



Canada Revenue Agency

ESTIMATES

2009-10
Estimates

Part III - Departmental Performance Report

For the period ending
March 31, 2010

Canada

The Estimates Documents

Each year, the government prepares Estimates in support of its request to Parliament for authority to spend public monies. This request is formalized through the introduction of appropriation bills in Parliament. The Estimates, which are tabled in the House of Commons by the President of the Treasury Board, consist of the following:

Part I – The Government Expense Plan provides an overview of federal spending and summarizes the key elements of the Main Estimates.

Part II – The Main Estimates directly support the Appropriation Act. The Main Estimates identify the spending authorities (Votes) and amounts to be included in subsequent appropriation bills. Parliament will be asked to approve these Votes to enable the government to proceed with its spending plans. Parts I and II of the Estimates are tabled on or before March 1.

Part III – Departmental Expenditure Plans are divided into two components:

- 1) **Reports on Plans and Priorities (RPP)** are individual expenditure plans for each department and agency (excluding Crown corporations). These reports provide increased levels of detail over a three-year period on an organization's main priorities by strategic outcome(s), program activity(ies) and planned/expected results, including links to related resource requirements. The RPPs also provide additional details on risk management, operational and management priorities, transformational projects and grants and contributions, etc. They are tabled in Parliament by the President of the Treasury Board on behalf of the ministers who preside over the appropriation-dependent departments and agencies identified in Schedules I, I.1 and II of the *Financial Administration Act*. These documents are tabled on or before March 31 and referred to committees, which may then report to the House of Commons pursuant to Standing Order 81(7).
- 2) **Departmental Performance Reports (DPR)** are individual department and agency accounts of results achieved against planned performance expectations as set out in respective RPPs. These Performance Reports, which cover the most recently completed fiscal year, are tabled in Parliament in the fall by the President of the Treasury Board on behalf of the ministers who preside over the appropriation-dependent departments and agencies identified in Schedules I, I.1 and II of the *Financial Administration Act*.

Supplementary Estimates directly support an Appropriation Act. The Supplementary Estimates identify the spending authorities (Votes) and amounts to be included in the subsequent appropriation bill. Parliamentary approval is required to enable the government to proceed with its spending plans. Supplementary Estimates are normally tabled three times a year, the first document in May, the second in late October and the final in late February. Each Supplementary Estimates document is identified alphabetically A, B, C, etc. In special circumstances, more than three Supplementary Estimates documents can be published in any given year.

The Estimates, along with the Minister of Finance's Budget, reflect the government's annual budget planning and resource allocation priorities. In combination with the subsequent reporting of financial results in the Public Accounts and of accomplishments achieved in DPRs, this material helps Parliament hold the government to account for the allocation and management of public funds.

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Canada Revenue Agency

Performance Report

For the period ending
March 31, 2010

The original was signed by

The Honourable Keith Ashfield, P.C., M.P.
Minister of National Revenue and
Minister of the Atlantic Canada Opportunities Agency and
Minister for the Atlantic Gateway

The contents of this performance report are taken from the Canada Revenue Agency's *Annual Report to Parliament 2009-2010*. The Minister of National Revenue tables the CRA's Annual Report in Parliament pursuant to the requirements of the *Canada Revenue Agency Act*. The Performance Report and the CRA's Annual Report contain comprehensive performance information and the opinion of the Auditor General of Canada on the CRA's financial statements. For more information on the CRA's Annual Report, please visit www.cra.gc.ca/annualreport, or write to: Director, Planning and Annual Reporting Division, Corporate Planning, Governance and Measurement Directorate, Corporate Strategies and Business Development Branch, Canada Revenue Agency, Connaught Building, 555 MacKenzie Avenue, Ottawa ON K1A 0L5, Canada.

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Section I: Agency Overview

Message from the Minister



The Canada Revenue Agency (CRA) administers a fair, and responsive tax and benefit system that contributes to the economic and social well being of our nation. The support the CRA provided during the difficult economic climate that dominated 2009-2010 was especially important. By being flexible in how it delivered key aspects of Canada's Economic Action Plan, the CRA helped secure stability and future prosperity for Canadians.

“Our country’s tax system relies on honesty and voluntary compliance. The Canada Revenue Agency wants to help Canadians meet their tax obligations.”

The CRA is committed to protecting Canada's revenue base by making sure everyone complies with tax laws. To do this, during 2009-2010, the CRA actively pursued individuals and businesses, including participants in the underground economy and those avoiding taxes by hiding funds offshore, who were not paying the taxes that they owed to Canadians. This document highlights many of the CRA's achievements over the last year and describes the CRA's role in supporting individuals, businesses, and families across Canada.

As Minister of National Revenue, I am pleased to present the *Departmental Performance Report 2009-2010* for tabling.

The original was signed by

The Honourable Keith Ashfield, P.C., M.P.
Minister of National Revenue and
Minister of the Atlantic Canada Opportunities Agency and
Minister for the Atlantic Gateway

Message from the Commissioner and Chief Executive Officer



As Commissioner and Chief Executive Officer, I am accountable to the Minister of National Revenue for all program matters, and to our Board of Management for administrative matters. I am proud to report that the Canada Revenue Agency (CRA) has once again demonstrated its capacity to achieve meaningful and measurable results for Canadians. While we recognize that we have more to do in some areas, our achievements during this past year provide further evidence of the strength of our core business expertise: administering taxes, collecting revenues, and delivering benefits.

The CRA touches the lives of more Canadians than any other single department or agency in the country. In 2009-2010, we processed about \$358 billion in taxes and duties and delivered over \$17 billion in benefits and credits to millions of individuals and businesses on behalf of Canada's provinces, territories, other federal departments, and First Nations.

“The CRA is known throughout government as a well-managed, leading-edge organization committed to excellence. That commitment is extremely important in these still-uncertain economic times, when more Canadians than ever depend on the benefit programs the CRA administers.”

Our 2009-2010 results

During 2009-2010, the CRA placed significant emphasis on ensuring the integrity of Canada's tax and benefits system. We encouraged compliance with tax legislation by designing initiatives that make it harder for individuals and business to not comply. For example, over the past year we successfully targeted areas like aggressive tax planning and

tax havens through partnerships with provinces and international tax administrations, and further refined our risk assessment and management tools. Overall, individuals, corporations, business that collect GST/HST, and employers continued to demonstrate strong levels of voluntary compliance with their registration, filing, and remittance obligations. Our robust system of checks and balances, coupled with the legislative and other compliance tools available to us, provide assurance that Canada's revenue base is being protected.

We continued to strengthen service as a means of increasing levels of voluntary compliance. In 2009-2010, we took further steps to make it easier for Canadians to comply with legislation by improving access to tax and benefit information and interactive tools.

In our day-to-day activities, we met most of our performance targets for 2009-2010. For those that we did not meet, we sought to understand the factors involved—such as the recent economic downturn—to identify the steps we can take to improve performance in the future.

One particular challenge that we face, which is shared by tax administrations worldwide, is the measurement of the impact of our activities to detect and address non-compliance. Although we continue to achieve strong ratings overall for our performance management framework, we recognize the need to further refine this area.

Management Results

“The 2009-2010 assessments from the Treasury Board of Canada Secretariat and our own Board of Management showed that the CRA rates strongly in most areas of management.”

Moving forward

November 2009 marked the end of our first decade as an agency. The programs and services that we provided over the last 10 years made an important difference in the lives of Canadians. We took on new business, developed and adapted how we worked, built on our management initiatives, and ensured that we continued to deliver on the expectations and needs of taxpayers, businesses, and our government clients. None of this would have been possible without the dedication and hard work of our skilled employees. Their collective knowledge will continue to help us provide innovative and efficient services to individuals and businesses on behalf of the Government of Canada, other levels of government, and First Nations communities.

Our reputation as a world-class tax administration is well-earned and we are proud of our accomplishments over the past year. In submitting this report, I would like to extend my sincere thanks to all of my coworkers, managers, and union leaders who have made the CRA's successes possible. As we move forward, I remain confident in the dedication, knowledge, and professionalism of our employees as they deliver quality results that matter to Canadians.

The original was signed by

Linda Lizotte-MacPherson
Commissioner and Chief Executive Officer
Canada Revenue Agency

Our Raison d'Être

Canada's tax system is based on voluntary compliance and self-assessment. A well-functioning tax system is critical to the ability of federal, provincial, territorial, and First Nation governments to deliver programs and services that are important to Canadians and Canadian businesses.

The Canada Revenue Agency (CRA) has the mandate to administer tax, benefit, and other programs on behalf of the Government of Canada and provincial, territorial, and First Nations governments.

Parliament created the CRA so we could meet the mandate by:

- providing better service to Canadians;
- offering more efficient and more effective delivery of government programs; and
- fostering closer relationships with provinces and other levels of government for which the CRA delivers programs, and providing better accountability.

The CRA's mandate reflects the broad role that the CRA plays in the lives of Canadians. The CRA contributes to three of the Government of Canada's outcome areas:

- A transparent, accountable and responsive federal government;
- Well-managed and efficient government operations; and
- Income security and employment for Canadians.

In 2009-2010 we processed about \$358 billion in taxes and duties (\$8 billion less than in 2008-2009) on behalf of Canada, the provinces (except Quebec) and territories, and First Nations. We also delivered over \$17 billion in benefits and credits, and provided other services that contributed directly to the economic and social well-being of Canadians.

Benefit to Canadians

No other public organization touches the lives of more Canadians on a daily basis than the CRA does. Each year we administer billions of dollars in tax revenue and distribute timely and accurate benefit payments to millions of Canadians. We deliver income-based benefits, credits, and other services that assist families and children, low- and moderate-income households, and persons with disabilities—programs that contribute directly to the economic and social well-being of Canadians.

Our ability to deliver efficient, timely, and accurate high-volume programs and services makes us a valuable partner for government clients.

The following two strategic outcomes summarize the CRA's contribution to Canadian society.

- Taxpayers meet their obligations and Canada's revenue base is protected; and
- Eligible families and individuals receive timely and correct benefit payments.

In addition to administering tax and benefit programs, we administered harmonized sales tax for three provinces and verified taxpayer income levels in support of a wide variety of federal, provincial, and territorial programs, ranging from student loans to health care initiatives. We also provided other services, such as our Refund Set-Off Program, through which we helped other federal departments and agencies, as well as provincial and territorial governments, collect debts that might otherwise become uncollectable.

This Performance Report assesses the extent to which we achieved these outcomes during the 2009-2010 fiscal year. On balance, our results show that we met both our strategic outcomes.

Risk Analysis

Our Enterprise Risk Management Program was created to ensure that we develop and implement a systematic and comprehensive approach to managing risks that is fully integrated into our strategic, operational, and financial decision-making processes and mechanisms.

To keep abreast of the risks the CRA faces as an organization, during the planning period, we completed our Corporate Risk Inventory 2009, an integral part of our annual strategic planning exercise. The five key priorities of the *Corporate Business Plan 2010-2011 to 2012-2013* were based on the highest CRA risks identified in the 2009 inventory (related to payment compliance and the underground economy). A CRA risk action plan was also developed to ensure that we have appropriate response strategies for all the risks identified in the inventory. In this way, the 2009 risk inventory guided the strategic and operational business priorities for the 2010-2011 planning period and led us to integrate risk management in our day-to-day business.

An update to the Corporate Risk Inventory 2009 was also initiated in early 2010. The update indicated that the overall risk profile of the CRA remains generally unchanged from 2009.

We believe that our approach to risk management will help us maintain services to the Canadian public and protect their interests.

Rating our Results

We use qualitative and quantitative indicators, also called measures, to determine the results achieved in terms of our strategic outcomes and expected results. We gather operational data, statistical samples, and survey results that form the basis for our assessments. We continue to face challenges in strengthening our indicators; in particular, ones that are concrete and allow us to make clear links between our achievements and our strategic outcomes and expected results. To this end, we share information with other tax administrations on results measurement through various international forums. In addition, the CRA participates in international initiatives to benchmark key aspects of tax administration with jurisdictions from around the world.

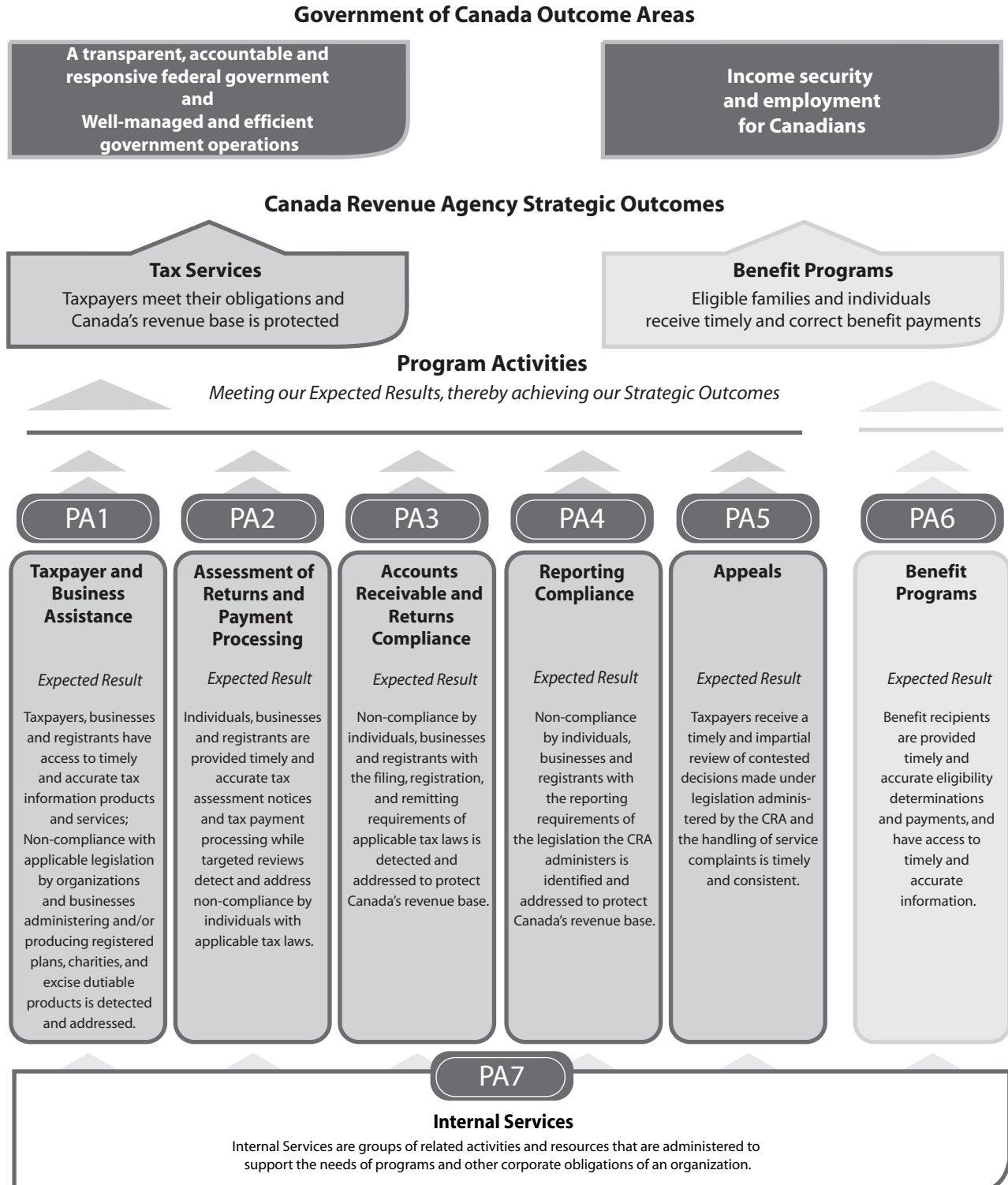
We also rate our strategic results and those of our program activities in terms of whether the targets identified in our *Corporate Business Plan 2009-2010 to 2011-2012* were met, mostly met, or not met.

Our targets identify the percentage or degree we expect to attain for a performance level. Where targets are numeric, they are listed beside each indicator. Our management teams establish performance targets by analyzing affordability constraints, historical performance, the complexity of the work involved, and the expectations of Canadians.

Rating	Results
Met	Our results met or exceeded our expectations.
Mostly met	While the results met most of our expectations, some gaps exist.
Not met	Significant gaps exist in results and most or key expectations were not met.

Our Program Activity Architecture

The Program Activity Architecture depicted below identifies our program activities and demonstrates how they link to our strategic outcomes. Program activities are groups of related activities that are designed and managed to meet a specific public need and reflect how we allocate and manage our resources to achieve intended results.



Performance Summary

<i>(in thousands of dollars)</i>		2009-2010				Alignment to Government of Canada Outcomes
Program Activity	2008-2009 Actual ¹	Main Estimates	Planned Spending	Total Authorities	Actual	
Strategic Outcome: Taxpayers meet their obligations and Canada's revenue base is protected						
Taxpayer and Business Assistance ²	483,467	690,626	690,626	542,727	531,371	A transparent, accountable and responsive federal government
Assessment of Returns and Payment Processing ³	645,529	587,917	587,917	728,359	690,835	Well-managed and efficient government operations
Accounts Receivable and Returns Compliance ⁴	497,808	429,712	429,712	533,979	529,982	Well-managed and efficient government operations
Reporting Compliance	1,037,944	922,077	922,077	1,129,081	1,092,367	Well-managed and efficient government operations
Appeals	132,605	126,895	126,895	149,799	148,009	A transparent, accountable and responsive federal government
Strategic Outcome: Eligible families and individuals receive timely and correct benefit payments						
Benefit Programs ⁵	341,843	331,566	331,566	342,634	342,440	Income security and employment for Canadians
The following program activity supports all strategic outcomes within the organization						
Internal Services ¹	1,057,515	1,295,854	1,295,854	1,156,451	1,068,803	
Strategic Outcome: Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints						
Taxpayers' Ombudsman ¹	1,945	3,328	3,328	3,130	2,741	A transparent, accountable and responsive federal government
Total	4,198,656	4,387,974	4,387,974	4,586,160	4,406,548	
Less:						
Non-Tax Revenues						
Responsible Revenue – Pursuant to section 60 of the <i>Canada Revenue Agency Act</i>	219,585	204,803	204,803	213,920	213,920	
Non-Responsible Revenue	51,074	N/A	54,183	N/A	55,676	
Plus:						
Cost of services received without charge	250,314	N/A	259,782	N/A	269,188	
Net Cost of CRA	4,178,311	N/A	4,388,770	N/A	4,406,140	
Note: Numbers may not add due to rounding						

¹ Commencing in the 2009-2010 Estimates cycle, the resources for Program Activity: Internal Services are displayed separately from other program activities; they are no longer distributed among the remaining program activities. 2008-2009 Actuals have been restated to more accurately reflect the total spending attributable to each Program Activity and to provide a better comparison of spending information by Program Activity between fiscal years.

² Includes the Softwood Lumber statutory disbursements (\$180.5 million in 2008-2009 and \$205.5 million in 2009-2010).

³ Includes payments to the Ministère du Revenu du Québec in respect of the joint administration costs of Federal and Provincial sales taxes (\$131.7 million in 2008-2009 and \$148.4 million in 2009-2010).

⁴ Includes Payments to Private Collection Agencies (\$9.1 million in 2008-2009 and \$3.3 million in 2009-2010).

⁵ Includes a) Relief for Heating Expenses (program announced in 2000) (\$0.9 million in 2008-2009 and \$0.5 million in 2009-2010); b) Energy Costs Assistance Measures expenses (program announced in the Fall of 2005) (\$0.5 million in 2008-2009 and \$0 in 2009-2010); and c) Statutory Children's Special Allowance payments (\$211.8 million in 2008-2009 and \$215.3 million in 2009-2010).

2009-2010 Financial Resources (in thousands of dollars)

	Planned Spending	Total Authorities	Actual Spending
	4,387,974	4,586,160	4,406,548

2009-2010 Human Resources

	Planned	Actual	Difference
Full-Time Equivalents	39,481	40,228	(747)

Contribution of Priorities to Strategic Outcomes

As identified in our *2009-2010 Report on Plans and Priorities*, our tax and benefit focus over the planning period was on **tax integrity, strengthening service, benefits validation, effective relationships, and business sustainability**.

The following table identifies the strategic priorities we pursued in 2009-2010, our results, and how these priorities support our Strategic Outcomes. Additional details concerning individual program activity achievements related to these strategic priorities are provided in Section II: Analysis of Program Activities by Strategic Outcome.

Tax Operational Priorities			
Tax Integrity:			
Non-compliance is the failure, for whatever reason, to register as required under the law, file returns on time, report complete and accurate information to determine tax liability, and pay all amounts when due. It takes many forms, from errors and omissions to deliberate tax evasion. We are constantly assessing non-compliance risks and taking steps to focus our resources on areas of highest risk in order to make non-compliance more difficult.			
Type	Link to Strategic Outcomes	Status	2009-2010 Summary of Performance
Ongoing	Taxpayers meet their obligations and Canada's revenue base is protected and Eligible families and individuals receive timely and correct benefit payments	Successfully Met	<p>Over the past several years, we have significantly augmented our research capacity to enable us to better understand and manage debt. Our work in this area has allowed us to use information on taxpayer characteristics, compliance behaviour, and other factors to construct risk-based models that help us select appropriate and effective approaches for specific debtor cases. We began to use our risk-based approach to identify the right compliance response for individual debtors, ranging from helping individuals further understand their obligations, to undertaking swifter and firmer responses with those whose history demonstrates a higher risk of non-compliance. Our risk-based selection models are being integrated into our decision-making to more effectively manage the tax debt accrued by both taxpayers and businesses.</p> <p>We also commenced the implementation of Phase II of our National Insolvency Strategy, with the goal of improving the coordination and management of complex filings under the <i>Companies' Creditors Arrangement Act</i>.</p> <p>We developed a suite of directives that set the direction of our future communication with taxpayers by issuing tax alert messages and publishing criminal convictions obtained by the CRA through the judicial process.</p>

Tax Operational Priorities (Cont'd)

		<p>Sectors of the CRA worked together to better manage collections related to aggressive international tax planning cases, an effort that has produced valuable information. Such improvements will serve both taxpayers and the CRA by enhancing our ability to address the current global accounts receivable inventory.</p> <p>We also communicated with Canadians about the risks and consequences of using tax havens to avoid paying taxes, and about the actions that we take to counter these abusive practices. A pamphlet to inform taxpayers who are potential users of tax havens was published in 2009.</p>
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Tax Operational Priorities

Strengthening Service:
 Taxpayers and benefit recipients are the focus of our service work. We are committed to providing timely and accessible information products and services to make it easier for taxpayers and benefit recipients to comply with their obligations and receive their rightful share of entitlements. Each tax and benefit service we deliver, however, must be integrated with our compliance strategy and must consider costs and our capacity, as well as the needs and expectations of the individuals, businesses, and government clients we deal with every day.

Type	Link to Strategic Outcomes	Status	2009-2010 Summary of Performance
Ongoing	<p>Taxpayers meet their obligations and Canada's revenue base is protected</p> <p>and</p> <p>Eligible families and individuals receive timely and correct benefit payments</p>	Successfully Met	<p>Electronic self-service is the most economical means of reaching the greatest number of individuals and businesses, and it represents the best opportunity to respond to the evolving service expectations of taxpayers. Our Smartlinks program supports taxpayers who self-serve by providing direct telephone access to tax experts and provides us the opportunity to solicit feedback in order to improve the Web site. In 2009-2010, we expanded this feature to the transactional pages of our My Business Account electronic service.</p> <p>While many Canadians use electronic self-service options, we continue to serve and support taxpayers through more traditional channels. For example, a large number of taxpayers interact with us over the telephone. Comprehensive automated response systems provide service 24 hours a day, seven days a week. During regular business hours, we can route calls among call centres as demand increases or decreases. This allows us to use our resources more effectively, reduce costs, provide extended hours of service, and efficiently resume our business after any service interruption.</p> <p>We are improving our understanding of why taxpayers use the telephone through our Profile of Enquiries studies. We are also providing our agents with more updated and relevant reference tools, and making system improvements to ensure the information agents provide to callers is consistent. This will ensure that our agent-assisted telephone services meet taxpayers' needs.</p> <p>Through our communication and outreach activities, we deliver the information taxpayers need to meet their obligations. Given changing demographics, compliance risks, and other key trends, outreach programs and communications activities delivered by programs across the CRA must continually adapt. They must also be fine-tuned to the needs of specific taxpayer subgroups such as seniors, new Canadians, youth, small or new businesses, and high-risk sectors.</p> <p>In 2009-2010, we worked with several government departments and agencies to reach out to different segments and communities to deliver tailored services or messages. Partners include Agriculture and Agri-Food Canada, Human Resources and Skills Development Canada, the Financial Consumer Agency of Canada, and the Province of Manitoba.</p>

Tax Operational Priorities (Cont'd)

		<p>We continue to build on partnerships with the provinces of Ontario and British Columbia to provide information sessions on the transition to the harmonized sales tax.</p> <p>We used webinars and webcasts as outreach tools. This gave taxpayers in remote areas easy access to information. We also conducted a call-out campaign to give rural small business owners in Ontario and British Columbia information about the upcoming implementation of harmonized sales tax in their provinces.</p>
		<p>The telephone has always been an important service channel for benefit recipients. Many people rely on the telephone as their main contact route for reasons such as availability and prompt access to information and services. Information that is exchanged over the telephone can be critical to timely account updates and accurate benefit and credit calculations. The number of Canada Child Tax Benefit and GST/HST credit callers able to reach us by telephone exceeded 90% for the second consecutive year. The increased level of service for benefit recipients was possible due to the additional resources directed into our telephone services since 2008.</p>
		<p>We launched the Automated Benefits Application service, which allows parents to apply for child and family benefits when their child is born, by ticking a box on their provincial or territorial birth registration forms.</p>

Tax Operational Priorities

Effective Relationships:

Maintaining effective partnerships with other federal government agencies and departments, provinces, territories, and First Nations governments increases the effectiveness and efficiency of our administration of Canada's tax and benefits system. Co-operation among tax administrations, including sharing tax information, is a key tool in protecting the integrity of Canada's tax system.

Type	Link to Strategic Outcomes	Status	2009-2010 Summary of Performance
Ongoing	<p>Taxpayers meet their obligations and Canada's revenue base is protected</p> <p>and</p> <p>Eligible families and individuals receive timely and correct benefit payments</p>	Successfully Met	<p>We maintained a strong presence in international organizations such as the Inter American Center of Tax Administrations, the Commonwealth Association of Tax Administrators, and the Centre de Rencontres et d'Études des Dirigeants des Administrations Fiscales in order to advance protocols and practices to guide the work of tax administrations around the world.</p> <p>We worked with a number of international groups, such as the Organisation for Economic Co-operation and Development, to identify and respond to compliance threats. We also worked with multilateral compliance groups, such as the Joint International Tax Shelter Information Centre, with whom we conduct analyses of compliance issues.</p> <p>We enhanced our relationships with other tax jurisdictions through tax treaties and tax information exchanges. In 2009-2010, we participated with Department of Finance Canada in negotiations to update existing treaties with Australia, Malaysia, the Netherlands, New Zealand, Poland, Singapore and Switzerland. We similarly pursued tax information exchanges with Anguilla, Aruba, Bahamas, Bahrain, Bermuda, Cayman Islands, Dominica, Guernsey, Jersey, Liberia, Saint Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines, San Marino, and Turks and Caicos. These enhanced relationships improve our ability to conduct international compliance work by providing the CRA with access to offshore tax information, including bank information, notwithstanding bank secrecy legislation.</p>

Tax Operational Priorities (Cont'd)

		<p>Our relationship with the Department of Finance Canada is critical to the success of our strategies. In 2009-2010, we worked with that department to prepare for the implementation of Harmonized Sales Tax in Ontario and British Columbia.</p> <p>When we administer programs and provide benefits and credits on behalf of client governments, we reduce the need for separate calculation and delivery systems at federal, provincial, and territorial levels. Building and maintaining effective relationships between the CRA and various client governments makes it easier for them to work with us and encourages them to use our delivery systems, as authorized by legislation, whenever possible. By working cooperatively, the overall cost of government is reduced.</p> <p>During 2009-2010, we worked with Human Resources and Skills Development Canada on assessing whether the administration of the Universal Child Care Benefit is effective and efficient. Results of this review are expected during 2010-2011.</p>
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Tax Operational Priorities

Benefits Validation:
 Our validation work helps recipients understand their legal rights and obligations and creates a credible enforcement presence to deter non-compliance by benefit recipients. We are continuing to ensure the integrity of our administration of benefit and credit programs by following through with strategic initiatives that focus on validation.

Type	Link to Strategic Outcome	Status	2009-2010 Summary of Performance
Ongoing	Eligible families and individuals receive timely and correct benefit payments	Successfully Met	<p>We applied elements of our compliance strategy to enhance the accuracy of benefits and credits issued. To measure levels of compliance, we reviewed and verified recipient information, contacting individuals to confirm details on their accounts.</p> <p>In 2009-2010, we contacted 212,017 recipients to confirm that their account information was accurate. The responses that we received enabled us to identify recipients who were overpaid as well as those who were underpaid. Our results indicate that our targeted reviews are successfully revealing areas of non-compliance.</p> <p>The correct calculation of benefits and credits relies on timely information from the recipient. It is the responsibility of each recipient to provide us with complete and accurate information to maintain their eligibility and receive the proper amount of benefits. The results of the most recent benefits measurement study indicated that 94.4% of Canada Child Tax Benefit recipients provided us with correct information and were therefore receiving their proper entitlements.</p>

Management Priorities

Business Sustainability:

Modern and innovative management practices and sound infrastructure are necessary conditions to sustain the high-quality tax, benefit, and related services that we deliver on behalf of governments across Canada.

Type	Link to Strategic Outcomes	Status	2009-2010 Achievements
Ongoing	Taxpayers meet their obligations and Canada's revenue base is protected and Eligible families and individuals receive timely and correct benefit payments	Successfully met	<p>To ensure that we are effectively meeting our responsibilities for accountability, we use two complementary tools: the Management Accountability Framework assessment conducted by the Treasury Board of Canada Secretariat and the Board of Management Oversight Framework assessment conducted by our own Board of Management. Together, the two assessment tools provide a complete evaluation of the CRA's management performance.</p> <p>Our 2009-2010 Management Accountability Framework assessment was very positive. Of the 11 indicators, we received 7 "strong" and 4 "acceptable." In 2009-2010, our Board of Management Oversight Framework assessment results were also positive. Out of the 18 indicators, we received 14 "strong" and 4 "acceptable."</p> <p>The CRA implemented its first multi-year strategic investment plan, supported by a documented project portfolio management approach. The Agency Management Committee regularly reviewed investment projects to ensure resources are allocated to the CRA's highest priorities.</p> <p>We completed our Corporate Risk Inventory 2009. A CRA risk action plan was also developed to ensure that we have appropriate response strategies for all the risks identified in the Inventory.</p> <p>The CRA developed and published guidelines to help managers with succession planning.</p> <p>We continued the use of mandatory pre-qualified processes (PQPs) and the migration to End-State PQPs project. Initial results indicate that the time to staff was reduced from 185 days to less than 100 days.</p> <p>In 2009-2010, to complement the CRA Learning Policy, a directive and procedures were developed to strengthen the planning, evaluation, and alignment of learning investments with CRA objectives.</p> <p>Information technology is a fundamental element of the CRA's capacity to deliver its programs and services to Canadians. To maintain this capacity, we work diligently to ensure that our systems and infrastructure are robust, secure, reliable, and recoverable. In 2009-2010, we:</p> <ul style="list-style-type: none"> • successfully implemented the Corporate Tax Administration for Ontario, Enterprise Content Management, Integrated Revenue Collections, and the Compliance Systems Redesign projects to meet evolving CRA business requirements. • replaced older technology, resulting in significant improvements in system capacity and application stability. <p>To enhance the controls already in place to prevent the inappropriate access and disclosure of information, the CRA began to develop an Identity and Access Management program.</p> <p>We developed the CRA Information Management Strategy 2010-2011 to 2012-2013.</p> <p>We further advanced our vulnerability assessment and management capabilities by deploying anti-spyware technology to all CRA workstations.</p>

Our Strategic Outcome Measures

We use our strategic outcome measures to gauge the compliance behaviour of Canadian taxpayers. Using data from internal and external sources as a baseline of compliance information, we group our indicators into the following four broad categories of taxpayer obligations to help us measure and assess our results against our Tax Services strategic outcome. These four categories are: registration compliance, filing compliance, remittance compliance, and reporting compliance.

To facilitate further research and discussion of compliance, we analyze the following segments of the population: individuals, self-employed individuals, corporations, GST/HST registrants, and employers. Our discussion of compliance includes macro-indicators which help us evaluate reporting compliance trends and to determine if the economic data provides an early indication of a change in the levels of compliance

Registration compliance

Registration Compliance estimates the proportion of Canadian businesses that have registered as required by law to collect the GST/ HST.

Our Measure	Year	Performance Rating	Data Quality
Rates of registration for the GST/HST	2009-2010	Met	Good
	2008-2009	Met	Good

Our Indicator ¹	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Canadian businesses that were registered for the GST/HST ²	90%	97.2%	97.8%	98.4%	95.8%	93.5%	✓

¹ Data for the 2005-2006 to 2008-2009 period have been restated as more complete and accurate information has become available.

² These estimates use the number of businesses who file timely returns as a proxy for registrants. The population of businesses includes some small businesses which are not required to register as part of the calculation. As a result, the estimate may understate the proportion of businesses who actually register to collect GST/HST.

✓ Met	<input checked="" type="checkbox"/> Mostly Met	✗ Not Met	n/a Not Available	N/A Not Applicable
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Our estimates of the rate of registration compliance have remained consistently above our target over the past several years.

Our assessment is also supported by the results from our non-registrant program which seeks to ensure that all businesses that are required to register for the GST/HST meet their obligations. Each year, this program identifies several thousand small businesses that are required to register, mostly those that are new or that recently exceeded the registration threshold. We are persuaded, therefore, that there is a very low risk that medium-sized or large enterprises are carrying on business without being registered to collect the GST/HST.

Filing compliance

Filing Compliance indicators estimate the proportion of the Canadian population who file their returns on time.

Our Measure	Year	Performance Rating	Data Quality
Rates of filing on time	2009-2010	Mostly Met	Good
	2008-2009	Mostly Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Individuals 18 years and older who filed their returns on time	90%	92.8%	93.0%	92.5%	92.8%	92.8%	✓
Corporations – taxable incorporated businesses that filed their returns on time ¹	90%	86.4%	86.4%	85.8%	84.4%	85.5%	✗
Businesses that filed their GST/HST returns on time	90%	91.8%	91.4%	n/a	90.5%	n/a	N/A
Employers who filed their T4 returns on time	90%	94.5%	96.0%	95.5%	96.4%	96.3%	✓

¹ The remaining percentage of taxable corporations used for this calculation filed their returns after the due date, either voluntarily or as a result of our non-filer work.

✓ Met	<input checked="" type="checkbox"/> Mostly Met	✗ Not Met
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n/a Not Available	N/A Not Applicable
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To gauge the compliance of individual taxpayers with their obligation to file a timely return, we compare our data for individual filers 18 years of age and older with Statistics Canada's Census of Population data for this population. In fact, these estimates have consistently remained above the 92.5% level for every year since the 2001-2002 reporting year, providing a reliable trend for the high degree of voluntary filing compliance that we observe.

Our research on filing behaviour shows that, of the remaining individuals who were not compliant (7.2% in both 2005-2006 and 2009-2010), a large majority file their return within five years. For instance, although 92.6% of individuals filed their returns on time for the 2003 tax year, this percentage rose to 97.4% in less than five years. Filing for the following tax year (2004) showed exactly the same pattern, reaching 97.4% in less than five years, and filing behaviour for subsequent years follows a similar trajectory. We have learned from this research that the majority of non-compliant individual filers comply within about five years, indicating a long-term non-filing rate of about 2.6% for the 18-year-and-older population. Over the last six tax years, more than two thirds of the returns filed late owed no taxes for any tax year at the time of filing, with the remaining third owing taxes for at least one tax year.

Remittance compliance

Remittance compliance indicators estimate the proportion of taxpayers who owed taxes and paid the full amount on time.

Our Measure	Year	Performance Rating	Data Quality
Remittance compliance – Rate of timely payments	2009-2010	Mostly Met	Good
	2008-2009	Mostly Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Individuals who paid their reported taxes on time	90%	92.4%	92.9%	91.5%	93.2%	93.7%	✓
Percentage of payable corporation taxes paid on time	90%	92.9%	90.9%	92.4%	92.2%	93.5%	✓
Employers who forwarded at-source deductions on behalf of their employees on time	90%	88.7%	87.7%	89.2%	87.3%	89.9%	☑
Trend in ratio of outstanding tax debt to gross cash receipts ¹	Downward trend	5.64%	5.78%	6.30%	6.65%	6.98%	×

¹ This indicator has been restated for the 2005-2006 to 2008-2009 period to reflect the latest available information.

✓ Met	☑ Mostly Met	✗ Not Met	n/a Not Available	N/A Not Applicable
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We measure how various taxpayer segments comply with their remittance requirements by the degree to which they paid all taxes, based on their self-assessment, on or before the due date. When monies owed are not paid at the time of filing, we take steps to obtain payment.

For employers who remit at-source deductions on behalf of their employees, the rate of timely remittance has been below our target of 90% for several years. This year, however, our estimate indicates, that employers have remitted in a more timely fashion compared to previous years. On this basis, we are inclined to conclude that we mostly met our target for this compliance measure.

Reporting compliance

We conduct various reviews and audits to identify areas where reporting by individuals and corporations may not be consistent with their obligations to report complete and accurate information.

In 2009-2010, our review programs estimated that 15.4% of claims or deductions made by individuals were non-compliant, meaning they would be disallowed following a review¹. It should be noted that the number and type of credits and deductions have changed over the 2007-2008 to 2009-2010 period, so that the non-compliance rate shown in the above table represents both changes in compliance and in the scope of the study.

Results of reviews of individual tax returns	2006-2007	2007-2008	2008-2009	2009-2010
Non-compliance rate	14.7%	14.8%	16.5%	15.4%
Estimated dollars at risk (\$million)	669	890	895	987

For large businesses, we detect and address non-compliance through a combination of corporate audits and risk assessment, which includes research and monitoring. The process involves an annual risk assessment of large taxpayers that uses expertise from across CRA to assess the risk levels using information related to the nature of the taxpayer's business, their current and past behaviour including aggressive tax planning, transparency, as well as information available from our tax treaty partners that indicate potential risk of non compliant behaviour. We have increased our use of research relating to risk based targeting of large business in response to the evolution of large businesses as a result of globalization and electronic commerce that have made certain complex business structures more prone to risks of non-compliance.

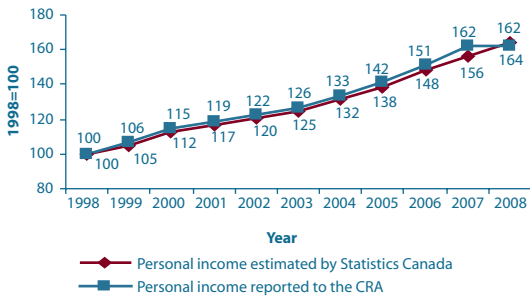
For small businesses, including self-employed individuals, we rely more on risk assessment in selecting businesses for audit. Our Small and Medium-sized Enterprise (SME) audit program selects its audits based on a range of risk information that includes past risk history and business condition indicators that are associated with non-compliance risk.

We also monitor and analyze a number of macro indicators that gauge trends in taxpayer behaviour with respect to reporting compliance.

1. Credits and deductions for the random sample in 2009-2010 included an additional credit compared to the previous year with a rate of non-compliance lower than the average. Excluding this item would result in a non-compliance rate of 17%. Similarly, the study that produced the 2008-2009 results included an item that was not part of the key credits and deductions of the prior year. Excluding the latter from both 2008-2009 and 2009-2010 would result in non-compliance rates of 16.2% and 16.7%.

Macro indicators

Figure 1 The trend in personal income reported to the CRA compared to personal income estimated by Statistics Canada



Figures for the years 2005, 2006, and 2007 have been restated as a result of improved data.

Data quality: Reasonable

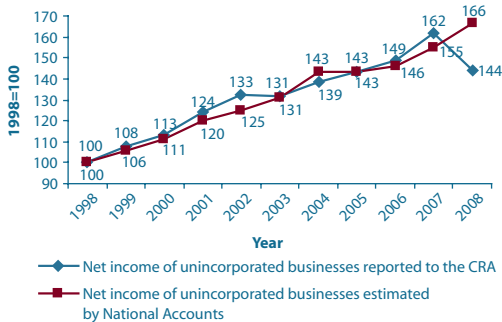
Figure 2 The trend in corporate income taxes that we have assessed compared to corporate profits before tax reported to Statistics Canada



Figures for the years 2001 and 2002 have been restated as a result of improved data.

Data quality: Reasonable

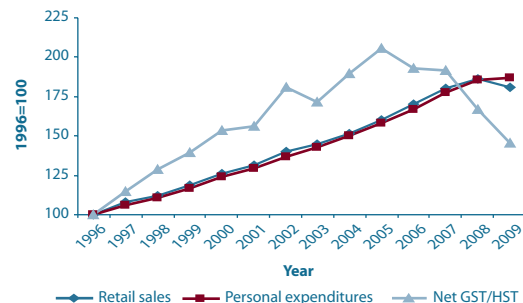
Figure 3 The trend in net income of unincorporated businesses reported to us compared to Statistics Canada's estimate for its National Accounts



Figures for the years 2005, 2006, and 2007 have been restated as a result of improved data

Data quality: Reasonable

Figure 4 The trend in CRA's net GST/HST revenue compared with retail sales and personal expenditure estimated by Statistics Canada



Data quality: Reasonable

Conclusion

Our strategic outcome measures provide estimates of filing, registration, remittance, and reporting compliance to gauge the levels of voluntary compliance with Canada's tax laws. Our review of these estimates for 2009-2010 indicates that voluntary compliance remained generally high, although the dollar value of identified non-compliance is financially significant. Our assessment of our results indicators is that they are consistent with a high level of taxpayer compliance.

It is our assessment that we met our Tax Services strategic outcome in 2009-2010. We draw our overall conclusion largely from the significant proportion of Canada's revenue base originating from personal income that is subject to third-party reporting, and that a major proportion of the remainder originates from large corporations that are subject to a high rate of audit coverage. In addition, much of our assurance that we are achieving our strategic outcome is based on our robust system of checks and balances, which includes both preventive and detective activities. These activities incorporate a mix of compliance tools to protect Canada's revenue base from non-compliance.

Our Benefit Programs Strategic Outcome Measures

Our Measure	Year	Performance Rating	Data Quality
Eligible families and individuals received timely and correct benefit payments.	2009-2010	Met	Good
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Eligibility is established							
Percentage of potential entitled recipients who receive the CCTB	95%	N/A	N/A	N/A	94.9%	N/A ¹	N/A
Payments are timely							
Percentage of benefit recipients who receive payments on time	99%	99.9%	99.9%	99.9%	99.9%	99.7%	✓
Benefit payments are correct							
Percentage of CCTB recipients who provide complete and accurate information and receive the proper entitlement	95%	95.1%	95.5%	95.5%	92.9%	94.4%	☑
CCTB overpayment debt as a percentage of payments issued	<0.4%	0.3%	0.2%	0.3%	0.4%	0.1%	✓
Provinces, territories, and other federal departments rely on the CRA as a key service provider							
Number of programs and services administered	Upward trend	67	72	77	93	96	✓

¹ These percentages are only available for census years

✓ Met	☑ Mostly Met	✗ Not Met
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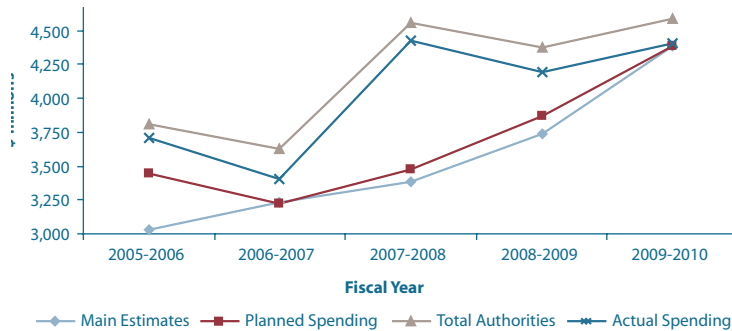
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It is our assessment that we met our Benefit Programs strategic outcome. Through our efforts in administering benefit programs, eligible families and individuals received timely and correct benefit payments, and our government clients were afforded reliable services, enjoyed lower administration costs and more effective compliance. Benefit recipients can rely on the CRA to administer a better-integrated benefits system of high integrity and be assured that the CRA contributes to reducing the overall cost of government in Canada.

For more discussion on our performance against our Strategic Outcomes, please visit: www.cra.gc.ca/annualreport

Expenditure Profile

Figure 5 Spending Trends



	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
	(in millions)				
Main Estimates	3,029	3,228	3,380	3,737	4,388
Planned Spending	3,450	3,222	3,480	3,875	4,388
Total Authorities	3,812	3,626	4,560	4,371	4,586
Actual Spending	3,707	3,405	4,423	4,199	4,407

For the 2005-2006 to 2009-2010 period, total spending includes all Parliamentary appropriations and revenue sources: Main Estimates, Supplementary Estimates, Treasury Board Vote 5 – Government Contingencies, Vote 15 – Compensation Adjustments and Vote 23 – Paylist Requirements as well as carry forward adjustments. It also includes spending of revenues received through the conduct of the Canada Revenue Agency’s (CRA) operations pursuant to Section 60 of the *Canada Revenue Agency Act*, Children’s Special Allowance payments, payments to private collection agencies pursuant to Section 17.1 of the *Financial Administration Act* and statutory disbursements to the provinces under the *Softwood Lumber Products Export Charge Act, 2006*.

Since 2005-2006, the Canada Revenue Agency’s Vote 1 reference levels have increased primarily as a result of: collective agreements/contract awards; legislative, enhanced audit and enforcement measures, including policy and operational initiatives arising from various Federal Budgets and Economic Statements; the transfer from the Department of Public Works and Government Services Canada for accommodations and real property services; and the assumption of the responsibilities related to the Corporate Tax Administration for Ontario, the Softwood Lumber Agreement and Inter-Provincial Compliance.

The increases to Vote 1 have been offset by a number of reduction exercises including: the 2005 Expenditure Review and Procurement reductions, the 2006 Expenditure Restraint Program, the 2007 Federal Budget Cost Efficiency Savings and the 2008 Federal Budget Strategic Review reductions

The Agency's Statutory Authorities have fluctuated over the course of the 2005-2006 to 2009-2010 period as a result of: adjustments to the Children's Special Allowance payments for eligible children in the care of specialized institutions; adjustments to the rates for the contributions to employee benefit plans; increases to the spending of revenues received through the conduct of operations pursuant to Section 60 of the *Canada Revenue Agency Act*; the introduction from 2007-2008 to 2009-2010 of payments to private collection agencies pursuant to Section 17.1 of the *Financial Administration Act*; and the statutory disbursements to the provinces under the *Softwood Lumber Products Export Charge Act, 2006*.

In 2009-2010, of the \$4,586.2 million total authority, CRA's actual spending totalled \$4,406.5 million resulting in \$179.6 million remaining unexpended at year-end. After deducting unused resources related to the proposed Offshore Trusts initiative, Accommodation and Real Property Services, and costs for the Employee Benefits Plan associated with the conversion of Other Operating to Personnel costs, the remaining \$150.3 million is available for use by the Agency in 2010-2011. This amount represents 3.3% of the total authority.

Voted and Statutory Items

<i>(in thousands of dollars)</i>	2007-2008	2008-2009	2009-2010	
	Actual	Actual	Main Estimates	Actual
Truncated Vote or Statutory Authority Wording				
1 Program expenditures and recoverable expenditures on behalf of the <i>Canada Pension Plan</i> and the <i>Employment Insurance Act</i>	3,023,433	3,154,525	3,114,391	3,297,434
(S) Minister of National Revenue – Salary and motor car allowance	71	76	78	78
(S) Spending of revenues received through the conduct of its operations pursuant to Section 60 of the <i>Canada Revenue Agency Act</i>	171,763	219,585	204,803	213,920
(S) Contributions to employee benefit plans	402,012	419,900	413,423	469,401
(S) Children's Special Allowance payments	208,163	211,848	221,000	215,264
(S) Payments to private collection agencies pursuant to Section 17.1 of the <i>Financial Administration Act</i>	12,431	9,067	5,279	3,286
(S) Payments under the <i>Energy Costs Assistance Measures Act</i>	992	489		13
(S) Statutory disbursements to Provinces under the <i>Softwood Lumber Products Export Charge Act, 2006</i>	603,602	180,495	429,000	205,545
(S) Spending of proceeds from the disposal of Surplus Crown Assets	126	785		111
(S) Court Awards	366	1,886		1,496
Total CRA	4,422,959	4,198,656	4,387,974	4,406,548

Authorities approved after tabled Main Estimates

The following table details the authorities approved for the Agency after the Main Estimates and reconciles with the Total Authorities shown on page 11.

(in thousands of dollars)	
2009-2010 Main Estimates	4,387,974
Planned Spending (RPP)	4,387,974
Carryforward from 2008-2009	147,065
Severance Pay, Parental Benefits and Vacation Credits	70,860
Various Collective Agreements	56,641
Year-end adjustment to statutory authorities:	
Employee Benefit Plan contributions	55,978
Statutory disbursements to provinces under the <i>Softwood Lumber Products Export Charge Act, 2006</i>	(223,455)
Payments for Children's Special Allowances	(5,736)
Payments to private collection agencies	(1,993)
Provincial Sales Tax Administration Reform	39,957
Transfer from Public Works and Government Services Canada for increased accommodation and real property services charges	18,551
Initiatives arising from the 2009 Federal Budget in support of Canada's Economic Action Plan such as the Home Renovation Tax Credit and the First-Time Home Buyers Tax Credit	12,338
Government Advertising Programs	11,000
Respendable Revenue adjustment primarily for processing Employment Insurance claims on behalf of Service Canada in Québec and Ontario	9,117
Financial Interoperability and Stewardship Initiative in support of the Corporate Administrative System	6,349
Court Awards	1,496
Increasing Federal Public Service Student Employment	861
Crown Assets Disposals	111
Payments under the <i>Energy Costs Assistance Measures Act</i>	13
Reduction in Public Opinion Research	(564)
Transfer to Foreign Affairs and International Trade – To provide support to CRA staff located at missions abroad	(203)
Transfer to Treasury Board Secretariat – To support the National Managers' Community	(200)
Total Authorities at year-end	4,586,160

Section II: Analysis of Program Activities by Strategic Outcome

Taxpayer and Business Assistance (PA1)

Canada Revenue Agency Strategic Outcome

Taxpayers meet their obligations and Canada's revenue base is protected

Government of Canada Outcome Area

A transparent, accountable and responsive federal government

Benefit to Canadians

Our Taxpayer and Business Assistance area helps taxpayers, businesses, and registrants meet their obligations under Canada's self-assessment system by providing access to timely and accurate information. Taxpayers have access to the information they need through a variety of channels (e.g., our Web site, telephones, paper publications, in person, and outreach). It also provides rulings and interpretations to clarify and interpret tax laws, as well as for CPP/EI purposes, and administers federal tax legislation governing registered plans and charities.

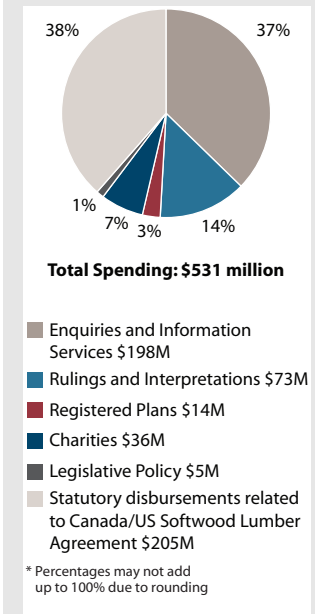
Our **expected results** are the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out this program activity to achieve the following:

Taxpayers, businesses, and registrants have access to timely and accurate tax information products and services; and non-compliance with applicable legislation by organizations and businesses administering and/or producing registered plans, charities, and excise dutiable products is detected and addressed.

2009-2010 Financial Resources <i>(in thousands of dollars)</i>			2009-2010 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
\$690,626	\$542,727	\$531,371	4,137	3,817	320

PA1 Snapshot

Figure 6 Actual Spending



Key Volumetrics

Enquiries and Information Services – We handled more than 17.7 million public enquiries and over 35.6 million tax-related visits to the CRA Web site.

Excise and GST/HST Rulings and Interpretations – We processed over 3,700 written enquiries for rulings and interpretations and handled over 101,000 GST/HST-related telephone enquiries.

CPP/EI Rulings – We processed over 73,000 requests for rulings.

Registered Plans – We administered approximately 33,000 plans (e.g., registered pension plans, deferred profit sharing plans, supplementary unemployment benefit plans, registered investments), reviewed related returns, and conducted 470 audits.

Charities – We processed over 80,000 annual information returns for registered charities, and conducted 719 audits.

Contribution to CRA Priorities

Strengthening Service and Tax Integrity

In support of this priority, in 2009-2010 we accomplished the following:

As identified in our 2009-2010 Report on Plans and Priorities	Achievements
Enhance the suite of self-service options	<p>We added Smartlinks to transactional pages of My Business Account to encourage and support taxpayers who use this service.</p> <p>We made significant recommendations for improvement based on analysis of user traffic to the Web site.</p> <p>We enhanced our online portal and Taxpayer Services Agent Desktop application to ensure that all relevant material (such as information on the harmonized sales tax for residents of Ontario and British Columbia and the Home Renovation Tax Credit) was posted to the Web site and to agents' online reference materials.</p> <p>Enhancements to the Taxpayer Services intranet site and the internal search engine enabled agents to provide better service.</p>
Optimize the telephone channel	<p>Based on the Profile of Enquiries results and taxpayers feedback obtained by our call centre agents, we have identified highly complex enquiry topics better suited to the subject matter experts located in Centres of Expertise. We redirected such calls to these agents to improve the quality and efficiency of our service.</p>
Strengthen outreach	<p>We provided information sessions on the transition to the harmonized sales tax in Ontario and British Columbia. In support of this transition, our business enquiries agents supported our promotion call-out campaign to provide rural small business owners with information about the pending implementation of the harmonized sales tax.</p> <p>Our Community Volunteer Income Tax Program showed an increase in volunteers and the number of returns they prepared for the taxpayers who are eligible to use this service. In an effort to maximize the use of technology, we launched an online training program through the CRA Web site for the community volunteers.</p> <p>We conducted numerous outreach activities for both individuals and businesses and noted the number of participants increased substantially from the previous year.</p>
Implement a new tobacco product stamping regime with covert and overt security features	<p>As a major step to prevent contraband tobacco products from entering the Canadian market, and to support the Government of Canada's health objectives, a prototype tobacco excise stamp was developed and is being tested by the tobacco industry. On March 29, 2010, Bill C-9 was tabled in Parliament and includes proposed amendments to the <i>Excise Act, 2001</i> to support the implementation of the stamp, expected in 2010-2011. The Bill received Royal Assent in July 2010.</p>
Continue the implementation of a risk-based approach to registered plans	<p>The registration process for registered plans has been streamlined using a risk-based approach to ensure the resources were dedicated to those plans that presented the greatest risk. In 2009-2010, the desk and field audit programs have both undergone a modernization review to ensure they are operating in the most efficient and effective manner. Nevertheless, we managed to increase the number of registered plans audit by 5.9%.</p>
Modernize and strengthen the charities program	<p>We made significant improvements in responding to simple and regular applications for charitable status within the established time frames. In 2009-2010, the intake of applications remained relatively consistent, however procedural changes were implemented to this workload that improved our response time.</p>

Lessons Learned

What worked well: We improved the quality of our services to taxpayers by making them more timely, accessible, and easier to use. We maintained our high caller accessibility levels on all of our enquiries lines. Compliance efforts within the tobacco industry were enhanced by developing and testing a prototype tobacco excise stamp. We also implemented initiatives for retroactive refunds and collecting increased charges under the Softwood Lumber Agreement, 2006 (SLA 2006).

What could be improved: In 2009-2010, our challenge was to continue the transformation of all service channels, allowing us to meet client needs in order to encourage voluntary compliance. We must continue to improve our diverse service offerings to address legislative change and increase our responsiveness to the evolving information needs of taxpayers. One way of ensuring that we continue these improvements is to capitalize on emerging technologies.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Taxpayers, businesses, and registrants have access to timely and accurate information	2009-2010	Met	Good
	2008-2009	Mostly Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
General calls answered within two minutes of entering the agent queue	80%	80%	82%	83%	82%	81%	✓
Business calls answered within two minutes of entering the agent queue	80%	85%	81%	82%	87%	86%	✓
Charities calls answered within two minutes of entering the queue	80%	86%	88%	86%	87%	90%	✓
Respond to written requests for GST/HST rulings and interpretations within 45 working days of receipt of request	80%	88%	87% ¹	89%	93%	94%	✓
Average number of days to issue an income tax technical interpretation to taxpayers	90 days (avg)	87 days	105 days	89 days	91 days	89 days	✓
Average number of days to issue an advance income tax ruling to taxpayers	60 days (avg)	84 days	94 days	101 days	104 days	98 days	×
Percentage of CPP/EI rulings issued within targeted time frames	85%	91%	84%	93%	91%	88%	✓
Percentage of responses to simple applications for charitable registration within targeted time frames (2 months)	80%	N/A	N/A	42%	58%	82%	✓
Percentage of responses to regular applications for charitable registration within targeted time frames (6 months)	80%	N/A	N/A	53%	22%	80%	✓
Percentage of registered pension plans applications reviewed within established time frames	85%	96%	97%	94%	92%	86%	✓

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Percentage of accurately updated internal reference materials for taxpayer services and charities agents	100%	N/A	N/A	N/A	100%	100%	✓
Percentage of general callers who reach our telephone service ²	90%	83%	83%	84%	92%	91%	✓
Percentage of business callers who reach our telephone service ²	90%	91%	86%	79%	94%	93%	✓
Charities callers who reach our telephone service	90%	93%	96%	93%	92% ³	95%	✓

¹ This became a service standard in 2006-2007. Prior year results reflect performance against an internal target.

² The caller accessibility targets for general and business callers were raised from 80% in 2008-2009.

³ This result has been restated.

Expected Result	Year	Performance Rating	Data Quality
Non-compliance is detected and addressed	2009-2010	Met	Good
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Percentage of excise regulatory reviews completed compared to planned	90%	N/A	N/A	98%	91%	92%	✓
Percentage of excise audits completed compared to planned	90%	N/A	N/A	100%	96%	109%	✓
Percentage of registered plan audits completed compared to planned	100%	N/A	N/A	N/A	96%	101%	✓
Percentage of registered charities audits completed compared to planned	100%	N/A	N/A	N/A	100%	89%	✗

✓ Met	<input checked="" type="checkbox"/> Mostly Met	✗ Not Met
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n/a Not Available	N/A Not Applicable
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For supplementary information on this program activity, please visit:
www.cra.gc.ca/annualreport

Assessment of Returns and Payment Processing (PA2)

Canada Revenue Agency Strategic Outcome

Taxpayers meet their obligations and Canada's revenue base is protected

Government of Canada Outcome Area

Well-managed and efficient government operations

Benefit to Canadians

Our programs contribute to individuals and businesses meeting their filing, reporting, and payment obligations. We undertake a wide range of activities to assess and process individual and business tax returns and payments. We use risk assessment, third-party data matching, and information validation to detect and address non-compliance.

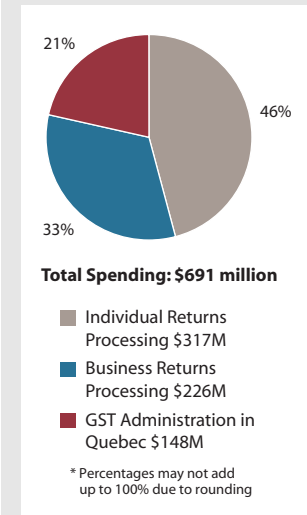
Our **expected results** are the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out this program activity to achieve the following:

Individuals, businesses and registrants are provided timely and accurate tax assessment notices and tax payment processing while targeted reviews detect and address non-compliance by individuals with applicable tax laws.

2009-2010 Financial Resources <i>(in thousands of dollars)</i>			2009-2010 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
\$587,917	\$728,359	\$690,835	6,511	6,867	(356)

PA2 Snapshot

Figure 7 Actual Spending



Key Volumetrics

Individual Returns Processing – We processed more than 26.7 million individual returns, over 11 million of which were paper; refunded almost \$26.6 billion to more than 17 million individual taxpayers and processed over 229,000 trust returns. There were more than 338,000 additional individuals enrolled and over 4.5 million visits to My Account.

Business Returns Processing – We processed almost 1.6 million information returns. We also processed more than 1.9 million corporate returns and 7 million GST/HST returns.

We handled more than 34.4 million payments, totalling just over \$357.9 billion.

Contribution to CRA Priorities

Tax integrity and Strengthening Service

In support of these priorities, in 2009-2010 we accomplished the following:

As identified in our 2009-2010 Report on Plans and Priorities	Achievements
Optimize program efficiency and the accurate assessment of tax owed	<p>In 2009-2010, we committed to continuing the removal of specific barriers and exclusions to electronic filing for businesses.</p> <p>As of the fall of 2009, corporations involved in scientific research and experimental development (SR&ED) were able to file their tax return using the Corporation Internet Filing system.</p> <p>In a continuing effort to expand the population that is eligible to file electronically, we increased the threshold for e-filing a GST/HST credit return. This allowed registrants to Netfile their GST/HST return rather than having to send in a paper return for periods with a credit balance greater than \$10,000 and less than \$50,000.</p>
Enhance our ability to address non-compliance	<p>Over the years, we have improved our ability to conduct post-assessment activities for individual returns. We also recognize the need to put in place equally effective measures to improve the risk assessment capabilities of our compliance programs as they relate to T2 Corporation returns. With that in mind, we launched the Corporation Assessing Review Program. The goal of this new program is to enhance the CRA's overall compliance coverage and help to quickly detect non-compliant activity in corporation returns. It is important to note that we are currently in the development stages of this program and, therefore, we did not produce measurable data for 2009-2010.</p>
Enhance our electronic services	<p>In the fall of 2009, the CRA introduced a new online feature called My Payment. This service lets individuals and businesses make payments electronically through a secure link with participating Canadian financial institutions that offer the Interac®¹ Online payment service. My Payment should simplify accounting because the transfer is immediate; there is no need for taxpayers to pay early to make sure their payment arrives on time or to monitor their account because of an outstanding cheque.</p> <p>We added more options to My Account, our secure portal that gives individuals an online view of their tax and benefit information. Taxpayers can now view certain T4 information slips as well as their Tax Free Savings Account contribution room.</p> <p>We launched a new internet filing option for GST/HST returns.</p> <p>Our Represent a Client service, which gives authorized representatives a secure, single point of access to multiple clients' information, continues to attract considerable interest in the representative community. In 2009-2010, the CRA made it possible for business owners and senior administrators to view transactions completed by representatives on individual accounts and for representatives to download client lists.</p>

As identified in our 2009-2010 Report on Plans and Priorities (Cont'd)	Achievements
Maintain and enhance effective relationships	We continued to expand the use of the Business Number as a common client identifier for businesses to securely and efficiently interact with various levels of government. In the fall of 2009, we replaced the Filer Identification Number with the Business Number. The former Filer Identification Number was used as the account number by financial institutions and trust administrators to file T5 information returns. This latest conversion may reduce the administrative burden on clients as there will be fewer accounts for clients to maintain. It also contributes to the ongoing efforts in the broader public sector to simplify and streamline the way businesses deal with the federal government

¹ Trade-mark of Interac Inc. Used under licence

Lessons Learned

What worked well: We expanded our electronic service options to make it easier for taxpayers to interact with us. We processed individual and business tax and information returns and payments accurately and on time. We carried out pre-assessment and post-assessment activities to detect and address instances of non-compliance.

What could be improved: This program activity plays a key role as Canadians make use of measures introduced through budget announcements and economic updates at the federal, provincial, and territorial levels of government. Under tight timeframes, our challenge is to ensure that these measures are in place and that we are positioned to maintain effective delivery of our programs while continuing to focus on long-term sustainability with respect to modernization, integration, financial limitations and public expectations.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Assessment and payment processing are timely and accurate	2009-2010	Met	Good
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Service Standards¹							
Processing T1 individual income tax returns (paper): in an average of 4-6 weeks	100%	3.6 weeks	3.9 weeks	4.1 weeks	4.0 weeks	4.3 weeks	✓
Processing T1 individual income tax returns (electronic): within an average of 2 weeks ²	100%	1.9 weeks	1.6 weeks	1.7 weeks	1.6 weeks	1.6 weeks	✓
Percentage of GST/HST returns processed within 30 days	95%	98.3%	98.5%	91.9%	97.3%	n/a ³	N/A
Processing T2 corporation income tax returns within 60 days	90%	N/A	N/A	92%	90.8%	92.8%	✓
Processing Excise Tax, Excise Duty, and Air Travellers Security Charge returns within 90 days	95%	N/A	98.1%	98.2%	99%	97%	✓
Performance Standards							
Percentage of funds from non-electronic payments deposited within 24 hours of receipt	96%	99.4%	95.9%	93.9%	95.2%	96.6%	✓
T1 returns received on time processed by mid-June	98%	99.7%	99.7%	99.8%	99.9%	99.7%	✓
Electronic Processing Take-Up							
Percentage of individuals who file electronically	Upward trend	n/a	50.6%	53.5%	55.8%	57.9%	✓
Percentage of corporations that file electronically	Upward trend	n/a	14.0%	18.0%	21.5%	28.5%	✓
Percentage of T1 returns assessed accurately	98%	99%	98.9%	99.1%	98.9%	99%	✓
Taxpayer-requested adjustments are reassessed accurately	96%	n/a	97.4%	96.6%	97.0%	96.1%	✓

¹ See www.cra.gc.ca/annualreport for breakdown of indicators, targets, and overall results against external service standards.

² Represents the average number of weeks.

³ Substantiated results are not available for 2009-2010. Revised data capture method began in June 2010.

✓ Met	<input checked="" type="checkbox"/> Mostly Met	✗ Not Met	n/a Not Available	N/A Not Applicable
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For supplementary information on this program activity, please visit:
www.cra.gc.ca/annualreport

Accounts Receivable and Returns Compliance (PA3)

Canada Revenue Agency Strategic Outcome

Taxpayers meet their obligations and Canada's revenue base is protected

Government of Canada Outcome Area

Well-managed and efficient government operations

Benefit to Canadians

Our Accounts Receivable and Returns Compliance area manages the largest debt collection service in Canada. It collects receivables arising from taxes (income tax, GST/HST) and programs such as the Canada Pension Plan, Employment Insurance, and defaulted Canada student loans. In addition, this area promotes compliance with Canada's tax legislation covering employers, payroll, and GST/HST.

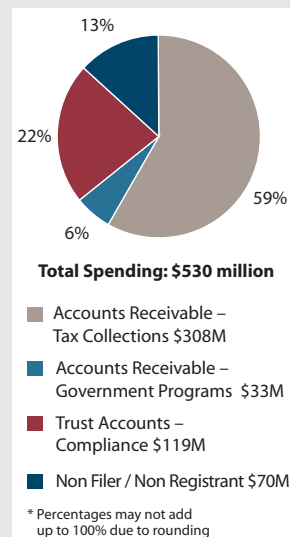
Our **expected results** are the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out this program activity to achieve the following:

Non-compliance by individuals, businesses and registrants with the filing, registration, and remitting requirements of applicable tax laws is detected and addressed to protect Canada's revenue base.

2009-2010 Financial Resources <i>(in thousands of dollars)</i>			2009-2010 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
\$429,712	\$533,979	\$529,982	7,216	7,562	(346)

PA3 Snapshot

Figure 8 Actual Spending



Key Volumetrics

Accounts Receivable – TSO cash collections totalled \$12.4 billion of which the National Pools actions contributed \$1.1 billion. We resolved over 95% of the dollar value of new debt intake.

Returns Compliance – More than 728,000 returns were obtained from individuals and corporate taxpayers who had not filed their returns, over 7,600 GST/HST non-registrants were identified and 552,000 payroll non-compliance occurrences were completed. Our Contract Payment Reporting Initiative secured a total of 43,425 additional individual and corporate tax returns.

Contribution to CRA Priority

Tax integrity

In support of this priority, in 2009-2010 we accomplished the following:

As identified in our 2009-2010 Report on Plans and Priorities	Achievements
Manage the level of tax debt	We increased our focus on our front-end collections program, which handles the resolution of routine, low-risk, tax debt at minimal cost within a specified period of time. This allows our Tax Services Offices (TSO) agents to concentrate on accounts that require more analysis and investigation.

As identified in our 2009-2010 Report on Plans and Priorities (Cont'd)	Achievements
Manage the level of tax debt (cont'd)	Front-end operations focus on resolving accounts early, through activities such as telephone contact and automated letters, before the accounts enter into resource-intensive debt management operations. Our TSO operations focus on more complex, higher-risk accounts that entail using escalating collection measures, including legal and enforcement actions, to deal with non-compliant taxpayers
Implement the transition of the collection activities	The 2008 Federal budget approved a Strategic Review proposal requiring the CRA to discontinue the use of private collection agencies (PCAs) collecting defaulted Canada Student Loans (CSL) debts and to undertake the recovery of the PCA workload internally at the CRA. During the implementation period, we re-modelled the collection process with improved tracing tools, centralized workloads in specific field offices, and realigned existing work within field offices. In 2009-2010, we finalized the transition of collection activities for defaulted CSL accounts from the PCAs to the CRA
Implement the Trust Compliance National Inventories	The implementation of the Trust Compliance National Inventories initiative achieved some important benefits. It created a national inventory for all trust compliance work that allowed the equitable distribution of the varying types of compliance work to all compliance officers. It also removed geographical boundaries and facilitated the implementation of more effective processes, more detailed reporting, and clearer accountabilities. It resulted in positive impacts in both the Employer Trust Compliance and the GST/HST Delinquent Filer program.
Maintain and enhance non-filer/ non-registrant underground economy identification projects	<p>In the latter part of the fiscal year, we initiated a pilot project to further refine the way we target potential non-filer accounts. This pilot uses predictive analytics and risk scoring to improve the determination of tax potential for known non-filer cases. The results of the pilot will be known in 2010-2011, and will be used to further enhance strategies and advanced tools to address filing non-compliance</p> <p>The prevalence of underground economy activity and its ongoing threat to the security of the Canadian tax base continue to drive the need for the CRA to change negative taxpayer behaviour through educational outreach and responsible enforcement. The Underground Economy Non-Filer/Non-Registrant Identification projects are reflected in the data and have resulted in 26,907 tax returns being produced by filers previously unknown to the CRA. The related fiscal impact generated was \$274.8 million.</p>
Improve the performance management framework	In 2009-2010, we revised our performance management framework to improve the measurement of our performance in addressing non-compliance.

Lessons Learned

What worked well: In 2009-2010, we mostly met the targeted level of resolving our tax debt and government programs' (non-tax) debt on a timely basis. Our tax debt and government programs' (non-tax) debt were within targeted levels. Non-compliance was detected and addressed within targets.

What could be improved: Our challenge is to identify, address, and prevent non-compliance, and to ensure we continue to resolve tax debt on a timely basis and keep it within targeted levels

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Tax and non-tax debt are resolved on a timely basis and are within targeted levels	2009-2010	Mostly Met	Good
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Percentage of intake resolved in the year of intake	60%	62.4%	66.7%	60.4%	62.7%	54.6%	×
Dollar value of TSO production as a percentage of dollar value of TSO intake of new accounts receivable	90%	99.8%	90%	83%	93%	95.5%	✓
Dollar value of TSO tax accounts receivable older than five years (\$ billions) ¹	\$2.7	\$2.5	\$3.0	\$2.6	\$2.8	\$2.9	×
TSO cash collections (\$ billions)	\$8.9	\$9.5	\$9.7	\$11.9	\$16.0	\$12.4	✓
Non-tax debt – Dollars collected (\$ millions)	\$590.5	N/A	\$592.0	\$614.7	\$622.7	\$615.3	✓

¹ This is a revised indicator and target

Expected Result	Year	Performance Rating	Data Quality
Non-compliance is detected and addressed	2009-2010	Met	Good
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Non-compliance: T1/T2 non-filers and GST/HST non-registrants (\$ billions) ¹	\$2.4	\$2.5	\$2.4	\$2.4	\$2.4	\$2.8	✓
Non-compliance: Employer/payroll/GST/HST Trust Accounts (\$ billions)	\$1.4 ²	\$2.3	\$2.4	n/a	\$2.5	\$1.6	✓

¹ The target of \$2.4 billion includes both T1/T2 non-filer and GST/HST non-registrant sources. The resulting fiscal value of non-compliance was identified as \$2.78 billion from the T1/T2 non-filer source, and \$65 million from the GST/HST non-registrant source.

² Target does not include GST/HST delinquent filer program. Production and fiscal impact results were unavailable in 2009-2010 due to the GST/HST redesign project and the Trust Compliance National Inventories initiative.

✓ Met	☑ Mostly Met	✗ Not Met	n/a Not Available	N/A Not Applicable
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For supplementary information on this program activity, please visit:
www.cra.gc.ca/annualreport

Benefit to Canadians

We undertake examinations, audits, and investigations to ensure compliance with Canada's tax laws. This includes verification and enforcement activities at the domestic and international level, as well as the administration of international tax agreements. We also provide information to taxpayers to help them comply. We conduct research to improve identification of non-compliance and develop strategies to address it.

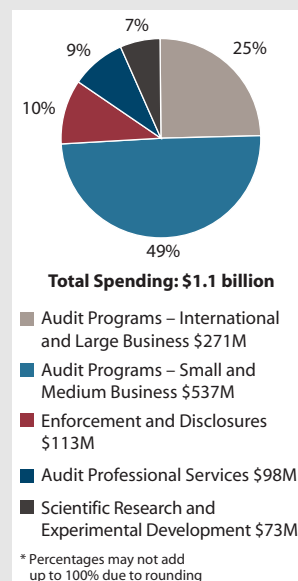
Our **expected result** is the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out this program activity to achieve the following:

Non-compliance by individuals, businesses and registrants with the reporting requirements of the legislation the CRA administers is identified and addressed to protect Canada's revenue base.

2009-2010 Financial Resources <i>(in thousands of dollars)</i>			2009-2010 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
\$922,077	\$1,129,081	\$1,092,367	10,563	10,147	416

PA4 Snapshot

Figure 9 Actual Spending



Key Volumetrics

International and Large Businesses – We conducted 51,600 audits, resulting in a fiscal impact of \$7.2 billion.

Small and Medium Enterprises – We conducted 380,373 audits and examinations, resulting in a fiscal impact of almost \$2.1 billion.

Enforcements and disclosures – We conducted 928 audits under the Special Enforcement Program, identifying \$78 million in additional tax owing. We also referred 149 income tax and GST/HST cases to the Public Prosecution Services of Canada.

Scientific Research and Experimental Development Program – This program provided almost \$3.3 billion in tax credits to over 21,000 claimants.

Contribution to CRA Priorities

Tax Integrity and Strengthening Service

In support of this priority, in 2009-2010 we accomplished the following:

As identified in our 2009-2010 Report on Plans and Priorities	Achievements
Address aggressive tax planning	In 2009-2010, the CRA further addressed aggressive tax planning by implementing the International Tax Compliance Action Plan. We also undertook discussions with other tax administrations on tax information exchange agreements as part of our Exchange of Information initiative. On August 29, 2009, Canada signed its first tax information exchange agreement with the Netherlands Antilles.
Combat the underground economy (UE)	<p>The UE undermines the competitiveness of Canadian businesses because it offers an unfair advantage to those who fail to comply with Canada's tax laws. To combat the UE, our goals in 2009-2010 were to increase awareness of this issue among Canadians and to take effective actions to reduce its occurrence. We used a mix of education, outreach, communication, and compliance actions to meet our objectives. We also worked with other federal agencies and departments, provincial governments, tax administrations in other countries, international organizations, professional organizations, and key industry groups to share best practices and to develop innovative strategies to address the UE.</p> <p>The CRA continued to implement the Underground Economy Compliance Strategy action plan. A number of pilot projects tested innovative compliance approaches to detect and deter UE activity. Nine underground economy projects came to an end in 2009-2010. Their results will be analyzed to determine whether new processes or techniques can be integrated to enhance our program activities, our risk assessment systems, and our strategies. Final reports of past UE pilot projects will also be reviewed to identify best practices that can be added into our regular compliance activities.</p>
Focus on GST/HST high-risk compliance	<p>In 2009-2010, the CRA continued to implement its GST/HST High Risk Compliance Strategy action plan. Our approach to GST/HST compliance includes:</p> <ul style="list-style-type: none"> • enhancing our enforcement activities; • improving our ability to identify high-risk registrants and refund claims before refunds are issued; and • broadening our engagement of stakeholders. <p>To strengthen Agency-wide capacity to address willful non-compliance, three GST/HST high risk pilot projects were completed in 2009-2010. The results of these projects will be analyzed to determine if new processes or techniques can be integrated into our GST/HST compliance activities and strategies.</p>

As identified in our 2009-2010 Report on Plans and Priorities (Cont'd)	Achievements
Enhance the SR&ED program	<p>In the 2008 federal budget, the CRA committed to enhancing the quality assurance methodology of the Scientific Research and Experimental Development (SR&ED) program. In 2008-2009, we consulted with stakeholders and, in turn, developed a national SR&ED quality assurance framework. This framework will help ensure SR&ED claims and decisions are appropriate and consistent with CRA policies and the governing legislation across the country. Based on this framework, the SR&ED Quality Assurance Operations manual and the requisite tools were developed in 2009-2010.</p> <p>In the 2008 Federal Budget, the CRA also committed to reviewing the SR&ED policies and procedures. In 2009-2010, we analyzed, organized, and clarified all SR&ED policy information. Over the next two years, the SR&ED program will be conducting online consultations to get the public's feedback on the new policy documents.</p> <p>In 2009-2010, we expanded the filing capabilities of the CRA's Corporation Internet Filing service to allow eligible corporations to file their SR&ED claims, with their income tax returns, using the internet.</p> <p>In 2009, Canada's SR&ED program provided about \$3.3 billion in tax assistance to over 21,000 claimants.</p>
Enhance the Voluntary Disclosures Program (VDP)	<p>The VDP encourages taxpayers to correct past errors or omissions and report their tax obligations without penalty or prosecution. In 2009-2010, the program saw a 14% growth in intake and processed 12,506 disclosures. The unreported income identified in 2009-2010 was over \$1.8 billion, a 135% increase over the previous year.</p> <p>We worked to improve the administration of the VDP in 2009-2010 through analysis of the current intake and environment. We also completed our annual quality review of the VDP in selected offices across Canada and found that all of the offices reviewed met our 90% internal quality standard. In addition, we promoted the VDP in news releases and tax alerts and incorporated it into our compliance initiatives. During 2009-2010, we saw an increase in both VDP cases received and unreported income identified.</p> <p>In 2009-2010, we continued to see an increase in intake of information returns in the Voluntary Disclosures Program, such as those required for foreign reporting purposes. We use information from these returns to enhance our risk assessment processes and assist in the identification of non-compliance.</p>

Lessons Learned

What worked well: In 2009-2010, we continued our strong enforcement record, promoted public messaging to deter non-compliance, and enhanced the administration of the Voluntary Disclosures Program and the Scientific Research and Experimental Development program. We completed our second Compliance Review, identifying five major compliance priorities, and worked to improve our understanding of compliance risks that challenge the Canadian tax system. Over the last few years, our assessment of having met our expected result for reporting compliance activities has been based on a variety of performance indicators as we try to find those that most effectively measure achievement of the result. This year, we have introduced several new indicators into the performance report card, on page 40, that focus on the extent to which our compliance activities resulted in a change to the amount of tax owed, and the revenue recovered through those changes. We see an ongoing challenge in measuring how

effective our verification, audit and enforcement activities are in addressing and detecting overall reporting non-compliance

What could be improved: In 2009-2010, as in previous years, the increasing complexity of the Canadian economies presents ongoing challenges to detecting and deterring non-compliance. Although we continue to achieve strong ratings overall for our performance management framework, we recognize the need to further strengthen this area. This challenge is common to tax administrations internationally, but we will continue to work towards using the best measures available to assess that we are achieving the desired result for reporting compliance.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Non-compliance is detected and addressed	2009-2010	Met	Good
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Number of files audited as a percentage of estimate:							
International and large businesses	100%	n/a	197%	124.4%	133.4%	169%	✓
Small and medium-sized enterprises	100%	n/a	153%	126.9%	136.1%	115%	✓
Financial recoveries¹ as a percentage of estimate:							
International and large business	100%	n/a	169%	167%	116%	133%	✓
Small and medium-sized enterprises	100%	n/a	267.5%	123.8%	124.7%	141.9%	✓
Percentage of cases² resulting in a change:							
International and large business	90%	n/a	92%	94%	95%	96%	✓
Small and medium-sized enterprises	75%	n/a	80.2%	79.6%	80.9%	81.1%	✓
Voluntary Disclosures Program							
Processing time for voluntary disclosures (in days)	Downward trend	n/a	225	227	253	196	✓
Percentage of voluntary disclosures that are fully compliant with VDP policies and procedures as reviewed as part of our Quality Assurance Program	90%	n/a	n/a	n/a	n/a	97%	✓

¹ Financial recoveries refers to the additional amounts of taxes owing that are identified through our compliance activities, including the present value of future tax assessments. Fiscal impact refers to the amount included within Financial Recoveries, and also includes interest, penalties, and provincial taxes assessed.

² Starting this year, we changed the reporting methodology for SME and ILB. We have reported 'cases' completed instead of 'files' completed as reported in previous years. Cases represent the primary risk-assessed audits conducted on a taxpayer, whereas files include all secondary or related cases to the primary cases. A case could have more than one related file

✓ Met	☑ Mostly Met	✗ Not Met	n/a Not Available	N/A Not Applicable
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For supplementary information on this program activity, please visit:
www.cra.gc.ca/annualreport

Appeals (PA5)

Canada Revenue Agency Strategic Outcome

Taxpayers meet their obligations and Canada's revenue base is protected

Government of Canada Outcome Area

A transparent, accountable and responsive federal government

Benefit to Canadians

Taxpayers can dispute assessments and determinations pertaining to income tax and commodity taxes, and Canada Pension Plan/Employment Insurance (CPP/EI) assessments and rulings.

Our Service Complaints process provides taxpayers with a formal avenue of recourse to the service rights contained in the Taxpayer Bill of Rights. If taxpayers disagree with a decision resulting from our Service Complaints process, they can file recourse actions with the Taxpayers' Ombudsman.

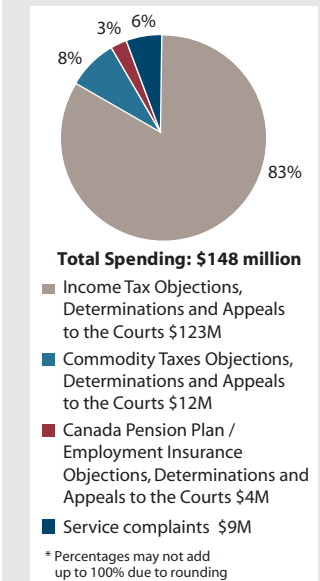
Our **expected results** are the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out this program activity to achieve the following:

Taxpayers receive a timely and impartial review of contested decisions made under legislation administered by the CRA and the handling of service complaints is timely and consistent.

2009-2010 Financial Resources <i>(in thousands of dollars)</i>			2009-2010 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
\$126,895	\$149,799	\$148,009	1,339	1,286	53

PA5 Snapshot

Figure 10 Actual Spending



Key Volumetrics

Disputes – We resolved more than 67,000 disputes. The total taxes in dispute amount to more than \$13.7 billion (the value of workable files is \$4.7 billion, and the value of non-workable files is almost \$9.0 billion).

Taxpayer Relief Provisions – A total of 82,911 requests for relief from interest and penalties were processed by the CRA; 51,218 of these requests were allowed in favour of the taxpayer. The total value of all cancellations and waivers was more than \$478 million for 332,141 taxpayers.

Contribution to CRA Priorities

Tax Integrity and Strengthening Service

In support of this priority, in 2009-2010 we accomplished the following:

As identified in our 2009-2010 Report on Plans and Priorities	Achievements
Fully integrate the Problem Resolution Program and CRA Service Complaints initiative	In 2009-2010, we continued the initiative of integrating the Service Complaints and the Problem Resolution programs to better respond to our clients. The integration is intended to permit staff throughout the CRA to address taxpayer concerns, and enhances how we identify and resolve service issues. The integration will be completed during 2010-2011.
Address the challenges in dealing with increasing mandatory workloads	The CRA's focus on questionable aggressive tax planning schemes has resulted in a significant increase in income tax "class-action" type disputes from taxpayers. To date, taxpayers participating in questionable aggressive tax planning schemes have also chosen to litigate confirmed assessments. A significant increase in the volume of taxpayers' income tax disputes continued to strain our processing capacity. In response, the CRA has put in place a number of administrative strategies to deal with the high volume of disputes. We have reallocated existing resources to address the front-end administrative management activities of our dispute resolution process.
	We strengthened service by allowing less complex disputes to be distributed and assigned to available resources throughout the country. This increases management flexibility and is expected to improve processing time for this category of work. About \$1.5 million was reallocated in the fourth quarter of 2009-2010, our busiest period, to hire and train more staff.
	We also launched a review of the reasons for the increased volume in our disputes resolution program, with a view to strengthening the CRA's overall response. This increased volume of disputes resulted largely from the CRA's focus on specific aggressive tax planning schemes. The CRA will strive to enhance its planning capability to more effectively address the higher volume of disputes.
	We renewed our protocol with the Department of Justice Canada. The changed protocol improves flexibility in resolving certain issues under appeal to the courts. The Department has more latitude to make decisions without having to consult with us. This enhanced flexibility supports our goal of improving taxpayer service by providing decisions sooner.

Lessons Learned

What worked well: In 2009-2010, we demonstrated fairness in our review of taxpayers' contested decisions. However, it has taken us more time to provide decisions due to a sharp increase in disputes related to aggressive tax planning schemes. Service complaints and the taxpayer relief provisions were administered consistently, in support of our commitment to fairness.

What could be improved: Our challenge is to manage CRA business processes to effectively respond to the increased volume of income tax disputes resulting from targeted compliance activities that focus on questionable tax planning and other schemes.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Taxpayers receive an impartial and timely review of contested decisions	2009-2010	Mostly Met	Good
	2008-2009	Mostly Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Appeals activities that met standards for consistency							
Income tax	97%	99.5%	99.6%	99.5%	99.0%	98.6%	✓
Commodity taxes	97%	98.0%	97.0%	95.4%	96.2%	94.9%	☑
CPP/EI	95%	99.6%	99.6%	99.4%	99.3%	99.4%	✓
Appeals activities that met standards for transparency							
Income tax	98%	98.1%	99.3%	99.6%	99.5%	99.7%	✓
Commodity taxes	98%	99.4%	98.8%	99.2%	99.5%	99%	✓
Timeliness indicators							
Service standard for initial contact	85%	89%	89%	84%	68%	50%	×
Workable days to complete a case¹							
Income tax	Various	120	107	141	157	187	×
Commodity taxes	Various	170	171	169	214	250	×
CPP/EI	Various	183	203	123	117	149	×
Average age of workable inventory (in days)							
Income tax	Neutral or downward trend	159	175	177	205	215	×
Commodity taxes	Neutral or downward trend	175	181	204	243	276	×
CPP/EI	Neutral or downward trend	178	80	70	103	135	×

¹ The overall rating is based on whether or not results were achieved against established targets for the combined workloads.

Expected Result	Year	Performance Rating	Data Quality
Service complaints and taxpayer relief provisions are administered consistently	2009-2010	Met	Good
	2008-2009	Mostly Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
• Service complaints – acknowledged within 48 hours	90%	N/A	N/A	N/A	93.8%	97.9%	✓
• Service complaints – taxpayers contacted within 15 days	90%	N/A	N/A	N/A	86.7%	94.5%	✓
• Taxpayer relief provisions – consistent application (per Quality Assurance Program)	90%	N/A	N/A	N/A	95%	97%	✓

✓ Met	<input checked="" type="checkbox"/> Mostly Met	<input checked="" type="checkbox"/> Not Met	n/a Not Available	N/A Not Applicable
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For supplementary information on this program activity, please visit:
www.cra.gc.ca/annualreport

Benefit Programs (PA6)

Canada Revenue Agency Strategic Outcome

Eligible families and individuals receive timely and correct benefit payments

Government of Canada Outcome Area

Income security and employment for Canadians

Benefit to Canadians

We contribute directly to the economic and social well-being of Canadians by delivering benefits, credits, and services to eligible recipients. We administer the Canada Child Tax Benefit, the goods and services tax/harmonized sales tax credit, and the Children's Special Allowances, which are core federal programs that issue benefit payments. We also deliver the Universal Child Care Benefit on behalf of Human Resources and Skills Development Canada, the Disability Tax Credit, as well as other benefit and credit programs and services on behalf of provincial, territorial, and other federal government clients.

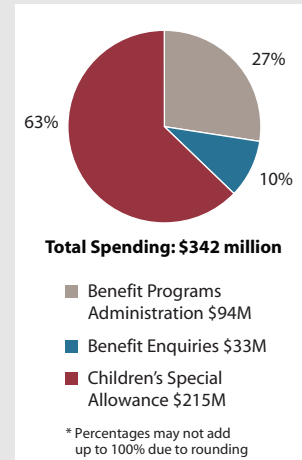
Our **expected results** are the criteria we use to measure our activities and report to Canadians on their effectiveness. We carry out this program activity to achieve the following:

Benefit recipients are provided timely and accurate eligibility determinations and payments, and have access to timely and accurate information.

2009-2010 Financial Resources <i>(in thousands of dollars)</i>			2009-2010 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
\$331,566	\$342,634	\$342,440	1,595	1,511	84

PA6 Snapshot

Figure 11 Actual Spending



Key Volumetrics

Benefit Programs Client Services – We handled almost 6.5 million telephone enquiries.

Benefit Programs Administration – We issued 88.5 million benefit payments totalling over \$17.6 billion¹ to almost 11.5 million recipients. We determined \$816 million in Disability Tax Credit (DTC) for 547,000 individuals. We processed 729,000 applications and elections, 726,000 account maintenance adjustments, and 1,023,000 in-year GST/HST credit account redeterminations.

Direct transfer payments under statutory programs – We issued \$215 million under the Children's Special Allowances (CSA) program.

1. Including the \$816 million in entitlements to the DTC program, which are delivered through the T1 assessing process rather than as direct cash payments, the total amount of benefits and credits issued is \$18.4 billion.

Contribution to CRA Priorities

Strengthen Service, Benefits Validation and Effective Relationships

In support of this priority, in 2009-2010 we accomplished the following:

As identified in our 2009-2010 Report on Plans and Priorities	Achievements
Ensure timely and accurate benefit payments to all eligible individuals	<p>We met our timeliness service standard target for responding to written enquiries and telephone referrals. In 2009-2010, our overall accuracy was 97.4% for processing benefit applications and marital status forms, and 99.3% for processing written enquiries and telephone referrals, meeting our target of 98%. Payment accuracy for these activities was 99.4% for processing benefit applications and marital status forms and 100% for processing written enquiries and telephone referrals.</p> <p>In 2009-2010, we launched a new Web page for qualified practitioners to ensure they have the information they need to complete the disability tax credit certificate form on behalf of their patients.</p> <p>To ensure that our notices are clear and our messages are understandable, we reviewed them during 2009-2010. We also reviewed the quality of correspondence we send to taxpayers.</p>
Enhance self-service options	<p>We strengthened service during 2009-2010 by making our programs and services more accessible and efficient. We invested resources to enhance our electronic self-service options to ensure that benefit recipients had timely access to the information and tools that they needed.</p> <p>For example, individuals now have the ability to remit benefit overpayments electronically through some financial institutions and also through the CRA's My Payment Web service. The number of electronic benefits applications received through Benefits Online Applications increased by 52.9% over 2008-2009.</p>
Optimize the telephone channel	<p>We communicate with Canadians through the Internet and on paper, but many people still rely on the telephone as their main method of contact. In 2009-2010, we were successful in meeting our target for the percentage of callers able to reach us by telephone (91.8% for the Canada Child Tax Benefit and 90.7% for the GST/HST credit enquiries). We strive to provide accurate telephone service by using various tools and updating reference materials we need to work efficiently. This year, in order to improve our agent training materials, we undertook a major revision and redesign of courses into modernized, online formats.</p>
Strengthen outreach	<p>To ensure that Canadians know about and can access benefit and credit programs, we were involved in outreach activities during 2009-2010. We sent representatives from our Disability Tax Measures Initiative to attend several medical conferences. Recognizing a need for targeted messages for First Nations and the Territory of Nunavut, we created and distributed posters containing information about benefit and credit programs. The Nunavut poster is available in English, French, and Inuktitut.</p>
Strengthen benefit validation activities	<p>To measure levels of compliance, we review and verify recipient information each year, contacting individuals to confirm details of their accounts. The information provided to recipients during validation reviews is designed to inform and educate them about their eligibility and entitlement requirements. We provide this service to encourage recipients to comply with program reporting obligations so they receive accurate payments.</p>

As identified in our 2009-2010 Report on Plans and Priorities (Cont'd)	Achievements
Manage business growth and partnerships	The number of programs and services administered by the CRA increased from 93 in 2008-2009 to 96 in 2009-2010 with the introduction of three new income verification programs related to Prince Edward Island student loans.

Lessons Learned

What worked well: In 2009-2010, we met each challenge we encountered. We maintained exceptional performance in delivering programs while incorporating important additions and changes to our programs and services. Our results show that we consistently administered reliable, high-quality programs and services to benefit recipients and client governments during one of the most difficult economic periods that Canadians have faced in many years.

What could be improved: We understand the importance that Canadians place on our reliable and accurate delivery of payments and credits on behalf of our government clients. We are challenged each year to ensure that increased needs and limited resources do not have a negative effect on our delivery of essential benefits and services.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Benefit recipients have access to timely and accurate information	2009-2010	Met	Good
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Percentage of CCTB calls answered within two minutes of entering the agent queue	75%	76%	75%	78.3%	78%	74.9%	✓
Percentage of CCTB callers who reach our telephone service ¹	90%	77%	80%	87.1%	94%	91.8%	✓
Percentage of GST/HST credit callers who reach our telephone service ²	90%	74%	77%	83.2%	92.8%	90.7%	✓

¹ Caller accessibility targets were increased from 80% to 90% for 2008-2009.

² There was no target for GST/HST credit callers before 2008-2009.

Expected Result	Year	Performance Rating	Data Quality
Eligibility determination and payment processing are timely and accurate	2009-2010	Met	Good
	2008-2009	Met	Good

Our Indicators	Current Target	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Rating
Percentage of benefit applications and marital status change forms processed on time	98%	99.4%	99%	99.1%	97.4%	98.8%	✓
Percentage of CCTB accounts adjusted that were targeted under validation programs	50%	62.3%	61.4%	65.6%	58.8%	53.5%	✓
Percentage of accurate payments when processing benefit applications and marital status change forms	98%	99.5%	99.7%	98.9%	99.2%	99.4%	✓
Percentage of accurate payments when processing account maintenance adjustments	98%	99.7%	98.5%	98.4%	98.8%	100%	✓

✓ Met	<input checked="" type="checkbox"/> Mostly Met	✗ Not Met
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n/a Not Available	N/A Not Applicable
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For supplementary information on this program activity, please visit:
www.cra.gc.ca/annualreport

Internal Services (PA7)

Canada Revenue Agency Strategic Outcome

Tax Services

Taxpayers meet their obligations and Canada's revenue base is protected



Canada Revenue Agency Strategic Outcome

Benefit Programs

Eligible families and individuals receive timely and correct benefit payments

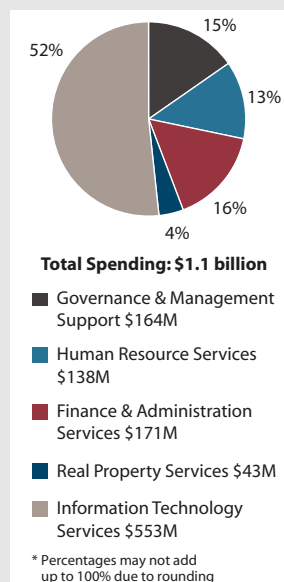
Benefit to Canadians

The CRA delivers high-quality tax, benefit, and related services on behalf of governments across Canada. Providing internal services is an integral part of the overall effectiveness of our program delivery. We set the business conditions that foster excellence in program delivery through responsible management practices, such as effective accountability and oversight measures, as well as sound management of enterprise risk, human resources, information technology, business knowledge, information, and growth. In support of our two strategic themes, our internal services must be fully integrated to ensure that our tax and benefit services have the guidance, infrastructure, and resources needed for successful delivery.

2009-2010 Financial Resources <i>(in thousands of dollars)</i>			2009-2010 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
\$1,295,854	\$1,156,451	\$1,068,803	8,086	9,010	(924)

PA7 Snapshot

Figure 12 Actual Spending



Contribution to CRA Priorities

In support of this priority, in 2009-2010 we accomplished the following:

This program activity supports all priorities within this organization.

As identified in our 2009-2010 Report on Plans and Priorities	Achievements
Strengthen accountability and oversight	<p>To ensure that we are effectively meeting our responsibilities for accountability, we use two complementary tools:</p> <ul style="list-style-type: none"> the Management Accountability Framework assessment conducted by the Treasury Board of Canada Secretariat: of the 11 indicators assessed in 2009-2010, we received 7 “strong” and 4 “acceptable.” A notable achievement is the progress we made in the area of information management, which received a rating of “acceptable” in 2009-2010 compared with “opportunity for improvement” in 2008-2009; and

As identified in our 2009-2010 Report on Plans and Priorities (Cont'd)	Achievements
Strengthen accountability and oversight (Cont'd)	<ul style="list-style-type: none"> • the Board of Management Oversight Framework assessment conducted by our Board of Management: of the 18 indicators assessed in 2009-2010, we received 14 “strong” and 4 “acceptable.” However, our Service Redress Mechanism received a lower rating (from “strong” to “acceptable”). The lower rating is consistent with Budget 2010, which commits the CRA to undertake a review of the Service Complaints Program with a view to making it more visible and accessible to taxpayers. <p>In 2009-2020, to promote the efficient and effective use of financial resources, we improved our financial systems and processes, and the linkages between our resources and the results we achieved. Following a comprehensive review of our program spending and as part of the CRA Strategic Review, in 2009-2010 we met our commitment and reduced program budgets by \$14.3 million.</p>
Optimize program delivery	The CRA implemented its first multi-year strategic investment plan, supported by a documented project portfolio management approach. Through the investment plan and its underlying long-range approach, senior management was given information to determine the investment priorities and funding strategies needed to sustain our applications and assets so that we can deliver key services to Canadians. The spring 2010 report of the Auditor General of Canada on aging information technology systems reflected positively on the CRA’s achievements in strategic investment planning.
Risk management	We completed our Corporate Risk Inventory 2009, an integral part of our annual strategic planning exercise. The five key priorities of the <i>Corporate Business Plan 2010-2011 to 2012-2013</i> were based on the highest CRA risks identified in the inventory (related to payment compliance and the underground economy). A CRA risk action plan was also developed to ensure that we have appropriate response strategies for all the risks identified in the inventory.
Plan for talent	The CRA developed and published guidelines to help managers with succession planning. During 2009-2010, progress was made in identifying the key jobs within the CRA for which knowledge transfer strategies will need to be developed to lessen the risk of corporate knowledge loss in certain areas. Furthermore, specific products, such as the Job Shadowing Toolkit and Community of Practice, were developed to facilitate the transfer of knowledge.
Acquire talent	<p>We took important and fundamental steps toward advancing our Competency-Based Human Resources Management regime in 2009-2010, including the continued use of mandatory pre-qualified processes (PQPs) and the migration to End-State PQPs project. End-State PQPs require employees to have base competency levels as prerequisites before applying on a selection process. Initial results indicate that the time to staff positions was reduced from 185 days to less than 100 days.</p> <p>We recruited 298 post-secondary graduates, exceeding our commitment of 275. We also increased our recruitment rate for permanent employees to 8.6% (2,975) from 7.5% (2,544) from the previous year.</p>

As identified in our 2009-2010 Report on Plans and Priorities (Cont'd)	Achievements
Invest in employee development	In 2009-2010, to complement the CRA Learning Policy, a directive and procedures were developed to strengthen the planning, evaluation, and alignment of learning investments with CRA objectives. In 2009-2010, 96% of employees had completed Individual Learning Plans, exceeding last year's results of 94.5% and our target of 90%.
	In 2009-2010, we invested about \$146.2 million on learning, with an average of 9.4 days of training per employee. We also increased the intake of new participants in Management Development Programs from 54 in 2008-2009 to 66 in 2009-2010 surpassing our annual commitment of 65.
	In addition, we offered a new three-day Management Challenge workshop (Continuing Development Program for Experienced Managers) as part of the Management Learning Program. It contributes to knowledge transfer by allowing executives and senior managers to provide coaching and feedback to managers.
Strengthen information technology responsiveness and sustainability	In 2009-2010, we pursued several priorities to invest proper resources in renewing our applications in order to meet growing business needs and achieve long-term sustainability.
	In 2009-2010 we successfully implemented the Corporate Tax Administration for Ontario, Enterprise Content Management, Integrated Revenue Collections, and the Compliance Systems Redesign projects to meet evolving CRA business requirements.
	The CRA's online services continue to gain popularity. In October 2009 we replaced older technology, resulting in significant improvements in system capacity and application stability. This technology will enable us to continue to provide Canadian citizens and businesses with high-level service for Web-based applications. In addition, we implemented environmental upgrades at the CRA's data centres, while ensuring recoverability efforts continue to meet business requirements for all CRA systems.
	During the year, we maintained high levels of availability for the multiple national CRA and Canada Border Services Agency (CBSA) systems, while meeting the challenges of safeguarding our information technology assets from accidental or deliberate security threats. We also worked with the CBSA to ensure that our shared information technology services relationship, the largest within the Government of Canada, continues to be cost-effective for the foreseeable future. In 2009, we completed an external review of the information technology services the CRA provides to the CBSA, and measures have been initiated to strengthen the partnership.
	In October 2009, we received two awards from the Government Technology Exhibition and Conference for our information technology achievements. Our information technology strategy focuses on our commitment to sustain and improve our performance by strengthening the governance of our information technology investments and implementing risk management best practices.
	We dedicated significant resources to prepare our systems for the 2010 Olympics.

As identified in our 2009-2010 Report on Plans and Priorities (Cont'd)	Achievements
Enhance the security, reliability, and flexibility of our information technology infrastructure and solutions	We further advanced our vulnerability assessment and management capabilities by deploying anti-spyware technology to all CRA workstations. Notably, in 2009-2010 we enhanced our Application Sustainability Program, which allows us to consistently assess and manage the sustainability risk of applications as they age, so that we continue to meet current and future business needs. Enhancements such as these, coupled with the implementation of our multi-year Managed Distributed Environment Program, addressed shortcomings in our computing environment.
Manage protected taxpayer information effectively and securely	The CRA devotes considerable resources and attention to protecting the vast amount of information that individual taxpayers, benefit recipients, businesses, and trusts provide to us. In support of this priority, and to enhance the controls already in place to prevent the inappropriate access and disclosure of information, the CRA began to develop an Identity and Access Management program. We also pursued the modernization of the National Audit Trail System to identify unauthorized access to taxpayer information, and the development of a comprehensive internal fraud control program. These three initiatives will give Canadians further assurance that their information is well protected.
Information integrity and data quality	<p>We developed the CRA Information Management Strategy 2010-2011 to 2012-2013. Developed in consideration of program and service information requirements, as well as legislation and policies governing the management of information, the strategy identifies areas where the CRA's information management practices are less mature and sets a collaborative change agenda across the CRA to address those areas.</p> <p>In 2009-2010, we implemented a Data Stewardship program.</p>
Communication	<p>The CRA implemented two advertising campaigns during the past fiscal year; one promoting the Home Renovation Tax Credit (HRTC) from mid-July to mid-November 2009, and one promoting tax relief measures (TRM) from mid-January to late March 2010.</p> <p>The HRTC campaign was intended to raise awareness about the tax credit and it featured a partnership program in addition to paid mass advertising. This program consisted of point-of-sales displays and HRTC receipt envelopes in the stores of nine major national retail chains that sold home renovation products. Visibility for the ad campaign and its partnership program was so high that an additional 60 chains and individual retailers contacted the CRA to receive partnership materials to display in their stores.</p> <p>The TRM campaign was intended to raise awareness about the wide range of credits and benefits available to Canadians when they file their tax returns. An evaluation conducted after the TRM ad campaign found that 39% of respondents recalled seeing the advertising. Of those who saw it, 20% conducted home improvements or renovations, 16% applied for the home renovation tax credit, and 14% went online to get more information.</p> <p>In addition, the first YouTube contest "The Underground Economy: Not your problem?" was launched in 2009 and invited Canadians to create short videos about the negative consequences of participating in, or supporting, the underground economy. By tapping into social networks, the CRA is educating as broad a demographic as possible about non-compliance.</p>

Lessons Learned

What worked well: In 2009-2010, we delivered on our management priorities through timely and responsive decision-making, a fully accountable senior management culture, streamlined management policies and practices, and improved planning and reporting.

What could be improved: In 2009-2010, our challenge was to make the best use of all available resources, from human resources capacity and capability to information technology sustainability and responsiveness to support new and ongoing business needs, and cope with the shifting landscape in which the CRA operates.

For supplementary information on this program activity, please visit:
www.cra.gc.ca/annualreport

Canada's Economic Action Plan Initiatives

Through Canada's Economic Action Plan, the federal government provided significant new personal income tax relief. The measures were effective as of January 1, 2009, and provided benefits particularly for low- and middle-income Canadians.

The CRA implemented many of the action plan initiatives, like personal income tax relief and an increased Working Income Tax Benefit, as well as other measures to help families, seniors, workers, and persons with disabilities. We also administered corporate income tax reductions that were put in place to help Canadian businesses weather the effects of the global economic challenges, to maintain and create jobs, and to emerge from the economic downturn even stronger.

The CRA was provided with \$12.3 million in action plan funding, related to the Home Renovation Tax Credit, Home Buyers Tax Credit, late filing and incorrect format penalties and simplification of GST/HST for the direct selling industry. This amount represents only 0.25% of the CRA's 2009-2010 authorities.

(\$ millions)	2007-2008	2008-2009	2009-2010
Main Estimates	3,380	3,737	4,388
Planned Spending	3,480	3,875	4,388
Total Authorities	4,560	4,371	4,586
Actual Spending	4,423	4,199	4,407
Canada's Economic Action Plan	-	-	12

In February of 2009, shortly after the introduction of the Economic Action Plan, our minister announced the launch of the "You've earned it. Claim it"

advertising campaign to inform Canadians of the tax credits and benefits available to them.

The action plan highlighted the following programs that we administered and delivered on behalf of Canadians.

The Working Income Tax Benefit Program provided a refundable tax credit for eligible working low-income individuals and families who are already in the workforce and encouraged Canadians to enter the workforce.

For the 2009 tax year, the Home Renovation Tax Credit Program provided a non-refundable tax credit for eligible expenses incurred for work performed or goods acquired for an eligible dwelling.

The Canada Child Tax Benefit Program provided a tax-free monthly payment to eligible families to help them with the cost of raising children under the age of 18. Through the Economic Action Plan, the federal government raised the level at which the National Child Benefit Supplement amount for low-income families and the Canada Child Tax Benefit are phased out, so that eligible families with two children received an additional benefit of up to \$436 starting in July 2009.

Our efforts over the past year in implementing the action plan initiatives demonstrate our commitment to make sure that Canadians have all of the information they need, not only to meet their tax obligations but also to take full advantage of the tax savings to which they may be entitled.

Section III: Supplementary Information

Statement of Management Responsibility

We have prepared the accompanying financial statements of the Canada Revenue Agency 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 judgments, with due consideration to materiality. The Agency'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 the Agency's Annual Report is consistent with these financial statements.

To fulfill its accounting and reporting responsibilities, management maintains sets of accounts which provide records of the Agency's financial transactions. Management also maintains financial management and internal control systems 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 Agency 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, and by communication programs aimed at ensuring that its regulations, policies, standards, and managerial authorities are understood throughout the organization.

The Board of Management 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 an independent audit and expresses opinions on the accompanying financial statements.

Approved by:

The original version was signed by

Linda Lizotte-MacPherson
Commissioner and Chief Executive Officer

The original version was signed by

Stephen O'Connor
Chief Financial Officer and Assistant
Commissioner, Finance and Administration

Ottawa, Ontario
August 23, 2010

Financial Performance Information – Parliamentary Appropriations

Introduction

This section of the CRA Performance Report 2009-2010 provides the details of the Agency's resource management performance for the purpose of reporting to Parliament on the use of appropriations in 2009-2010. This complements the information provided in the spending profile sections under each Program Activity and satisfies the reporting requirements set for departmental performance reports.

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 to Parliament, together with details on the management of Parliamentary appropriations on the same basis. In addition to the above reporting requirements, the CRA is also required 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 – Agency Activities on page 146 includes certain items such as services received without charge from other government departments and federal agencies. A reconciliation can be found in note 3b on page 153.

The CRA is participating in a Treasury Board Secretariat (TBS) pilot project to extend accrual accounting to the budgeting and appropriations process. As such, CRA prepared and included future oriented financial statements (FOFS) in the 2009-2010 Report on Plans and Priorities (RPP). 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, this DPR compares actual results to the initial future oriented financial statements contained in the 2009-2010 RPP.

CRA financial information

Activities of the Agency

Canada Revenue Agency	2009-2010 <i>(in thousands of dollars)</i>
Main Estimates ¹	4,387,974
Planned Spending ²	4,387,974
Total Authorities ³	4,586,160
Actual Spending	4,406,548

¹ Spending authorized by Parliament at the beginning of the fiscal year.

² Main Estimates authorities plus other amounts anticipated to be authorized during the fiscal year.

³ Total spending authorized by Parliament during the fiscal year.

The Financial Statements – Agency Activities reports \$3,985.2 million as total Parliamentary appropriations used (note 3b on page 153 shows the reconciliation to the net cost of operations). The difference from the \$4,406.5 million reported in this section is explained by three items reported in the Financial Statements – Administered Activities: the statutory disbursements to provinces under the *Softwood Lumber Products Export Charge Act, 2006*, \$205.5 million; the Children's Special Allowance, \$215.3 million; and the Relief for Heating Expenses, \$0.5 million (part of Vote 1, Program Expenditures).

Overview

For 2009-2010, Parliament approved \$4,388 million through the Main Estimates, as shown in CRA's *2009-2010 Report on Plans and Priorities*.

The 2009-2010 Main Estimates were adjusted to include:

- \$147.1 million for the carryforward from 2008-2009;
- \$70.9 million for maternity and severance payments;
- \$9.1 million for increased Respendable Revenue mainly to provide services to Service Canada;
- \$56.6 million for Collective Agreements;
- \$12.3 million for measures arising from the 2009 Federal Budget in support of Canada's Economic Action Plan;
- \$18.6 million transferred from Public Works and Government Services Canada for accommodation services;
- \$11.0 million for the Government advertising programs;
- \$1.6 million for Court Awards and Crown Assets Disposal;
- \$0.9 million to increase Federal Public Service Student Employment;
- \$6.3 million for the Financial Interoperability and Stewardship Initiative in support of the Corporate Administrative Systems;
- \$40.0 million for the Provincial Sales Tax Administration Reform; and
- \$56.0 million for the employee benefits plan costs.

These increases were offset by the following reductions:

- \$223.5 million for the statutory disbursements to Provinces under the *Softwood Lumber Products Export Charge Act, 2006*;
- \$2.0 million for private collection agencies;
- \$5.7 million for statutory Children's Special Allowance payments;
- \$0.6 million for the Public Opinion Research;
- \$0.2 million transferred to the Treasury Board Secretariat to support the National Managers' Community; and
- \$0.2 million transferred to Foreign Affairs and International Trade to support the CRA staff located at missions abroad.

This resulted in total approved authorities of \$4,586.2 million for 2009-2010, representing an in-year increase of 4.5% over the Main Estimates.

Of the \$4,586.2 million total authority, CRA's actual spending totalled \$4,406.5 million resulting in \$179.6 million remaining unexpended at year-end. After deducting unused resources related to the proposed Offshore Trusts initiative, Accommodation and Real Property Services as well as costs for the Employee Benefits Plan associated with the conversion of Other Operating to Personnel costs, the remaining \$150.3 million is available for use by the Agency in 2010-2011. This amount represents 3.3% of the total authority.

The \$150.3 million carry forward to 2010-2011 will be directed primarily to selected priority investments related to:

- Major project and infrastructure spending (e.g., Compliance Systems Redesign, Tax Free Savings Account, Major Tenant Services and Information Technology Infrastructure);
- Special purpose funding (e.g., Provincial Sales Tax Administration Reform, Charities Partnership and Outreach Program, Ministère du Revenu du Québec for the Administration of the GST);
- Various other operational and workload pressures.

Revenues administered by the Agency

Total revenues administered by the CRA amount to some \$279 billion in 2009-2010, a decrease of 3% from the \$287.5 billion administered in 2008-2009.

<i>(in thousands of dollars)</i>	2008-2009	2009-2010
Federal Government	190,756,240	180,455,735
Provincial, Territorial Governments and First Nations	60,192,842	62,154,726
Canada Pension Plan	36,545,498	36,365,844
Total	287,494,580	278,976,305

Financial Highlights

For the period ending March 31, 2010

Statement of Financial Position

<i>(in thousands of dollars)</i>		2010	2009
Assets	Total Assets	777,203	846,926
Liabilities	Total Liabilities	979,651	1,130,210
Net Liabilities	Total Net Liabilities	(207,448)	(313,284)
Total		772,203	816,926

For the period ending March 31, 2010

Statement of Operations

<i>(in thousands of dollars)</i>		2010	2009	Future-oriented 2010
Expenses	Total Expenses	4,441,321	4,433,698	4,284,975
Revenues	Total Revenues	569,421	537,559	536,593
Net cost of operations		3,871,900	3,896,139	3,748,382

There are three significant program administration changes which have influenced the results in the Financial Statements.

1. Provincial Sales Tax Administration Reform

In 2009, the provinces of Ontario and British Columbia entered into Memoranda of Agreement with the Government of Canada to harmonize their provincial sales taxes with the federal Goods and Services Tax (GST) effective July 1, 2010.

The CRA received incremental funding of \$47.5 million (including employee benefit plan contributions) in 2009-2010 to ensure that necessary systems and processes were in place for the implementation of HST in Ontario and British Columbia, to communicate the necessary information to businesses and individual taxpayers, and to prepare for the integration of the affected provincial employees into the Agency's workforce. The level of funding to be provided in subsequent years is expected to be confirmed by the Treasury Board in the near future.

The implementation of a harmonized administration and the successful transition of provincial employees will continue to be a priority for the CRA in 2010-2011.

2. Corporate Tax Administration for Ontario

The CRA has commenced processing Ontario T2 harmonized corporate income tax returns and is also providing related services, including audits, rulings, interpretations, objections and appeals. As such the administration of Ontario corporate tax is now fully integrated into the CRA's base operations.

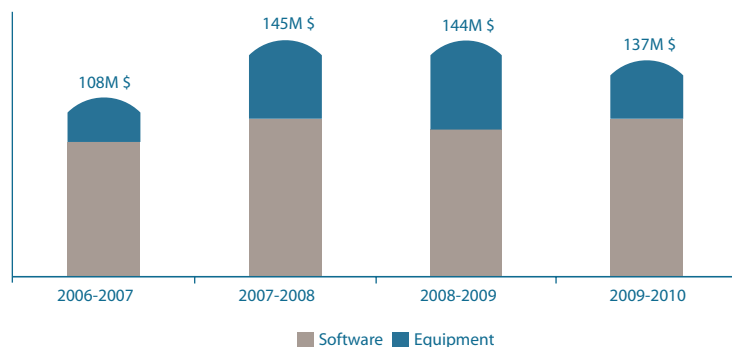
The CRA received \$210.5 million of Federal Government funding over four years (2006-2007 to 2009-2010) for developmental and transitional costs relating to this initiative. Of this amount \$83.2M was expended in 2009-2010. Under the Memorandum of Agreement Concerning a Single Administration of Ontario Corporate Tax, signed on October 6, 2006, the Governments of Canada and Ontario agreed to transfer the administration of Ontario corporate income tax from the Ontario Ministry of Revenue to the CRA starting in the 2009 taxation year. The Corporate Tax Administration for Ontario initiative has now met its key milestones, and all necessary agreements and systems changes have been in place since April 2009.

3. Investment in Information Technology systems

In fiscal year 2010, the CRA continued to invest in information technology (IT) systems in order to ensure modern and efficient program delivery. The Agency had several large-scale projects that required substantial investments in the development of IT systems. Combined with the acquisition of IT hardware, the Agency invested \$137 million in IT related capital assets this fiscal year. The value of these new capital assets has been offset by amortization expenses of \$87 million in 2009-10.

The following figure outlines investments in information technology that have been accounted for as capital assets in the last four years.

**Figure 13 Information Technology
Investment in Capital Assets**



Analysis of Net Cost of Operations

The Agency's 2009-2010 net cost of operations decreased by \$24 million from 2008-2009. Agency expenses totalled \$4,441 million in 2009-2010 (2008-2009 – \$4,434 million) (see Note 9 of the Financial Statements – Agency Activities for the breakdown of expenses by type). When adjusting for non-tax revenue of \$569 million (2008-2009 – \$538 million), the net cost of operations amounts to \$3,872 million, as illustrated below:

Table 1 Details on the net cost of operations

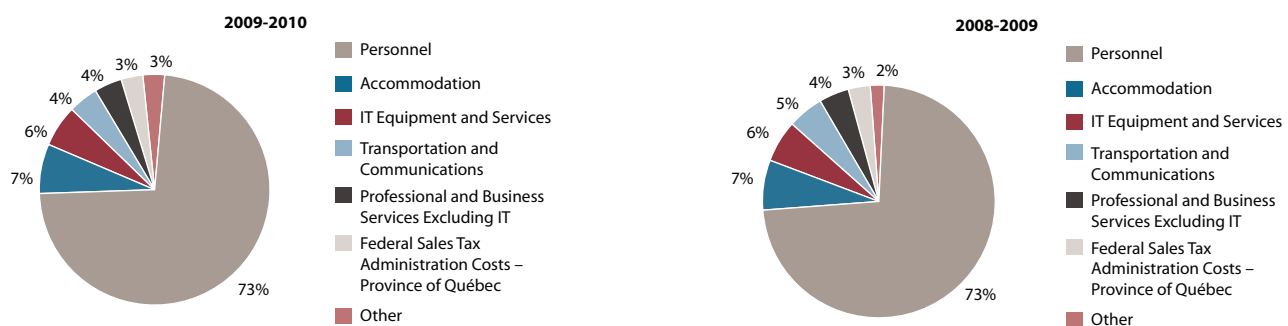
Expenses	2010	2009
	(in thousands of dollars)	
Personnel	3,230,297	3,240,513
Accommodation	331,587	312,681
IT equipment and services	256,778	289,559
Transportation and communications	197,804	201,274
Professional and business services excluding IT	162,506	168,674
Federal sales tax administration costs – Province of Quebec	148,437	131,732
Other	113,912	89,265
Total expenses	4,441,321	4,433,698
Less: Non-tax revenue	569,421	537,559
Net cost of operations	3,871,900	3,896,139

The Agency’s expenses are composed of 73% in personnel expenses (salaries, other allowances and benefits) and 27% in non-personnel expenses, as illustrated in the figure below

Personnel expenses are the primary drivers for the Agency. A number of factors contributed to the net decrease of \$10 million for this type of expenses in 2009-2010. Additional costs were incurred for salary revisions pursuant to collective agreements provisions and in the staff complement due to new initiatives such as the Provincial Sales Tax Administration Reform, the Corporate Tax Administration for Ontario, Ontario Aggressive International Tax Planning and others announced in recent Federal Budgets but were offset by a decrease in the cost of severance benefits.

In total, non-personnel expenses increased by \$18 million. Significant elements of non-personnel expenses are composed of accommodation, transportation and communication expenses. The reduction of \$33 million in information technology costs is attributable to decreases in the purchase of computer equipment and software as well as decreases in loss on disposals and write offs of capital assets. Federal Goods and Services Tax administration costs by the Province of Québec have increased due to higher salary costs.

Figure 14 Total Expenses by Type



Comparison of Future-oriented Financial Information and Actual Results

The Agency’s final net cost of operations for 2009-2010 was \$124 million greater than was anticipated in the future-oriented financial statements included in the 2009-2010 RPP (\$3,872 million – \$3,748 million). This represents a 3.3% variance and is explained as follows:

- The future-oriented financial statements were prepared based on Parliamentary appropriations received as of the 2009-2010 Main Estimates and did not consider expenditures as a result of resources received for the remainder of the year for such items as:

- carryforward amounts from 2008-2009
- funding related to measures arising from the 2009 Federal Budget in support of Canada's Economic Action Plan; and
- Provincial Sales Tax Administration Reform
- These incremental resources are offset by decreases arising mainly from statutory disbursements to the provinces under the *Softwood Lumber Products Export Charge Act, 2006*
- Other explanations for the variance relate to accrual adjustments as a result of changes in asset acquisitions, amortization, loss on disposal /write-off of capital assets and personnel related costs for collective agreements; maternity and severance payments, and employee benefits plan

Audited and Unaudited Financial Statements

For supplementary information on the CRA's audited and unaudited financial statements, please visit www.cra.gc.ca/annualreport.

Comparison of future-oriented financial information can be found on CRA's Web site at: www.cra.gc.ca.

Electronic Tables

The following tables can be found on the Treasury Board Secretariat Web site at <http://tbs-sct.gc.ca/dpr-rmr/2009-2010/index-eng.asp>.

Sources of Respendable and Non-Respendable Non-Tax Revenue

Respendable Non-Tax Revenue

Non-Respendable Non-Tax Revenue

User Fees / External Fees

User Fees Act – Advance Income Tax Ruling Fee

Policy on Service Standards for External Fees – Advance Income Tax Ruling Fee

User Fees Act – Taxation Statistical Analyses and Data Processing Fee

Policy on Service Standards for External Fees – Taxation Statistical Analyses and Data Processing Fee

User Fees Act – Access to Information Processing Fee

Policy on Service Standards for External Fees – Access to Information Processing Fee

Details on Project Spending

Details on Transfer Payment Programs

Children's Special Allowance Payments (Statutory)

Disbursements to Provinces under the *Softwood Lumber Products Export Charge Act, 2006* (Statutory)

Reconciliation to the Statement of Operations

Green Procurement

Response to Parliamentary Committees and External Audits

Internal Audits and Evaluations

Other Items of Interest

Rating Our Data Quality

In conjunction with the performance results ratings, we also assign each indicator a data quality rating.

For each indicator, we use consistent approaches in evaluating the information derived from our data collections systems and all other sources. We rely upon CRA managers to vouch for the completeness of the records for data integrity purposes (i.e., data belongs to the same category, is collected for the same period, and by the same method). We examine data for relevance, formulas for accuracy, and other factors that must be considered. We also use comparable information from prior years for the purpose of historical comparison, which often appears in the *Canada Revenue Agency Departmental Performance Report*. To ensure consistency, we perform the following tasks to verify that the information reported in our numerous reports is valid, reliable, and is accompanied by appropriate evidence:

- **Validation:** This is a process of verification to ensure that the data meets the requirements for its intended purposes. We review and evaluate data for completeness and plausibility (accuracy, timeliness, interpretability, coherence). We also identify contact information, check calculations, confirm system reliability (verifying the source of information), and note and correct any errors.
- **Data quality assessment:** We apply a data quality checklist and review prior years' data to assess the quality of data for each indicator.
- **Electronic filing system:** We store data in a database for easy reference and further analysis for other purposes.
- **Physical filing system:** We maintain physical files of the evidence collected from all sources to provide validation and assurance that our data quality ratings are accurate and supported.

We always endeavour to use the most appropriate and reliable data when evaluating our results. There are two main data sources for the *Canada Revenue Agency Departmental Performance Report*: administrative data (normally communicated in aggregate or after some simple calculations are performed on them) and survey data. All data sources are validated for accuracy and a data quality rating of good, reasonable, or weak, as categorized below, is applied to each indicator.

We believe that these three levels of data quality ratings provide a reasonable assessment of the reliability of the data. Generally, our data sources provide reliable information. In situations where the supporting data is too imprecise to draw firm conclusions, it is reflected in the data quality rating.

Data Quality Ratings	
Good	Results rating based on management judgment supported by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods.
Reasonable	Results rating based on management judgment supported, in most cases, by an appropriate level of accurate information (including management estimates) obtained from reliable sources or methods.
Weak	Significant gaps in robustness of results information; results rating based on management judgment supported by entirely or predominantly qualitative information from informal sources or methods.

Service Standards at the CRA

Our service standards regime is a vital and integral part of our planning, reporting, and performance management processes. Meeting our service standard targets demonstrates that we are responsive to the needs of taxpayers and benefit recipients. This helps establish credibility in our operations and contributes to increasing the level of confidence that Canadians can place in government.

For more information on CRA's service standards, please visit www.cra.gc.ca/servicestandards

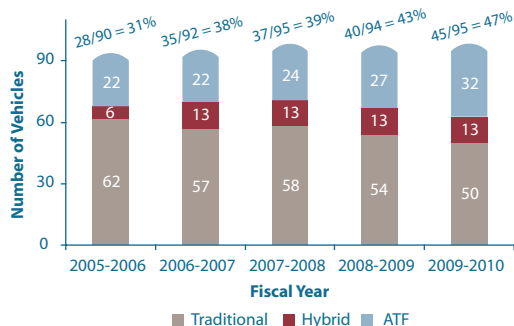
Sustainable Development

Through the CRA Sustainable Development Strategy 2007-2010, we continued to modernize the way we acquire, use, and dispose of assets. Consistent with the strategy, we realized efficiencies, while reducing the environmental impacts of our operations and programs.

During 2009-2010, about 28% of the total spending on products was identified as green procurement in Synergy, the CRA's Web-based purchasing system. Eighty percent of new vehicles bought were alternative transportation fuel capable or hybrids, increasing the overall proportion of the CRA vehicle fleet considered green from 43% in 2008-2009 to 47% in 2009-2010 (see figure below).

We reduced our use of office paper by an additional 4.4% to 5,147 sheets per employee, exceeding our sustainable development target of 5,643 sheets (see figure below). This resulted in savings of about \$48,000 in office paper costs.

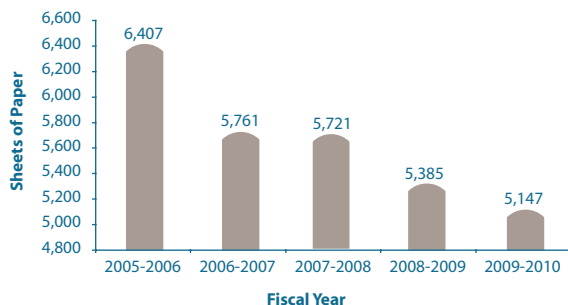
Figure 15 CRA Fleet Profile



By expanding the No Waste program to six additional CRA facilities, we have now enabled 90% of CRA employees to reduce the amount of solid waste they generate in the workplace. Audits conducted in selected facilities showed that this program helped the CRA divert 84% of solid waste from landfill. To support sustainable service delivery, we also integrated sustainable development criteria into 85% of Memorandums of Understanding and Letters of Intent between the CRA and other organizations.

Data quality: Good

Figure 16 Sheets of Paper Purchased per CRA Employee



Data quality: Good

Strong senior management support and effective communications encouraged employees to apply sustainable development practices in their jobs. For example, 99% of the Executive Cadre had sustainable development commitments in their performance agreements. The Sustainable Development Innovation Fund, which supports employee-driven innovations, funded an additional six initiatives across the CRA. In modernizing the systems that support sustainable development, we enhanced its Web-based performance reporting tool and updated the nine programs that manage the CRA's key environmental areas (e.g., paper, solid waste).

For more information on our sustainable development performance, please visit www.cra.gc.ca/sds.

Board Membership

The Board of Management of the Canada Revenue Agency (CRA) comprises 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 territories, and two directors nominated by the federal government. Members of the Board bring a private-sector perspective and business approach to management and, in this regard, champion a significant agenda for change within the CRA.

The following list shows the Board membership as of March 31, 2010.¹

<p>Susan J. McArthur Chair, Board of Management Managing Director Jacob Securities Inc. Toronto, Ontario</p>	<p>Gordon Gillis, BA, LLB Corporate Director Dartmouth, Nova Scotia</p>
<p>Camille Belliveau, CFP, FCGA Executive Director Groupe EPR Canada Group Inc. Shediac, New Brunswick</p>	<p>Norman G. Halldorson, BCom, FCA Corporate Director Clavet, Saskatchewan</p>
<p>Myles Bourke, BCom, FCA Corporate Director Chartered Accountant Lethbridge, Alberta</p>	<p>James J. Hewitt, FCMA Corporate Director Penticton, British Columbia</p>
<p>Raymond Desrochers, BCom, CA, CFE Partner BDO Dunwoody LLP Chartered Accountants Winnipeg, Manitoba</p>	<p>Fauzia Lalani, PEng Executive Consultant Calgary, Alberta</p>
<p>John V. Firth, BFA, EPC Financial Advisor Whitehorse, Yukon Territory</p>	<p>James R. Nininger, BCom, MBA, PhD Corporate Director Ottawa, Ontario</p>
<p>Gerard J. Fitzpatrick, FCA, TEP Partner Fitzpatrick & Company Chartered Accountants Charlottetown, Prince Edward Island</p>	<p>Sylvie Tessier, PEng, MBA, ICD.D Director of Professional Services Hewlett Packard Toronto, Ontario</p>
	<p>Linda Lizotte-MacPherson, BCom Commissioner and Chief Executive Officer Canada Revenue Agency Ottawa, Ontario</p>

1. As of March 31, 2010, two positions on the Board were vacant.

Organizational Structure (as of March 2010)

