' Ombudsman recommends that the Canada Revenue Agency allocate sufficient permanent funding to the Taxpayer Relief Program to allow for adequate planning, to ensure the Program consistently meets or improves upon its processing times for taxpayer relief requests.