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du Canada

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Final Report
UNDERGROUND ECONOMY IN CANADA IN
TODAY'S POST-PANDEMIC ENVIRONMENT

Prepared for
Canada Revenue Agency
PABPOPRESG@cra-arc.gc.ca

April 12, 2023

Prepared by
The Strategic Counsel
1 St. Clair Ave. W., Suite 1200
Toronto, Ontario M4V 1K6
Tel: (416) 975-4465 Fax: (416) 975-1883
Email: info@thestrategiccounsel.com
www.thestrategiccounsel.com

Ce rapport est aussi disponible en français.

Canada The word "Canada" in a large, black, serif font, followed by a small red and white Canadian flag icon.



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Underground Economy in Canada in Today's Post-Pandemic Environment

Final Report

Prepared for: Canada Revenue Agency

Supplier Name: The Strategic Counsel

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This public opinion research report presents the findings from 38 triads conducted by The Strategic Counsel on behalf of Canada Revenue Agency. The research study was conducted with 80 small and medium sized enterprises (SMEs) and 42 tax intermediaries between January 30 and February 21, 2023.

Cette publication est aussi disponible en français sous le titre: *L'économie clandestine au Canada dans l'environnement post-pandémie d'aujourd'hui*

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I. Executive Summary



Executive Summary

A. Research Purpose and Objectives

1. Research Purpose

Reducing participation in the underground economy (UE) has been, and continues to be, a priority for the Canada Revenue Agency (CRA). The 2022+ Underground Economy Strategy is the CRA's fourth published guiding document on the topic since 2014, detailing the CRA's response to the UE and its efforts in reducing UE-related tax non-compliance. This version of the strategy includes an update to the definition of UE and adoption of an evergreen approach for the UE strategy.

While the over-arching questions surrounding the UE continue to be part of the CRA's Annual Corporate Research (ACR), dedicated public opinion research (POR) on the UE has not taken place since 2009. As a result, CRA identified a need to conduct a directed UE research study to observe trends in the perceived composition and size of the UE and monitor public perceptions of the CRA's actions in this area.

The findings from this research study will:

- Help close the gap in the CRA's information needs about changes in the UE environment, identify trends in the size and type of activities that are part of the UE, as well as identify the ongoing effects of the COVID-19 pandemic on taxpayer behaviours and perceptions;
- Assist in the design and tailoring of communication campaigns for both small and medium-sized enterprises and tax intermediaries where information gaps exist;
- Enhance the CRA's compliance tools in ways that can help minimize tax non-compliance in the UE; and
- Help assess the impact of planned or in-progress tactics to identify, prevent and address UE activity as the CRA embarks on an evergreen approach to address the UE. Through periodic public opinion research (POR) the goal would be to better understand public receptivity to these tactics and modify or implement any future tactics accordingly. The results of future POR would also help measure the degree of success of CRA's tactics and approaches in reducing UE related tax non-compliance.

2. Study Objectives

This research aimed to cover several broad topic areas which when combined, provide an overview of the UE in Canada, and seek to identify any immediate areas of concern. The study was designed to:

- Better understand the effect of the COVID-19 pandemic on UE – including identifying any trends that could be attributed to the pandemic, understanding the influence of COVID-19 on the likelihood of participation in the UE (and the industries or sectors that are more/less likely to engage) and to establish factors affecting voluntary compliance;
- Map the relationship between small and medium-sized enterprises (SMEs) and tax intermediaries – including understanding the role that tax intermediaries play in terms of the advice and assistance



- they provide and any correlation between the engagement provided by tax intermediaries and the results they achieve for SMEs (i.e., likelihood of reassessment);
- Offer direction regarding communications – collecting information to help improve communications, outreach and education programs which are designed to increase voluntary compliance among SMEs and to obtain feedback on existing communications methods to help the CRA further tailor products and increase their effectiveness; and
 - Evaluate tactical approaches – including gathering feedback about broad tactical approaches to reducing participation in the UE that are currently in use in order to gain an early sense of receptivity to these initiatives and any fine tuning which might be necessary to achieve maximum effectiveness.

B. Summary of Key Findings

Most SMEs have a vital and trusted relationship with tax intermediaries. They are viewed as a valued and essential resource when preparing and filing their business tax returns.

- Many SMEs commented that tax intermediaries offer significant value, allowing business owners and operators to focus on their day-to-day business operations, profitability, and growth. Despite the perceived high fees for accounting services, SMEs felt that tax intermediaries provided some reassurance of the accuracy of their filings, thereby reducing the perceived likelihood of a reassessment or audit.
- For some, the preference for outsourcing the preparation and filing of business tax returns was also a factor of their general lack of business-related financial skills and familiarity with the tax system, given its perceived complexity. At the same time, even if the tax system were simplified, most SMEs said they would likely continue to engage the services of tax intermediaries. SMEs do not feel they have sufficient knowledge or expertise to ensure they could identify and benefit from the range of tax credits and deductions for which they may be eligible.

SMEs and tax intermediaries disputed the premise that Canada's tax system is based on voluntary compliance but did describe it as an 'honour-based' system which assumes the willingness of taxpayers to submit tax returns that are an accurate reflection of their income. There was, however, a strong degree of empathy for the challenges facing small businesses in Canada operating under what is perceived to be a difficult economic environment and a heavy tax burden.

- Tax compliance was not necessarily viewed as a moral obligation but rather a requirement under the law which, if breached, could result in interest or penalties and possibly legal action.
- SMEs and tax intermediaries noted that the main motivation for filing accurately and on-time was to avoid negative consequences that could then become a distraction for business owners and operators, taking their time and attention away from those activities required to ensure the sustainability of their business over the long-term.
- While some saw tax compliance as important to funding necessary programs and services which benefit all Canadians, and several were concerned about any reputational risk to their business associated with non-compliance, these were not of paramount concern for most.



There is a belief that UE activity is pervasive across Canada, but likely more prevalent in Ontario and Quebec, the two largest provincial economies. Among SMEs, UE activity is thought to be intentional in nature and is most often associated with trade in illegal or illicit goods and services with heavy involvement by organized crime. As such, the tax implications of UE activity for those businesses involved in the trade of legal products and services (e.g., underreporting or not reporting revenues/income) are not necessarily top-of-mind.

- Many were of the impression that UE activity had likely increased through the pandemic with the imposition of public health measures, the temporary or permanent shutdown of some businesses, and layoffs of personnel. There was a perception that the impact of COVID-19 combined with inflationary pressures may have shifted some economic activity towards the shadow economy as individuals and businesses attempted to make up for lost income.
- In terms of broader environmental trends or forces in the marketplace which might affect UE activity, either increasing it or decreasing it, few could think of any on an unprompted basis other than the impact of cryptocurrency. Some were of the opinion that bitcoin and other cryptocurrencies have made it relatively easy for anyone to access or participate in the UE. Several expressed an expectation that more widespread adoption of cryptocurrencies could potentially increase UE activity going forward. Conversely, others commented on the recent collapse of crypto exchanges as well as the significant sell-off in the cryptocurrency market and subsequent losses incurred, speculating that this may have a cooling effect on UE participation. Regardless, participants were of the opinion that the market for cryptocurrency would likely continue to be a factor in UE activity and that this area merited continued attention from the CRA.
- When asked about trends such as the digitization of commerce and electronic payment systems, these were seen as likely leading to a curtailing of UE activity. This was primarily due to the digital record left by these transactions, which participants saw as enhancing CRA's ability to monitor these activities.

Participants felt they lacked a sufficient understanding of UE activity to be able to offer substantive and accurate insights on where and in what sectors this was happening. Nevertheless, there was a consensus across most groups that UE activity is more predominant among industries and businesses where cash transactions continue to be a regular practice or where options exist to pay in cash.

- Most often, participants pointed to the construction sector (e.g., trades, contractors, landscaping, renovations, etc.) and to personal services (e.g., salons, pet care, cleaning services, daycare/childcare, personal training, etc.) as key areas where much of the UE activity is occurring. Others felt that UE activity would be pervasive where bartering is a more acceptable practice (e.g., online marketplaces, craft markets, peer-to-peer transactions). Outside of these, there were also a few mentions of areas such as dental practices which may be engaging in UE activity. There was a perception that some dentists and/or oral surgeons may be providing services on a cash-only basis. Some also felt that there may be more bartering taking place between individuals who need dental services but are unable to pay for them, and dental providers. Participants linked this to the COVID-19 pandemic which they felt had created challenging financial situations for both dentists and patients.
- The profile of business owners and operators who were thought to be participating in this type of activity cut across demographic groups – some felt CRA should be targeting younger business owners and/or those starting up a new business who may lack an understanding of their tax obligations, while others believed more mature businesses would be a more appropriate target. Businesses operating in rural areas were also mentioned as well as those owned by newcomers



who may not have had much experience with rigorous bookkeeping and yearly tax filing prior to arriving in Canada.

Survivability was seen as a key motivating factor influencing SME participation in the UE.

- Secondary motivators included pressure from customers and, less often, from other vendors to the business as well as inflationary pressures.
- General disillusionment with government and a perceived lack of transparency or accountability regarding government expenditures were also cited as possible motivators.

Views were split regarding the importance of tackling UE activity and CRA stepping up its efforts to strengthen compliance and enforcement. While some felt CRA should address what is viewed as an unfair playing field between law abiding and non-compliant businesses, others were of the view that the ‘business case’ may not be strong enough to support the expenditure of funds and resources on this issue.

- Many participants, SMEs and tax intermediaries alike, commented that CRA’s efforts might be better spent focusing on larger corporations which they felt are more able to take advantage of tax loopholes or opportunities to reduce the amount of corporate taxes paid. They also felt that this approach might yield more in terms of lost tax revenues.
- Some also referenced the recent media focus on CRA’s decision not to go after ineligible recipients of billions of dollars in CERB payments. They questioned how CRA would have the resources to address the UE if the business decision had been made not to recover payments that were ruled by CRA to be ineligible following an internal audit.
- In terms of how CRA should address this issue, most felt that preventive measures aimed at more education and reducing the social acceptability of UE activity would be most effective, although less so among those individuals and businesses who undertake these activities intentionally. SMEs and tax intermediaries believed that a combination of education, audits and penalties was necessary. There was, however, some concern that this would lead to more widespread audits among SMEs which many viewed as unfair and costly for the business.

A multi-channel approach to connecting with SMEs and tax intermediaries was recommended by participants, with heavier reliance on digital tools including social media and advertising on digital platforms.

- Very few liked the idea of webinars, which were seen as too time consuming, or regular mail/e-mail, given the volume of mail received by SMEs and tax intermediaries. Accountants recommended that information be shared via their professional associations (e.g., CPA).
- In terms of messaging that might resonate, there was a general consensus that CRA should emphasize the impact of UE activity such as focusing on what government is unable to accomplish as a result of lost tax revenues or what more it could do to improve Canadians’ quality of life if these lost revenues were recovered (e.g., funding and building ‘x’ number of hospitals, etc.). Messaging underscoring the fact that UE activity puts more pressure and tax burden on those who are compliant was also reasonably well received.



C. Methodology

A total of 38 triads were conducted from January 30th to February 21st, 2023, across 5 regions of Canada (Atlantic, Ontario, Quebec, Prairies, Pacific). Twenty-four triads were conducted with SMEs and 14 triads with tax intermediaries. Triads with SMEs were primarily segmented by business sector and those with tax intermediaries were primarily segmented by the size of businesses they typically serve, measured by the number of employees.

Participants were recruited in their official language of choice using a hybrid telephone and online approach. In total, 148 participants were recruited and 122 participated. Each triad was conducted online via Zoom, lasting approximately 90 minutes in length. Both SMEs and tax intermediaries received an honorarium of \$200 in appreciation of their time. A total of 28 triads were conducted in English and 10 in French.

D. Note to Reader

Qualitative research involves the collection, analysis and interpretation of data that are not easily reduced to numbers. These types of studies yield valuable and rich insights into the attitudes, motivations and behaviours of specific target audiences as reflected by their own ‘voices.’ However, the semi-structured nature of focus group discussions combined with the limited number of participants engaged in the research means that findings should be considered more directional in nature. They should not be considered statistically projectable to the broader population of small and medium-sized business owner/operators or tax intermediaries across Canada.

E. Contract Value

The contract value was \$122,345.10 including any applicable taxes.

MORE INFORMATION

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To obtain more information on this study, please e-mail PABPOPRESG@cra-arc.gc.ca



II. Detailed Findings



Introduction

A. Tax Filing Practices and Relationship with Tax Intermediaries

In general, most small and medium sized business owner and operators said they did not find filing business tax returns annually to be a difficult task. This is primarily because many said they rely on the services of tax intermediaries, specifically accountants and bookkeepers, to take on the preparing and filing of their annual tax returns. Almost all participants were of the view that tax intermediaries are essential in this regard.

While some business owner/operators felt that the process of organizing and keeping track of their annual revenues and expenses was relatively straightforward, especially if they had an in-house bookkeeper, others found the biggest challenge was the time required to compile all the information needed to provide to their accountant. When it came to preparing their corporate taxes, a large number cited this process as exceedingly complex and indicated that they would not know where to begin if they had to take on this responsibility without outside assistance. It was widely believed by these participants that most SME business owner/operators would not have a sufficient understanding of their tax obligations to file their taxes on their own and would likely make numerous errors without the guidance of an accountant. A few recalled hearing accounts of SMEs who had attempted to prepare their taxes without professional support and had found this process to be incredibly difficult. In some cases, participants also commented that the CRA has created an environment whereby business owner/operators are now required to engage the services of a tax intermediary due to the complexity of the system and various forms to be completed. Only a few felt somewhat more confident in their understanding of the tax process, commenting that they would typically prepare and file their taxes themselves and generally only relied on their accountant to review their return prior to it being filed.

Discussing how they would typically keep track of their finances throughout the year, several described using accounting software, bookkeepers, or in-house accountants for this purpose. While a smaller number indicated that they would also receive advice from other legal professionals, investment advisors and/or professional associations within their respective industries, most primarily relied on tax intermediaries for tax planning guidance. Tax intermediary services were viewed as an absolute necessity for those SMEs whose business operations were more complex and, as a result, their financial reporting was also more complicated. Examples of this included those who worked as franchisees for larger corporations, businesses with multiple locations, and those businesses conducting foreign currency transactions. A number of participants who worked as retail vendors selling products at trade shows and/or on multiple digital platforms believed that it was considerably more difficult for them to keep track of their revenues and expenses compared to those businesses with only one retail location. While most SME owners and operators relied upon tax intermediaries for all their accounting needs, a small number indicated that they would often file their quarterly goods and services tax/harmonized sales tax (GST/HST) returns on their own, although many did speak about this process being overly time consuming as well.

In terms of the perceived value that tax intermediaries add to their businesses, most SME owners and operators described their tax intermediaries as an indispensable resource. Many felt that their businesses had greatly benefitted from their working relationship with tax intermediaries, in that these professionals offered an expert understanding of tax rules and policies as well as knowledge regarding how to apply for any benefits and credits for which they may be eligible. Additionally, several participants commented that



their preference was to focus on their day-to-day business activities, with the goal of keeping their business viable and profitable, rather than on administrative issues. Many noted that utilizing an accountant provided them with considerable peace of mind knowing that their taxes were being prepared correctly. It was felt that this confidence, in turn, allowed them to devote a greater level of attention to managing and improving other aspects of their business. While some spoke of the high financial costs that they might incur by utilizing tax intermediaries, almost all felt this to be a necessary expense and believed that they would not be able to handle this responsibility on their own. Rather than viewing their tax intermediaries solely as a cost to their business, some instead described them as a cost-saving measure believing that the potential of making a mistake and the time it would take to address it would likely be far more costly to their business over the long run. Though also viewing tax intermediaries as valuable, a few expressed concerns that their accountants often faced overwhelming workloads during tax season. As a result, it was felt that some tax intermediaries may be required to complete many returns in a short timeframe, potentially leading them to overlook certain credits or benefits that their clients may be eligible for. Despite this possibility, almost all felt it was essential to engage a professional accountant to look over and confirm that their annual taxes had been prepared accurately and in a timely fashion, believing this to be very important to the overall reputation of their business as well as its standing with the CRA.

While a few tax intermediaries described being in communication with their clients on a year-round basis, most reported that they would typically only interact with their clients during tax season or when an issue arose that required immediate attention (i.e., a reassessment or an audit).

Overall, it was widely felt that utilizing a tax intermediary decreased the likelihood that one's business tax return would be subject to a reassessment. Many also commented that in the event a reassessment did occur, they felt confident that their accountant would be able to step in and ensure that any issues would be resolved in a straightforward manner.

Discussing how the CRA could assist SMEs in preparing their taxes, participants provided a range of responses. These included:

- Making the CRA website more user friendly – Many were of the view that the website, in its current form, was difficult to navigate. Participants felt that efforts could be taken to streamline its presentation and design to be more intuitive to business owners and operators seeking to file their taxes and/or acquire additional information related to their tax obligations. A few believed that the website was in need of a complete overhaul and felt this should be a top priority for the CRA going forward;
- Simplifying the tax process – A large number of participants thought that corporate taxes in Canada at present were overly complex and burdensome. Many participants felt it was often difficult to understand how their taxes were calculated and what credits and benefits they were eligible for. It was suggested that the CRA should work to build a simplified template on its website, similar to programs such as TurboTax, where businesses could enter in their financial information and file their taxes directly with the CRA. It was thought that by doing so, business owners would not have to rely on tax intermediaries to the same extent in order to prepare and file their annual taxes;
- Proactively communicating changes to tax rules and policies – A number of participants felt that it was quite difficult to keep track of current tax rules and thought that more could be done to notify business owners of any amendments to tax regulations as they occur. While several participants across those groups comprised of tax intermediaries believed that they had a relatively strong



understanding of the current tax rules, a number were of the impression that their clients generally had only a limited knowledge in this area and would benefit from increased communication on the part of the CRA. Several suggested that the CRA should use its website and communications to provide updates to taxpayers regarding any rules and policies changes that may impact their tax returns going forward;

- Providing new businesses with information regarding their tax obligations – It was suggested that every newly registered business with the CRA should be provided with an easy-to-understand overview of their tax obligations. Several participants described having previously made mistakes on their business taxes out of ignorance or a lack of understanding of what was required; and
- Creating a frequently asked questions (FAQ) resource regarding common mistakes made by new businesses – A number were of the impression that many SMEs frequently make similar mistakes or oversights, especially in the first year's filing of their businesses taxes and felt that an overview of the common tax issues encountered by business owner/operators would be immensely helpful.

B. Views on Voluntary Compliance

Canada's tax system is based on voluntary compliance and self-assessment, meaning that individual Canadians and businesses comply with the legislation voluntarily. The Canada Revenue Agency undertakes a range of compliance activities which are aimed at protecting the integrity of Canada's self-assessment tax system. In efforts to make compliance easier, the Canada Revenue Agency undertakes outreach, service, and education for those needing additional help, including 'nudge' letters and the assistance compliance program.

When asked what the main motivators of voluntary compliance are, most participants disputed the use of the term 'voluntary' to describe Canada's approach to taxation and tax compliance. The consensus was that completing and filing one's taxes is mandatory rather than voluntary. SME owner/operators and tax intermediaries alike both felt that there was a legal imperative to comply with the tax legislation, otherwise individuals and businesses would be in breach of the law and subject to penalties or the possibility of criminal charges for tax evasion.

Although most participants did not view the tax system as operating on the basis of voluntary compliance, a few SME owner/operators did describe it as being based on an 'honour system.' Describing Canada's tax system in this manner, these participants tended to focus more on the idea that Canadians and Canadian businesses have a responsibility to make accurate declarations regarding their financial circumstances when filing their tax returns in order to avoid any negative repercussions.

On an unprompted basis, the most compelling reasons offered by participants for complying with the tax system centered on a fear of penalties or interest for filing late, as well as the subsequent effort required to rectify the issue and resulting distraction from day-to-day business operations for SME business owner/operators. Tax intermediaries commented that most SMEs prefer not to interact with CRA, if they can avoid it. Nor do they wish to pay the accounting fees to rectify a tax issue. There was also a sense among some SMEs and tax intermediaries that the penalties levied on late filers can be quite high and would be significant for any small or medium-sized business to incur. Related to this, some commented that filing late could also alert CRA to a possible issue, potentially 'red flagging' the business for a future audit or reassessment.



A secondary motivator, mentioned by a number of participants, was the opportunity to take advantage of any tax credits, rebates, incentives, and financial supports offered to businesses, and to ensure that any tax refund owing to the business would be issued promptly by CRA. SME owner/operators in Atlantic Canada were somewhat more likely to mention these as primary motivators on an unprompted basis relative to participants whose businesses are located in other regions of the country. Other SMEs noted that, within the rules, they were mainly motivated to pay as little tax as possible.

Among tax intermediaries, the point was made that any business applying for loans or credit would be asked to provide up-to-date tax returns. As such, they felt this encouraged SMEs to ensure their tax filings are current. By contrast, others acknowledged that the primary interest of a certain segment of their clients was to minimize their taxes owing by any means possible, including participation in the UE as well as not reporting or under-reporting their business' income.

Several participants indicated that a key motivating factor stemmed from a propensity for Canadians to be law-abiding and rules-based and that this was exhibited through their behaviours vis à vis the tax system. Others volunteered that complying with current tax laws and requirements provided a degree of peace of mind which allowed them to focus more on other aspects of their business. Notably, these types of comments were made more frequently by women business owner/operators. Tax intermediaries alike also volunteered that many of their clients were sincere, honest people and wanted to operate according to the law.

Fewer participants viewed the potential for reputational risk, having a moral obligation to pay taxes, or the fact that taxes support essential programs and services for Canadians as strong motivators. These did not arise on an unprompted basis as primary motivators for compliance. When prompted, opinions on the degree to which these factors were viewed as motivating higher levels of tax compliance among SMEs were somewhat mixed. Participants who felt SME owner/operators were less likely to be motivated by these factors stressed that they were mainly focused on what was required to sustain their business operation and, as such, these factors were not necessarily top-of-mind when it came to filing their business taxes.

Some participants took a slightly different perspective commenting that, as small or medium-sized business owners and operators, they felt at least some moral obligation to contribute to the funding of programs, services and infrastructure that benefit the community or communities in which they operate. Some tax intermediaries also noted that a few of their clients, although not the majority, felt that it was their duty to contribute by paying taxes owed because of the government support they have received for their business.

At the same time, SMEs were somewhat equivocal in their comments. It was their perception that larger corporations in Canada are able to find ways to significantly reduce their overall tax burden. This was viewed as a demotivator for smaller businesses particularly from the perspective of any arguments which purport that SME's should pay taxes out of a moral or social obligation.

This discussion prompted some participants to reiterate that it was the prospect of being reassessed which they worried about most with respect to their business' reputation. These participants were mainly concerned about developing a reputation as a business that was being frequently reassessed by CRA, and the potential for negative publicity being spread by word-of-mouth to their peers in the business community and their customers. Others expressed a desire to ensure their financial statements and their tax returns were in good standing in the event of a possible sale of the business, particularly given the



increasing use of online search tools such as ZoomInfo which allows others to quickly access information about a business' financial standing and reputation.

Further discussion to explore the perceived linkage, if any, between tax compliance and the funding of necessary programs and services prompted several participants to offer comments in support of the premise that taxes are the price individuals and businesses pay for services rendered by the state. A few SMEs did feel a sense of obligation to contribute to the betterment of Canadian society and specifically for public services in the communities in which they are based. While not exclusively, some participants who held this view were involved in businesses with a social mission or a strong commitment to social responsibility.

At the same time, questions were raised about government spending and whether Canadian tax dollars were actually being directed to support key programs and services.

Tax intermediaries rarely noted societal responsibility as a key motivator for small and medium-sized businesses. Among those who did, the point was made by some that this view is likely more common among older business owner/operators and not one which they felt was pervasive among the younger generation.

Views from participants in Quebec generally reflected those expressed by participants in other regions, however many were confused by the term 'observation volontaire.' When asked for their interpretation, only a few participants were able to summarize, to some degree, what this phrase signified.

C. Perceptions Regarding Underground Economic Activity in Canada

Describing on an unprompted basis what comes to mind when they heard the term 'underground economy', participants shared a range of responses. Many thought this phrase primarily referred to cash transactions which were not being reported as taxable income and for which no invoices or receipts were being issued. Several also mentioned transactions involving bartering and the exchange of goods and services (e.g., free hotel rooms, free meals, etc.) as a form of payment. For some, this term was believed to have connotations primarily associated with illegal activities with several participants describing the term as including activities such as money laundering, organized crime, and the sale of illegal goods on the 'black market'.

To clarify, participants were provided with the following description:

The underground economy includes legal (i.e., not black market/illegal) economic transactions in goods or services which are unreported, resulting in failure to comply with tax laws administered by the Canada Revenue Agency. For more precision, this includes situations in which transactions are underreported or unreported, both of which contribute to the growth of the underground economy. Underreporting or not reporting is considered part of the underground economy, regardless of whether the taxpayer is intentionally non-compliant or just unaware of their tax obligations.

After being shown this definition, participants still believed that, even though the UE involves legal economic transactions in goods and services, the behaviour itself is mostly undertaken intentionally (rather than unintentionally).



Asked whether they felt this type of behaviour was widespread, most believed it was, and they were of the impression that these types of activities occurred in every region across the country. Regionally, some participants discussed that they believed UE activity was likely higher in the top-performing provinces, and/or in Canada's largest economies, such as Ontario and Quebec. Notably, tax intermediaries in Alberta were less inclined to think there was much activity of this nature in that province. The view was expressed by many that underground economic activity was likely far more commonplace in rural communities where individuals are familiar with and have established trust with one another and where cash continues to be used to a higher degree. It was felt that it was generally easier to establish transactional relationships based on cash or the exchanges of services in smaller communities where the same businesses and customers have interacted with each other on an ongoing basis. A number of SME owner/operators residing in these smaller communities reported being regularly approached by customers to engage in cash deals and believed that, for many, this was accepted as a normal method of doing business.

Discussing the sectors in which it was thought that these types of activities were most prevalent, many participants mentioned the construction industry referring to contractors/renovators as well as specific trades such as plumbing, utilities, landscaping, and home maintenance where labour could be paid for in cash. Several also mentioned areas such as retail, hospitality and restaurants, dentistry, and personal services such as beauty services (e.g., salons), cleaning services, pet care/grooming, personal training, among other similar types of operations. Most believed these were the most common types of businesses where goods and services could be easily exchanged without requiring a significant degree of oversight.

Others added that UE activity was easier to carry out in businesses interactions which took place on an 'owner-to-owner' level, where small business owner/operators or independent contractors could work out arrangements directly with other decision-makers. A few also believed that several small business owners engaged in these types of transactions specifically as a way to underreport their income, allowing them to remain under the Small Supplier Threshold of \$30,000 in annual revenue.

Questioned whether this behaviour had increased in their own sectors in recent years, a number felt that it had. At the same time, for those working in the trades or as a retail vendor it was felt that this type of activity had always been occurring to some degree. Those participants who worked in a somewhat larger corporate setting or in more tightly regulated sectors (e.g., financial services) were generally of the opinion that this activity was far less common in the sector in which they worked. It was felt that in industries such as these, internal compliance teams and other regulatory bodies would typically flag this type of behaviour if it were to occur, making it exceptionally difficult to carry out. It was also said that for anyone dealing with medium-sized or larger companies in a B2B situation, the requirement for invoices in order to account for expenditures would serve to reduce the likelihood of non-compliant activity.

Participants felt that participation in the UE cut across demographic groups. When it comes to age, some believe that younger or newer business owners may be more likely to participate simply due to a lack of knowledge. By contrast, others thought it might be older, more mature SME owners and businesses who are more likely to participate, as they may have been operating this way for many years without being audited or penalized.

Focusing on the impact of COVID-19 on the UE, most felt that this type of behaviour had increased substantially over the course of the pandemic. It was thought that many business owner/operators, especially those working in the trades or in the retail sector, had created cash-based revenue streams during the pandemic as a way of earning additional income while still allowing the business to continue to



receive pandemic-era benefits such as the Canada Emergency Wage Subsidy (CEWS) and other forms of support. For several SME owner/operators, this type of behaviour was seen more so as an act of desperation rather than greed. It was thought by some that, due to the negative economic impact of restrictions and other public health regulations on their normal business operations, many business owners had little choice but to engage in this type of underground activity in order to continue to make ends meet financially. A few also were of the impression that the pandemic had prompted an increase in home renovation and construction projects. They speculated that, given the perceived prevalence of this sector in the UE, this activity had contributed to a further increase in the size of the UE. A small number felt somewhat differently, believing that increased use of contactless payment options and digital transactions through the pandemic had likely had the opposite impact on the UE, effectively serving to decrease this type of behaviour.

Tax intermediaries were asked whether they would proactively provide their clients with information regarding the benefits of reporting their full income or their annual returns. While some indicated that they do convey to clients the importance of properly reporting their income to ensure they are maximizing their eligibility for various tax credits and deductions, most clarified that they would be very reluctant to advise or work with clients whom they knew were not fully or accurately disclosing their business income. It was widely felt that it was primarily the responsibility of the client to be financially transparent and, if mistakes were made, they would immediately advise their clients to contact the CRA and fill out a voluntary disclosure form to rectify the issue. Tax intermediaries commented that in almost all cases their clients would likely follow their advice and recommendations with regards to going through a process of correcting any errors, once discovered. A few also reported that they often advised their clients to deal in electronic payments whenever possible due to the increased traceability of these types of transactions.

Participants next engaged in an exercise where they were presented with a number of factors that could be driving or influencing the UE. They were asked to identify those which they felt were the most important motivators. These included:

- *High tax burden;*
- *Administrative burden on business (complicated or difficult to understand tax reporting structure);*
- *Disillusion with government/CRA;*
- *Ability for business to price more competitively;*
- *Increased sales volumes and profit levels;*
- *Most small and medium sized businesses couldn't survive if they reported all their income;*
- *Pressure from customers;*
- *Viewed by businesses as a common practice; and*
- *Advice/influence from others*

Across all groups, the high tax burden on SMEs was seen as the primary driver influencing underground economic activity. A number of participants described the financial difficulties many small and medium-sized businesses face, especially in the early years of their operation, and believed that the tax obligations of these businesses could often be incredibly limiting. Several participants were of the impression that Canadian businesses were taxed at a higher rate compared to many other jurisdictions and that SME owner/operators often felt that they had no other choice but to underreport their income as a means of sustaining their business. It was felt that the combination of the pandemic and increases in the cost of living was putting increased pressure on businesses and putting some businesses in jeopardy. Several participants were sympathetic to businesses which they felt were being forced to make the decision to



participate in UE activity as a survival mechanism. They believed that for some businesses this could be the only viable path forward for them to be able to remain in business.

Disillusionment with the Government of Canada and CRA was also widely viewed as a motivating factor among participants. Many were of the opinion that SMEs were often unfairly targeted by the CRA for reassessments and audits while larger corporations were given significant tax breaks. There was a widespread view among participants that relative to SMEs, larger corporations were not paying their fair share of taxes. As a result, several believed that it made sense that SMEs would seek to engage in underground economic activity and felt that the Government of Canada and CRA should be working to find ways to decrease the tax burden on these businesses, rather than investing resources towards reassessing/auditing them. Participants also spoke about excessive or unwise government spending and/or misuse of tax dollars and believed that this also factored into a lack of desire by some SME owner/operators to remain tax compliant. A few specifically mentioned pandemic-era benefits such as the Canada Emergency Response Benefit (CERB), believing this had been allocated to many businesses which were ineligible. They felt that more should be done to recoup these funds as opposed to investigating a relatively small percentage of businesses engaged in the UE yielding far less in recovered revenues, by comparison.

Pressure from customers was also described as a driver of participation in the UE. Some believed that while businesses themselves may not wish to engage in cash-based transactions, they faced pressure from customers wanting to obtain services at a lower cost by paying in cash. Others commented that they were occasionally willing to accept cash jobs at a lower cost if the alternative meant that they would lose the business. At the same time, SME owner/operators said that they were disinclined to engage in cash for services transactions as doing so could result in the business being unable to claim certain types of business expenses on their tax return.

The perception of this type of behaviour being commonplace in their communities, the ability to price products and services more competitively, and a desire for increased sales volumes and profit levels were also viewed as motivating factors by participants. Many underscored that the primary goal of SME owner/operators was to remain profitable and that, as such, these factors all likely played a role in influencing the decision as to whether or not they should participate to a greater or lesser extent in the UE. The view was reiterated that in many communities, especially those which were more rural or remote, cash-based transactions and bartering were seen as a way of life. As a result, it was felt that there was little to no stigma faced by those businesses which took part in these activities. While receiving somewhat less attention, factors such as advice and influence from others, reducing the administrative burden on businesses, and a lack of ability to stay in business without under-reporting some amount of revenue were all seen by several participants as also playing a role in influencing UE behaviour.

Asked whether there were any specific trends that they felt might contribute to increased activity in the UE over the next five to ten years, participants provided a range of responses. These included:

- Inflation and the rising cost of living – Many felt that if high rates of inflation persisted in the years to come many business owners would likely be compelled to find additional ways to earn income, including via underground economic activity. Several SME owner/operators reiterated that this would likely become a necessity for many businesses who would face challenges staying in business, and felt that the federal government should be providing further assistance to SMEs;



- Increasing tax burdens – Several participants anticipated that businesses facing increased tax pressures may consider options to reduce their tax burden, including under-reporting or not reporting some or all of their income. A few specifically mentioned recent measures such as the federal price on carbon which they felt placed unfair financial pressure on SMEs and believed that the Government of Canada should consider tax relief for the small and medium-sized business sector in the current economic climate;
- Growing prevalence of cryptocurrencies – Some speculated that a rise in the use of cryptocurrencies (e.g., Bitcoin) would spur increased underground economic activity. It was felt that the relative lack of regulation and traceability of these currencies would encourage the use of these types of currencies to conduct underground or illegal financial activity. A few felt differently, believing that due to the exceptional volatility and recent controversies involving cryptocurrencies, most business owners would be reluctant to utilize digital currencies as a part of their business activities; and
- Increasing retirement rates in coming years – A number speculated that, given Canada’s aging population, a growing number of individuals would be entering into retirement over the next decade. It was thought that the rising cost of living would put additional pressure on those seniors living on fixed incomes, encouraging some to seek ‘off-book’ cash-based revenue streams to supplement their finances during retirement.

Discussing whether they felt the growing digitization of commerce would also play a role in increasing underground economic activity, most felt this would instead have the opposite effect. It was felt that the traceability and digital record of these transactions would make it increasingly difficult for those operating online to participate in the UE. Speaking specifically about online platforms connecting buyers and sellers, while most felt that this would have little impact overall, a few speculated that online bartering apps might be created which would allow Canadians to exchange goods and services with one another with little to no cash being exchanged or taxes collected.

D. Views on Tracking and Strengthening Compliance

Participants were asked about the importance of tracking and monitoring the UE in Canada and whether CRA should step up its efforts to strengthen compliance and enforcement programs in respect of the taxation rules that above ground operators are expected to abide by. Responses were somewhat muted in that relatively few saw the issue of tackling non-compliance, particularly among SMEs, as either an urgent or extremely important priority for CRA. Most did, however, feel that it was at least moderately important.

Those who did attribute some importance to addressing the issue of the UE believed that doing so might ease the tax burden for others.

Others felt that inaction on this issue would ultimately erode the Government of Canada’s tax base, reducing the capacity to support vital social programs for Canadians, all of which would negatively impact the Canadian economy as a whole and the country’s long-term financial stability. Among this group the notion of fairness was often raised as a reason for addressing the issue of UE activity, with some commenting on an unprompted basis that universal access to the full range of public services is founded on the principal that all citizens must pay their fair share of taxes. Others also felt that not directly tackling the issue of UE activity would cause it to grow and become more widespread.



For those who placed less importance on addressing the issue, participants' views in this regard were influenced by the following:

- A sense that most underground economic activity is primarily being conducted by organizations with criminal intent and/or which are trading in illegal or illicit goods and activities. As such, they felt the focus of CRA efforts on small and medium-sized enterprises trading in legal goods and services was somewhat misdirected;
- A belief that SMEs are struggling and that expanded audits and increased penalties within the SME sector may have unintended consequences resulting in business closures and bankruptcies. Some commented that it would be more appropriate, and potentially yield more in 'hidden' revenues, if the Government of Canada focused on larger companies where there may be millions of dollars in unreported income. Others felt that targeting SMEs in particular could be seen as overly aggressive on the part of CRA with smaller businesses being viewed as an 'easy target' compared to larger organizations whom it was thought had access to more resources both to find ways of reducing their taxes owing and of appealing CRA reassessments or decisions;
- Concerns about the feasibility of effectively addressing underground economic activity in Canada and the resources (e.g., funding and personnel) this would require. In addition to SMEs, several tax intermediaries underscored that it would require a large investment of time and resources to recover a significant dollar amount, as the perception was that UE activity is spread out among many disparate types of small businesses;
- A sense that UE activity among those in the small and medium-sized business sector would persist regardless of any efforts by the CRA given a perception that businesses engaging in this type of activity are doing so as a way to survive;
- A perception that it would be particularly challenging to track cash transactions, specifically within the service sector. At the same time, some felt that the trend to digitization would lead to reduced UE activity; and
- A belief that individuals have a moral responsibility to pay taxes and that government should not be responsible for educating individuals in this regard or for policing their behaviours.

Some also commented that they would be more inclined to support a more aggressive approach to addressing the UE in Canada if they felt there was greater accountability within government with respect to spending.

Top-of-mind suggestions as to what the Government of Canada should be doing to address this issue centered on the following:

- Instituting leads programs to encourage Canadians to report any underground economic activity when they suspect or observe it;
- Reducing any barriers and making it easier for businesses to file their taxes. Some tax intermediaries recommended reducing the overall tax rate for businesses;
- Offering more educational services to small and medium-sized businesses who may find navigating through the tax system difficult. The suggestion was made by some tax intermediaries to include a component pertaining to taxes and the UE in the curriculum for those enrolled in trade schools or apprenticeship programs;



- In conjunction with education, some felt that key messaging regarding the repercussions to businesses of engaging in the UE would be useful;
- Implementing a system whereby CRA would cross-check income/revenues reported by businesses operating in the same or similar sectors;
- More frequent audits, at an interval of every 3 to 5 years among larger businesses with a particular focus on those reporting lower revenues relative to the size of the business, and those businesses located in Quebec and Ontario was mentioned by several tax intermediaries;
- Examining bank records and/or records of transactions more closely. A few tax intermediaries also suggested more cross-references of T1 and T2 information vis a vis the shareholders; and
- Creating a specialized task force to specifically investigate these types of activities was also mentioned by tax intermediaries in British Columbia.

Most were uncertain as to whether the Government of Canada and CRA should be doing more, less or the same as they are doing now, mainly because they were unsure of the current level of activity in this area. Others felt that taking more aggressive action might have the effect of pushing more economic activity underground and cautioned CRA to consider any initiatives carefully in terms of both benefits and risks.

Those who were of the view that CRA should ramp up their efforts were motivated by a sense of the unfairness of the current situation for tax-abiding businesses, and the potential to recover significant 'lost' tax revenues. A few participants felt it would be important to target multiple sectors, and not just SMEs, and to invest in a process for identifying possible underground economic activity that could be replicated across industries. As a counterpoint, some queried how costly organizing and implementing a process to identify, track and address UE activity might be.

When asked what more they could do or if they were aware of what the Government of Canada and CRA is doing in this area, few could recall anything in particular. There were some mentions of the CRA having taken some taxpayers/businesses to court, efforts to recover COVID-19 benefits from those who were ineligible to receive them, hiring of additional CRA officers, trend analysis and implementation of various other analytics, and audits. A few tax intermediaries recalled a letter campaign aimed at educating sole proprietors who had specifically been reporting year-over-year losses.

Information regarding the extent of UE activity in Canada was met with some skepticism and generated a number of questions, specifically regarding how and on what basis the estimates are produced given that UE activity is, by nature, hidden. Reaction was mixed when participants were told that the estimated Gross Domestic Product (GDP) at market prices for underground economic activity in Canada reached \$61.2 billion or 2.7% of total GDP in 2018, according to Statistics Canada. Many felt the dollar value of UE activity to be alarmingly high and, in some cases, incomprehensibly high. Several commented that the number was higher than they expected, especially when compared against the dollar value of other government expenditures (e.g., spending on the military). They were concerned about the extent to which a large share of tax revenues was being lost, although some commented that it was unlikely SMEs were responsible for a significant portion of UE activity.



At the same time, they questioned how the Government of Canada had allowed the UE to grow to this level and why more actions to address it had not been undertaken before it reached this point.

By contrast, the level of UE activity as a proportion of the GDP at 2.7% seemed relatively insignificant to most participants. Nevertheless, some felt that this percentage was likely higher in 2023, post-pandemic, than it was in 2018.

Tax intermediaries appeared less concerned about the size of UE activity in Canada, based on the Statistics Canada information, especially when compared to other government spending and relative to UE activity in the United States which was thought to comprise about 10% of GDP. They also felt that the Government of Canada could obtain a better return for less effort by seeking out hidden or missing tax dollars elsewhere. Some also felt that CRA could accomplish more by focusing on policy improvements, specifically better tax policy and better policies related to the pandemic benefits, although they did not elaborate on any other specifics.

SMEs and some tax intermediaries questioned the legitimacy and credibility of the statistics shared. Participants felt they needed more information to be able to properly analyze the extent and nature of UE activity in Canada, including approximately how many businesses or people the estimate reflected.

They also questioned whether the small business sector was the appropriate focus, believing that it would be more effective to target individuals who are earning income on the side. Others raised concerns about whether focusing more government resources and funding on detecting and surfacing underground or hidden economic activity would necessitate reprioritizing funding away from other issues considered to be a higher priority for government and for Canadians. Moreover, they questioned whether any real progress could be made that would warrant the expenditure of the time, effort, and resources required.

Reaction to CRA Activities Regarding the UE

Participants were shown the following information about CRA's activities in regard to addressing underground economic activity and asked about their reaction to each of the measures.

To identify, prevent and address unreported and underreported sales or income, the CRA has maintained an ongoing focus on four key activities:

- *finding undeclared income and hidden commercial transactions through data analysis, legislative tools, and other information sources including leads from Canadians (identifying)*
- *staying up to date on the UE (through stakeholder engagement, working with other levels of government, and international information sharing) (identifying)*
- *reducing the social acceptability of participating in the UE by raising awareness of risks with consumers and educating the public about negative consequences for those who avoid or evade their tax obligations (preventing)*
- *correcting behaviour that is not compliant (through audits, penalties, criminal investigations, and prosecutions, where warranted (addressing))*



Overall, most felt the measures would have a positive impact, but leaned towards initiatives that focused on raising awareness and educating the public about the negative consequences for those who avoid or evade their tax obligations. That said, they were not entirely convinced that this approach would work for businesses that are either intentionally under-reporting or not reporting or for those engaged in illegal activities. There was some support for initiatives aimed at correcting noncompliant behaviour with several participants remarking that a fear of the consequences, financial and otherwise, would likely serve as a greater deterrent than moral arguments. Some went further, suggesting that producing and publishing a list of those companies which have been identified as participating in the UE would have the most impact.

And, while several participants believed that the most impactful of the four activities were those measures aimed at addressing and correcting non-compliance (e.g., audits, penalties, etc.), many were concerned that this would lead to an expansion of audits targeting the small and medium-sized business sector and that those operating legally and legitimately would be swept up in this net. The major criticism or concern regarding CRA's current set of measures to address UE activity in Canada was the targeting of small businesses over larger corporations, the latter being viewed as better able to resource and respond to an audit.

Comments on 'Identifying' Measures:

Some participants, mostly SMEs in addition to a few tax intermediaries, were confused by the 'identifying' activities and did not fully understand what actions the government was taking. Specifically, they were unclear on what was involved in undertaking data analysis and legislative tools to find undeclared income and hidden commercial transactions.

Several also responded negatively to the idea of identifying leads, expressing concerns about the level of intrusiveness involved in taking this approach. Some felt it would be unlikely that Canadians would report on one another and were of the view that CRA should not be placing too much emphasis on leads as part of their overall strategy to surface underground economic activity.

There were also questions as to what was meant by stakeholder engagement and about the utility and value of international information sharing if the target of CRA's efforts was to root out domestic underground activity. A number of participants found this aspect of CRA's identifying initiatives to be vague. They felt it was difficult to be able to understand exactly what was being done or how this particular measure would lead to a reduction in UE activity and an improvement in tax compliance. There was also an expectation among some participants of heavier reliance on specific financial tracking tools such as FINTRAC¹ and trade in cryptocurrency, which they noted were not referenced among the various 'identifying' activities.

Tax intermediaries generally understood and appreciated the importance of intelligence gathering and sharing of information across jurisdictions and between agencies but felt that, as a whole, the 'identifying' measures would be more effective in uncovering UE activity being undertaken by larger rather than smaller companies.

¹ The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit with a mandate to facilitate the detection, prevention and deterrence of money laundering and the financing of terrorist activities, while ensuring the protection of personal information under its control. (<https://fintrac-canafe.canada.ca/intro-eng>)



Specific to Quebec and more precisely the use of the French term for “leads,” (*indices*) many did not understand to what it referred.

Comments on ‘Preventing’ Measures:

Across the board, participants felt that this was the most important and impactful aspect of CRA’s initiatives aimed at addressing UE activity. Once exposed to this set of measures, some participants rethought their earlier views on the perceived importance of tracking UE activity and enforcing higher tax compliance, attaching more significance to these efforts. They saw the value in this activity as combatting normative behaviours that have developed around non-compliance and supported additional efforts to ‘nudge’ business owner/operators in the direction of viewing tax non-compliance as socially unacceptable. A few participants emphasized the importance of making business owners aware of the impact of underground economic activity and in particular recent immigrants who are setting up new businesses. Several also mentioned that pressure from customers is a critical factor, especially in the trades, and that this is a key target audience which needs to be included in any social marketing campaign.

In the context of this discussion participants underscored the value of taxpayer education. Many agreed that a component of the educational curriculum in high schools should focus on Canadians’ civic responsibilities, including their tax obligations and reporting requirements. Participants felt that basic aspects of Canada’s tax system, including citizens’ responsibilities, were not adequately covered and that building a stronger ‘tax culture’ would serve to increase the willingness of taxpayers to comply voluntarily.

Comments on ‘Addressing’ Measures:

As noted above, most felt that education and outreach with the goal of reinforcing positive behaviour would be the most effective approach. However, some acknowledged the need for a strong set of enforcement tools directed mainly at those considered to be the most egregious offenders. They focused primarily on the audit aspect of this set of measures and assumed that CRA would likely increase the volume of audits undertaken among small and medium-sized businesses.

Several questioned the efficacy of preventive measures, noting that some business owners will always be willing to take risks despite the possibility of penalties. Others felt that continued and growing UE activity suggests that penalties and repercussions are in fact not as effective as other approaches might be. A few remarked that penalties should be levied on the decision-makers within the business and not just on the business itself. Some tax intermediaries reinforced earlier comments they had made that the focus of CRA efforts should be on larger businesses which is where they felt there were significant opportunities to recover hidden or lost tax revenues. They also felt it would be important for SMEs to have a sense that CRA was taking a balanced approach, placing more emphasis on those areas where the return on investment would be potentially higher.

While tax intermediaries also favoured education and positive reinforcement over penalties, they also felt it was important for businesses to fully understand the consequences of non-compliant behaviour. Several believed it was important to take action in each of the three areas – identifying, preventing and addressing UE activity – seeing a coordinated and integrated approach as being the most effective.



E. Outreach to SMEs and Tax Intermediaries

Overall, most participants felt that greater efforts could be taken by the CRA to provide more information to Canadians related to the UE. It was widely thought that a large portion of the population were presently unaware of the size and scope of this issue and that many would benefit from further information on this front. A number of those in the groups comprised of tax intermediaries felt that they had a strong understanding of this issue and believed that any communications on the UE should be primarily focused on business owner/operators and the general public rather than educating tax specialists.

Discussing how the CRA should go about communicating this information, many believed this would require a proactive strategy and that simply posting updates and data related to the UE on the CRA website would not be enough to reach Canadians. It was largely felt that very few visited the CRA website outside of tax season and that this was not a channel most Canadians would look to for news or updates. Several suggested that the CRA could instead make use of its online messaging system to push information regarding the UE out directly to Canadians. It was thought that many paid a great deal of attention to incoming communications from the CRA and believed that this would be an effective way of communicating this information. Use of regular mail and email was discouraged by some small business owner/operators who stated they feel inundated with the volume of information being received from these channels. It was also suggested that all newly registered businesses should be provided with information related to the UE and the consequences of not reporting one's full income. Other suggestions included advertisements on television and radio, social media campaigns on platforms such as Facebook and Twitter, banner advertising, and the creation of an official press release by the CRA.

While a few SME owner/operators expressed that they would be interested in attending webinars related to the UE, most expected that they would likely be too busy operating their business to allocate time for appointment-based events such as this. That being said, several suggested that it would be beneficial if these webinars could be recorded and posted online, allowing them to watch them at their leisure when they have more time available. Business owner/operators who work closely with their industry associations in their respective sectors thought that the CRA could work with these organizations to provide industry-specific information related to the UE and that this would likely go a long way towards conveying the potential impact of these activities on their own businesses.

Among tax intermediaries, those who identified as accountants recommended that information on the UE from CRA be shared directly with their professional associations such as the Chartered Professional Accountants Canada (CPA Canada) for dissemination to a broader audience of accountants.

Asked what type of messaging they felt would be most useful to include in CRA communications related to the UE, participants provided a range of ideas. These included:

- The consequences of not taking action. Many felt that it was important to convey to Canadians what the consequences would be if action was not taken to address the UE. It was thought that many did not understand how this issue could potentially put pressure on the ability to provide expected and needed taxpayer-funded programs or a potential increase in the overall tax rate;
- The positive aspects of paying taxes. It was largely thought that many Canadians currently viewed paying taxes as a mostly negative experience and that more should be done by the CRA to inform Canadians as to where and how their tax dollars are being used along with the positive impacts on funding numerous social programs, benefits, and infrastructure projects. It was felt that by



- creating more positive associations with taxation in terms of benefits to Canadians, the public and businesses would be inclined to be more tax compliant. It would also make it less socially acceptable for those who are currently avoiding their tax obligations;
- Clear and verifiable data regarding the size and scope of the UE. It was widely felt that most had no idea as to the true gravity of this issue and that many Canadians would be surprised to hear the UE was estimated to total upwards of \$61.2 billion. The view was expressed that providing clear and concise data related to the UE would be helpful in educating Canadians on this issue. A few were also of the opinion that more could be done to demonstrate how data on UE activity in Canada was obtained and were themselves curious as to how the estimates presented earlier in the conversation had been calculated; and
 - Regionally-specific data related to the UE. It was felt that in addition to presenting this as a national issue, it would be an effective strategy to illustrate how the UE was impacting specific regions and communities. It was thought that by presenting this data on a more regional level, it would provide Canadians a more relevant perspective and a better understanding as to how this issue was potentially affecting their own communities.

Very few were interested in the establishment of a system by which tax intermediaries or business owner/operators would report to the CRA on those they believed might be participating in the UE. It was felt that it was primarily the responsibility of individual businesses to properly report their income and most did not wish to involve themselves in the affairs of other businesses.

A small number reiterated the view that they did not see the UE as a particular problem and did not wish to see any additional resources devoted by the CRA towards addressing this issue.

With respect to all forms of communications from the CRA, ranging from the content on the website to written communications, several participants and especially French-speaking business owner/operators and tax intermediaries in Quebec said they found much of the language, terms, and explanations too complicated to understand. There was a desire among these participants for CRA to simplify the language and improve comprehension, thus reducing the burden of understanding among business owners, tax specialists and individual Canadians.



III. Methodology



Methodology

A. Target Audience

The target audience for this research consisted of the following:

- **Small and Medium-Sized Enterprises (SMEs):** Businesses with less than 100 employees; and
- **Tax Intermediaries:** Those who work with SMEs on tax-related or payroll matters.

Participants recruited as SMEs declared that they had either shared or sole decision-making responsibilities in their organization for matters related to taxes, payroll, GST/HST preparation or bookkeeping. Acceptable job titles included:

- President/CEO/Owner
- CFO/Comptroller
- Accountant
- Payroll Manager/Officer
- Manager
- Bookkeeper
- Financial Officer

All participants were recruited adhering to the *Standards for the Conduct of Government of Canada Public Opinion Research – Qualitative Research*. This included the following:

- In the past 5 years, no participant (nor anyone in their immediate family or household) had worked for
 - A market research firm,
 - A marketing, branding, or advertising agency,
 - A magazine or newspaper,
 - A federal, provincial, or territorial government department or agency,
 - A political party,
 - In public or media relations, or
 - In radio or television.
- No participant was a retired Government of Canada employee.
- No participant had participated in a focus group within the past 6 months or had participated in more than five focus group discussions in the past year.
- No participant had previously participated in a qualitative research session related to Canada Revenue Agency or with tax matters as the subject of discussion.
- All participants indicated some level of comfort using online meeting platforms.



B. Research Approach

A total of 38 triads were conducted from January 30th to February 21st, 2023, across 5 regions of Canada (Atlantic, Ontario, Quebec, Prairies, Pacific). Twenty-four triads were conducted with SMEs and 14 triads with tax intermediaries. A triad approach was taken rather than focus groups as it provided more flexibility in terms of scheduling and segmenting groups. Triads also allowed for more in-depth conversations with a smaller number of participants, within an environment which promoted a sense of greater intimacy and trust. For each group, 4 participants were recruited with the goal of ensuring 3 participants at a minimum attended each session.

Triads with SMEs were primarily segmented by business sector. The details for each group, such as region, language and group composition, are outlined in the table below.

Date	Time (EST)	Language	Location	Composition	Number of Participants
January 30, 2023	3:00-4:30	EN	Atlantic	Residential Construction sector	3
January 30, 2023	5:00-6:30	EN	Atlantic	Accommodation/Food Services sector - Female	3
January 31, 2023	3:00-4:30	EN	Atlantic	Cross-section of other SMEs from across the region	3
January 31, 2023	5:00-6:30	EN	Atlantic	Cross-section of other SMEs from across the region	3
February 1, 2023	4:30-6:00	EN	Mid-size Centres Ontario	Residential Construction sector - Male	3
February 1, 2023	6:30-8:00	EN	Major Centres Ontario	Accommodation/Food Services sector	4
February 2, 2023	4:30-6:00	EN	Ontario	Finance/Real Estate/Etc. – Female	4
February 2, 2023	6:30-8:00	EN	Ontario	Retail Trade – Female	3
February 6, 2023	4:30-6:00	EN	Mid-size and smaller Centres Ontario	Cross-section of other SMEs	3
February 6, 2023	6:30-8:00	EN	Major Centres Ontario	Cross-section of other SMEs	4
February 7, 2023	4:30-6:00	FR	Mid-size Centres Quebec	Residential Construction	3
February 7, 2023	6:30-8:00	FR	Major Centres Quebec	Accommodation/Food Services sector – Male	3



February 7, 2023	7:00-8:30	EN	Alberta	Finance/Real Estate/ Etc.	4
February 7, 2023	9:00-10:30	EN	Alberta	Retail Trade	4
February 8, 2023	4:30-6:00	FR	Quebec	Finance/Real Estate/Etc.	3
February 8, 2023	6:30-8:00	FR	Quebec	Retail Trade – Male	4
February 8, 2023	7:00-8:30	EN	Manitoba/ Saskatchewan	Cross-section of other SMEs – Female	4
February 8, 2023	9:00-10:30	EN	Manitoba/ Saskatchewan	Cross-section of other SMEs	3
February 9, 2023	4:30-6:00	FR	Mid-size and smaller Centres Quebec	Cross-section of other SMEs	4
February 9, 2023	6:30-8:00	FR	Major Centres Quebec	Cross-section of other SMEs	3
February 15, 2023	7:00-8:30	EN	British Columbia	Residential Construction sector	3
February 15, 2023	9:00-10:30	EN	British Columbia	Accommodation/Food Services	2
February 16, 2023	7:00-8:30	EN	British Columbia	Cross-section of other SMEs - Male	4
February 16, 2023	9:00-10:30	EN	British Columbia	Cross-section of other SMEs	3
				Total Number of Participants	80



Triads with tax intermediaries were primarily segmented according to the size of businesses (by number of employees) they typically serve, but in some cases included a mix of tax intermediaries serving a range of businesses, by size. Details for each group, such as language, region, and group composition are outlined in the table below.

Date	Time (EST)	Language	Location	Composition	Number of Participants
January 31, 2023	3:00-4:30	EN	Atlantic	Mix from across the region	3
January 31, 2023	5:00-6:30	EN	Atlantic	Mix from across the region	3
February 1, 2023	5:00-6:30	EN	Ontario	Those servicing smaller businesses of <20 employees, including self-employed	2
February 1, 2023	7:00-8:30	EN	Ontario	Those servicing businesses of 20-49 employees – Female	4
February 2, 2023	5:00-6:30	EN	Ontario	Those servicing businesses with 50-100 employees	4
February 2, 2023	7:00-8:30	EN	Ontario	Those servicing businesses with 50-100 employees	4
February 9, 2023	7:00-8:30	EN	Manitoba/ Saskatchewan	Mix from across the region	3
February 9, 2023	9:00-10:30	EN	Alberta	Mix from across the region	3
February 13, 2023	4:30-6:00	FR	Quebec	Those servicing smaller businesses of <20 employees, including self-employed	3
February 13, 2023	6:30-8:00	FR	Quebec	Those servicing businesses of 20-49 employees	3
February 15, 2023	4:30-6:00	FR	Quebec	Those servicing businesses with 50-100 employees	3
February 15, 2023	6:30-8:00	FR	Quebec	Those servicing businesses with 50-100 employees – Male	2
February 21, 2023	7:00-8:30	EN	British Columbia	Mix from across the region	3
February 21, 2023	9:00-10:30	EN	British Columbia	Mix from across the region	2



				Total Number of Participants	42
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For the purposes of applying a gender-based analysis (GBA) to the data obtained from this exercise, 10 of the 38 triads were additionally segmented by gender.

Separate recruiting screeners and moderators' guides were developed for SMEs and tax intermediaries. All research instruments in English and French can be found in the Appendix.

On a best-efforts basis, triads with SMEs aimed to include a mix by size of business (number of employees and annual revenue) and gender (as applicable), while triads with tax intermediaries aimed to include a mix by sector of clients served, type of tax-related work and gender (as applicable).

During the screening process and at the beginning of each triad, participants were informed that the research was being conducted on behalf of the Government of Canada/CRA and that their responses would be kept completely confidential. Furthermore, consent to audio and video record the session was obtained at both the time of recruitment and the beginning of each triad.

Participants were recruited in their official language of choice using a hybrid telephone and online approach. The hybrid approach employed online B2B panels to initially identify potential participants who were then screened via telephone to ensure they met all the requirements. A RDD (random digit dialling) approach was used to fill out groups where online B2B panels were unable to identify prospective recruits by region, sector, size, and type of business.

To schedule and complete 38 triads within approximately three weeks, three separate moderators were used. During fieldwork, the moderators met weekly to share perspectives and discuss high level findings and trends. These meetings also provided an opportunity to discuss any adjustments to the moderators' guides in terms of the flow of discussion, additional probing questions that may be required and other fine tuning to optimize the generation of key insights. Ultimately, no changes to the discussion agenda were made.

In total, 148 participants were recruited and 122 participated. Each triad was conducted online via Zoom, lasting approximately 90 minutes in length. Both SMEs and tax intermediaries received an honorarium of \$200 in appreciation of their time.

The semi-structured nature of these focus group discussions combined with the limited number of participants engaged in the research means that findings should be considered more directional in nature. They should not be considered statistically projectable to the broader population of small and medium-sized business owner/operators or tax intermediaries across Canada.



IV. Appendix



Appendix

A. Recruiting Scripts

1. SMEs

Canada Revenue Agency – Underground Economy Recruiting Script - SMEs

Recruitment Specifications Summary

- Groups conducted online.
- Each group is expected to last for 90 minutes.
- Recruit 4 participants.
- Incentives will be \$200 per person and will be sent to participants via e-transfer following the group.

Specifications for the triads are as follows:

Group	Date (2023)	Time (EST)	Language	Location	Composition
1	Jan. 30	3:00-4:30 (EST)	EN	Atlantic	Residential Construction sector
2	Jan. 30	5:00-6:30 (EST)	EN	Atlantic	Accommodation/Food Services sector - Female
3	Jan. 31	3:00-4:30 (EST)	EN	Atlantic	Cross-section of other SMEs from across the region
4	Jan. 31	5:00-6:30 (EST)	EN	Atlantic	Cross-section of other SMEs from across the region
5	Feb. 1	4:30-6:00 (EST)	EN	Mid-size Centres Ontario	Residential Construction sector - Male
6	Feb. 1	6:30-8:00 (EST)	EN	Major Centres Ontario	Accommodation/Food Services sector
7	Feb. 2	4:30-6:00 (EST)	EN	Ontario	Finance/Real Estate/Etc. – Female
8	Feb. 2	6:30-8:00 (EST)	EN	Ontario	Retail Trade – Female
9	Feb. 6	4:30-6:00 (EST)	EN	Mid-size and smaller Centres Ontario	Cross-section of other SMEs



10	Feb. 6	6:30-8:00 (EST)	EN	Major Centres Ontario	Cross-section of other SMEs
13	Feb. 7	7:00-8:30 (EST)	EN	Alberta	Finance/Real Estate/ Etc.
14	Feb. 7	9:00-10:30 (EST)	EN	Alberta	Retail Trade
17	Feb. 8	7:00-8:30 (EST)	EN	Manitoba/ Saskatchewan	Cross-section of other SMEs – Female
18	Feb. 8	9:00-10:30 (EST)	EN	Manitoba/ Saskatchewan	Cross-section of other SMEs
21	Feb. 15	7:00-8:30 (EST)	EN	British Columbia	Residential Construction sector
22	Feb. 15	9:00-10:30 (EST)	EN	British Columbia	Accommodation/Food Services
23	Feb. 16	7:00-8:30 (EST)	EN	British Columbia	Cross-section of other SMEs - Male
24	Feb. 16	9:00-10:30 (EST)	EN	British Columbia	Cross-section of other SMEs



Recruiting Script

INTRODUCTION

Hello, my name is **[RECRUITER NAME]**. I'm calling from The Strategic Counsel, a national public opinion research firm, on behalf of the Government of Canada. / Bonjour, je m'appelle **[NOM DU RECRUTEUR]**. Je vous téléphone du Strategic Counsel, une entreprise nationale de recherche sur l'opinion publique, pour le compte du gouvernement du Canada.

Would you prefer to continue in English or French? / Préférez-vous continuer en français ou en anglais? **[CONTINUE IN LANGUAGE OF PREFERENCE]**

RECORD LANGUAGE

English **CONTINUE**
 French **THANK AND END**

We are looking to speak to someone who has shared or sole decision-making responsibilities in your organization for matters related to taxes, payroll, GST/HST preparation or bookkeeping. Would you be this person? **[NOTE TO INTERVIEWER: AN OWNER WHO OVERSEES THE WHOLE ORGANIZATION WOULD QUALIFY]**

Yes **CONTINUE**
 No **OBTAIN CONTACT INFORMATION, REQUEST TO TRANSFER OR CALL BACK AND CONTINUE**

On behalf of the Government of Canada, we're organizing a series of online video discussions to explore various issues of importance to the country.

The format is a "round table" discussion, led by an experienced moderator. Participants will be given a cash honorarium in appreciation of their time.

Your participation is completely voluntary, and all your answers will be kept confidential. We are only interested in hearing your opinions - no attempt will be made to sell or market you anything. The report that is produced from the series of discussion groups we are holding will not contain comments that are attributed to specific individuals.

But before we invite you to attend, we need to ask you a few questions to ensure that we get a good mix/variety of people in each of the groups. May I ask you a few questions?

Yes **CONTINUE**
 No **THANK AND END**

SCREENING QUESTIONS

1. Have you, or has anyone in your household, worked for any of the following types of organizations in the last 5 years?

A market research firm	THANK AND END
A marketing, branding, or advertising agency	THANK AND END
A magazine or newspaper	THANK AND END
A federal/provincial/territorial government department or agency	THANK AND END
A political party	THANK AND END
In public/media relations	THANK AND END



In radio/television
No, none of the above

**THANK AND END
CONTINUE**

1a. Are you a retired Government of Canada employee?

Yes **THANK AND END**
No **CONTINUE**

2. Do you identify as ... ?

Male
Female
Non-binary
Another gender not identified above
Prefer not to say/Unsure

ENSURE A GOOD MIX BY GENDER IN EACH GROUP WHERE APPLICABLE

3. In which city/town/village and in which province/territory do you currently reside?

City/Town/Village: _____

Province/Territory: _____

LOCATION	CITIES	
Atlantic	Cities could include (but are not limited to): <u>NS</u> : Halifax, Dartmouth, Cape Breton-Sydney. <u>NB</u> : Moncton, Saint John, Fredericton, Dieppe, Miramichi, Edmundston. <u>PEI</u> : Charlottetown, Summerside. <u>N&L</u> : St. John's, Conception Bay, Mount Pearl, Corner Brook.	CONTINUE – GROUP 1, 2, 3 AND 4
Mid-Size and Smaller Centres Ontario	Mid-Size population = 50,000 – 99,999 Smaller centre population = 49,999 or less Cities could include (but are not limited to): Thunder Bay, Sudbury, Peterborough, Belleville, Sarnia, Sault Ste. Marie, North Bay, Cornwall, Woodstock, Chatham, Georgetown, Orangeville, Orillia, Startford, Innisfil, Timmins, Midland, Pembroke, Smiths Falls, Renfrew	CONTINUE – GROUP 9
Mid-Size Centres Ontario	Mid-Size population = 50,000 – 99,999 Thunder Bay, Sudbury, Peterborough, Belleville, Sarnia, Sault Ste. Marie, North Bay	CONTINUE – GROUP 5
Major Centres Ontario	Major population = 100,000 + Toronto, Ottawa, Hamilton, Kitchener, London, Oshawa, Windsor, Barrie, Guelph, Kingston	CONTINUE – GROUP 6 AND 10



Ontario	Cities could include (but are not limited to): Toronto, Ottawa, Hamilton, Kitchener, London, Oshawa, Thunder Bay, Sudbury, Peterborough, Belleville, Stratford, Bolton, Collingwood, Owen Sound, Brockville, Cobourg, Fort Erie, Simcoe	CONTINUE – GROUP 7 AND 8
Alberta	Cities could include (but are not limited to): Calgary, Edmonton, Red Deer, Lethbridge, Airdrie, Fort McMurray, Medicine Hat, Grande Prairie, Spruce Grove, Fort Saskatchewan, Chestermere, Beaumont, Camrose, Stony Plain, Sylvan Lake	CONTINUE – GROUP 13 AND 14
Manitoba/Saskatchewan	Cities could include (but are not limited to): <u>Manitoba</u> : Winnipeg, Brandon, Steinbach, Winkler, Portage la Prairie, Thompson. <u>Saskatchewan</u> : Saskatoon, Regina, Prince Albert, Moose Jaw.	CONTINUE – GROUP 17 AND 18
British Columbia	Cities could include (but are not limited to): Vancouver, Victoria, Kelowna, Abbotsford, Surrey, Kamloops, Chilliwack, Prince George, Vernon, Penticton, Parksville, Duncan, Tsawwassen, Ladner, Squamish, Fort St. John.	CONTINUE – GROUP 21, 22, 23 AND 24

4. What is your job title?

President/CEO/Owner
CFO/Comptroller
Accountant
Payroll Manager/Officer
Manager
Bookkeeper
Financial Officer
Other [TERMINATE]

NOTE TO INTERVIEWER – AIM FOR A MIX. ENSURE THAT GROUPS ARE NOT ONLY COMPRISED OF ACCOUNTANTS AND BOOKKEEPERS.

5. How many years have you been in your current position as a [insert answer to Q.4]?

Less than a year
1-5 years
6-10 years
More than 10 years

NOTE TO INTERVIEWER – LIMIT THOSE WHO HAVE BEEN IN THEIR CURRENT POSITION FOR LESS THAN A YEAR TO ONE PER TRIAD



6. What are the first three characters of the postal code for your business?

Record characters: ____ ____ ____

7. How many other locations, if any, does your business have?

None

Record number: ____

8. Approximately how many employees does your business employ, both full-time and part-time?

1	CONTINUE
2 – 4	CONTINUE
5 – 19	CONTINUE
20 – 49	CONTINUE
50 – 99	CONTINUE
100 or more	THANK AND END
Don't know	THANK AND END

NOTE TO INTERVIEWER – LIMIT BUSINESSES WITH LESS THAN 5 EMPLOYEES TO ONE PER TRIAD

9. Which of the following best describes your business sector? **[NOTE TO INTERVIEWER – SECTOR SPECIFIC GROUPS ARE HIGHLIGHTED BELOW]**

Accommodation/food services **CONTINUE FOR GROUP 2, 6, AND 22**
Administration, Business Support & Waste Management Services
Agriculture, Forestry, Fishing and Hunting
Arts, Entertainment and Recreation
Educational Services
Finance and Insurance **CONTINUE FOR GROUP 7 AND 13**
Healthcare and Social Assistance
Information
Manufacturing
Mining
Professional, Scientific and Technical Services
Real Estate, Rental and Leasing **CONTINUE FOR GROUP 7 AND 13**
Residential Construction **CONTINUE FOR GROUP 1, 5, AND 21**
Other Construction such as commercial and industrial
Retail Trade **CONTINUE FOR GROUP 8 AND 14**
Transportation and Warehousing
Utilities
Wholesale Trade

NOTE TO INTERVIEWER – ENSURE A GOOD MIX IN EACH GROUP WHERE APPLICABLE

10. Can you tell me a little bit more about your business and the products and services you sell (for example restaurant, clothing store, contractor, etc.)?

NOTE TO INTERVIEWER – ENSURE A GOOD MIX IN EACH GROUP WHERE APPLICABLE

11. What was the annual revenue for your business last year?



Less than \$250K
 \$250K to under \$500K
 \$500K to under \$1,000,000
 \$1,000,000 to under \$5,000,000
 \$5,000,000 to under \$10,000,000
 More than \$10,000,000

NOTE TO INTERVIEWER – AIM FOR A MIX

12. When filing business income taxes or tax planning, does your business ...

Use in-house resources to prepare tax documentation
 Use an outside tax preparation service
 Use a combination of in-house and outside services

13. Would you be willing to tell me in which of the following age categories you belong?

18-24
 25-34
 35-44
 45-54
 55-64
 65 or older

[DO NOT READ] Prefer not to answer

14. Are you familiar with the concept of an online video discussion/triad?

Yes **CONTINUE**

No **EXPLAIN THE FOLLOWING** *“a triad consists of three participants and one moderator. During a 90-minute session, participants are asked to discuss a wide range of issues related to the topic being examined.”*

15. As part of the triad, you will be asked to actively participate in a conversation. Thinking of how you engage in group discussions, how would you rate yourself on a scale of 1 to 5 where 1 means ‘you tend to sit back and listen to others’ and 5 means ‘you are usually one of the first people to speak’?

1-2 **THANK AND END**
 3-5 **CONTINUE**

16. As this group is being conducted online, in order to participate you will need to have high-speed Internet and a computer with a working webcam, microphone and speaker. **RECRUITER TO CONFIRM THE FOLLOWING. TERMINATE IF NO TO EITHER.**

Participant has high-speed access to the Internet
 Participant has a computer/webcam

17. Have you used online meeting software, such as Zoom, Webex, Microsoft Teams, Google Hangouts/Meet, etc., in the last two years?

Yes **CONTINUE**
 No **CONTINUE**



18. How skilled would you say you are at using online meeting platforms on your own, using a scale of 1 to 5, where 1 means you are not at all skilled, and 5 means you are very skilled?

1-2 **THANK AND END**

3-5 **CONTINUE**

19. During the discussion, you could be asked to read or view materials on screen and/or participate in poll-type exercises online. You will also be asked to actively participate online using a webcam. Can you think of any reason why you may have difficulty reading the materials or participating by video?

PROVIDE PARTICIPANT WITH OPPORTUNITY TO ENGAGE VIA ALTERNATE FORMAT IF RESPONDENT OFFERS ANY REASON SUCH AS SIGHT OR HEARING PROBLEM, A WRITTEN OR VERBAL LANGUAGE PROBLEM, A CONCERN WITH NOT BEING ABLE TO COMMUNICATE EFFECTIVELY, OR ANY CONCERNS WITH USING A WEBCAM.

20. Have you ever attended a focus group discussion, an interview or survey which was arranged in advance and for which you received a sum of money?

Yes **CONTINUE**

No **SKIP TO Q.24**

21. How long ago was the last focus group you attended?

Less than 6 months ago **THANK AND END**

More than 6 months ago **CONTINUE**

22. How many focus group discussions have you attended in the past 5 years?

0-4 groups **CONTINUE**

5 or more groups **THANK AND END**

23. On what topics were they and do you recall who or what organization the groups were being undertaken for?
TERMINATE IF MENTION OF CANADA REVENUE AGENCY OR GOVERNMENT OF CANADA IDENTIFIED AS ORGANIZATION OR TAX-RELATED TOPICS MENTIONED AS SUBJECT/TOPIC OF DISCUSSION.

24. The focus group discussion will be audio-taped and video-taped for research purposes only. The taping is conducted to assist our researchers in writing their report. Do you consent to being audio-taped and video-taped?

Yes

No **THANK AND END**



INVITATION

I would like to invite you to an online focus group discussion, which will take place the evening of **[INSERT DATE/TIME BASED ON GROUP # IN CHART ON PAGE 1]**. The group will be 90 minutes in length and you will receive \$200 for your participation following the group via an e-transfer. Please note that there may be observers from the Government of Canada at the group.

Would you be willing to attend?

Yes **CONTINUE**
 No **THANK AND END**

May I please have your full name, a telephone number that is best to reach you at as well as your e-mail address if you have one so that I can send you the details for the group?

Name:

Telephone Number:

E-mail Address:

You will receive an e-mail from **The Strategic Counsel** with the instructions to login to the online group. Should you have any issues logging into the system specifically, you can contact our technical support team at support@thestrategiccounsel.com.

We ask that you are online at least 15 minutes prior to the beginning of the session in order to ensure you are set up and to allow our support team to assist you in case you run into any technical issues. We also ask that you restart your computer prior to joining the group.

You may be required to view some material during the course of the discussion. If you require glasses to do so, please be sure to have them handy at the time of the group. Also, you will need a pen and paper in order to take some notes throughout the group.

This is a firm commitment. If you anticipate anything preventing you from attending (either home or work-related), please let me know now and we will keep your name for a future study. If for any reason you are unable to attend, please let us know as soon as possible at **[1-800-xxx-xxxx]** so we can find a replacement.

Thank you very much for your time.

RECRUITED BY: _____

DATE RECRUITED: _____



2. Tax Intermediaries

Canada Revenue Agency – Underground Economy Recruiting Script – Tax intermediaries

Recruitment Specifications Summary

- Groups conducted online.
- Each group is expected to last for 90 minutes.
- Recruit 4 participants.
- Incentives will be \$200 per person and will be sent to participants via e-transfer following the group.

Specifications for the triads are as follows:

Group	Date (2023)	Time (EST)	Language	Location	Composition
1	Jan. 31	3:00-4:30 (EST)	EN	Atlantic	Mix from across the region
2	Jan. 31	5:00-6:30 (EST)	EN	Atlantic	Mix from across the region
3	Feb. 1	5:00-6:30 (EST)	EN	Ontario	Those servicing smaller businesses of <20 employees, including self-employed
4	Feb. 1	7:00-8:30 (EST)	EN	Ontario	Those servicing businesses of 20-49 employees – Female
5	Feb. 2	5:00-6:30 (EST)	EN	Ontario	Those servicing businesses with 50-100 employees
6	Feb. 2	7:00-8:30 (EST)	EN	Ontario	Those servicing businesses with 50-100 employees
7	Feb. 9	7:00-8:30 (EST)	EN	Manitoba/ Saskatchewan	Mix from across the region
8	Feb. 9	9:00-10:30 (EST)	EN	Alberta	Mix from across the region
13	Feb. 21	7:00-8:30 (EST)	EN	British Columbia	Mix from across the region
14	Feb. 21	9:00-10:30 (EST)	EN	British Columbia	Mix from across the region



Recruiting Script

INTRODUCTION

Hello, my name is [RECRUITER NAME]. I'm calling from The Strategic Counsel, a national public opinion research firm, on behalf of the Government of Canada. / Bonjour, je m'appelle [NOM DU RECRUTEUR]. Je vous téléphone du Strategic Counsel, une entreprise nationale de recherche sur l'opinion publique, pour le compte du gouvernement du Canada.

Would you prefer to continue in English or French? / Préférez-vous continuer en français ou en anglais? [CONTINUE IN LANGUAGE OF PREFERENCE]

RECORD LANGUAGE

English **CONTINUE**
French **THANK AND END**

We are looking to speak to tax intermediaries who are individuals who work with small business clients on tax-related or payroll matters. Would you be this person?

Yes **CONTINUE**
No **OBTAIN CONTACT INFORMATION, REQUEST TO TRANSFER OR CALL BACK AND CONTINUE**

On behalf of the Government of Canada, we're organizing a series of online video discussions to explore various issues of importance to the country.

The format is a "round table" discussion, led by an experienced moderator. Participants will be given a cash honorarium in appreciation of their time.

Your participation is completely voluntary, and all your answers will be kept confidential. We are only interested in hearing your opinions - no attempt will be made to sell or market you anything. The report that is produced from the series of discussion groups we are holding will not contain comments that are attributed to specific individuals.

But before we invite you to attend, we need to ask you a few questions to ensure that we get a good mix/variety of people in each of the groups. May I ask you a few questions?

Yes **CONTINUE**
No **THANK AND END**

SCREENING QUESTIONS

1. Have you, or has anyone in your household, worked for any of the following types of organizations in the last 5 years?

A market research firm	THANK AND END
A marketing, branding, or advertising agency	THANK AND END
A magazine or newspaper	THANK AND END
A federal/provincial/territorial government	



department or agency	THANK AND END
A political party	THANK AND END
In public/media relations	THANK AND END
In radio/television	THANK AND END
No, none of the above	CONTINUE

1a. Are you a retired Government of Canada employee?

Yes	THANK AND END
No	CONTINUE

2. Do you identify as ... ?

Male
 Female
 Non-binary
 Another gender not identified above
 Prefer not to say/Unsure

NOTE TO INTERVIEWER – ENSURE A GOOD MIX BY GENDER IN EACH GROUP WHERE APPLICABLE

3. In which city/town/village and in which province/territory do you currently reside?

City/Town/Village: _____
 Province/Territory: _____

LOCATION	CITIES	
Atlantic	Cities could include (but are not limited to): <u>NS</u> : Halifax, Dartmouth, Cape Breton-Sydney. <u>NB</u> : Moncton, Saint John, Fredericton, Dieppe, Miramichi, Edmundston. <u>PEI</u> : Charlottetown, Summerside. <u>N&L</u> : St. John's, Conception Bay, Mount Pearl, Corner Brook.	CONTINUE – GROUP 1 AND 2
Ontario	Cities could include (but are not limited to): Toronto, Ottawa, Hamilton, Kitchener, London, Oshawa, Thunder Bay, Sudbury, Peterborough, Belleville, Stratford, Bolton, Collingwood, Owen Sound, Brockville, Cobourg, Fort Erie, Simcoe	CONTINUE – GROUP 3, 4, 5, AND 6
Alberta	Cities could include (but are not limited to): Calgary, Edmonton, Red Deer, Lethbridge, Airdrie, Fort McMurray, Medicine Hat, Grande Prairie, Spruce Grove, Fort Saskatchewan, Chestermere, Beaumont, Camrose, Stony Plain, Sylvan Lake	CONTINUE – GROUP 8
Manitoba/Saskatchewan	Cities could include (but are not limited to):	CONTINUE – GROUP 7



	<u>Manitoba:</u> Winnipeg, Brandon, Steinbach, Winkler, Portage la Prairie, Thompson. <u>Saskatchewan:</u> Saskatoon, Regina, Prince Albert, Moose Jaw.	
British Columbia	Cities could include (but are not limited to): Vancouver, Victoria, Kelowna, Abbotsford, Surrey, Kamloops, Chilliwack, Prince George, Vernon, Penticton, Parksville, Duncan, Tsawwassen, Ladner, Squamish, Fort St. John.	CONTINUE – GROUP 13 AND 14

4. What are the first three characters of the postal code for your business?

Record characters: ____ ____ ____

5. How many other locations, if any, does your business have?

None

Record number: ____

6. Approximately how many employees does your business employ, both full-time and part-time?

1	CONTINUE
2 – 4	CONTINUE
5 – 19	CONTINUE
20 – 49	CONTINUE
50 – 99	CONTINUE
100 or more	THANK AND END
Don't know	THANK AND END

7. Thinking about the small businesses you serve; would you say they employ ... [NOTE TO INTERVIEWER – SPECIFIC GROUPS ARE HIGHLIGHTED BELOW]

Less than 20 employees	CONTINUE GROUP 3
20-49 employees	CONTINUE GROUP 4
50-100 employees	CONTINUE GROUP 5 AND 6

NOTE TO INTERVIEWER – ENSURE A GOOD MIX WHERE APPLICABLE

8. Which of the following sectors best describe the clients you typically serve? [SELECT ALL THAT APPLY]

Accommodation/food services
Administration, Business Support & Waste Management Services
Agriculture, Forestry, Fishing and Hunting
Arts, Entertainment and Recreation
Construction
Educational Services
Finance and Insurance
Healthcare and Social Assistance



Information
 Manufacturing
 Mining
 Professional, Scientific and Technical Services
 Real Estate, Rental and Leasing
 Retail Trade
 Transportation and Warehousing
 Utilities
 Wholesale Trade
 Other (specify):

NOTE TO INTERVIEWER – ENSURE A GOOD MIX

9. What type of tax-related work does your company do on behalf of your small business clients? [SELECT ALL THAT APPLY]

Accounting
 Payroll
 Tax preparation
 Bookkeeping
 Some other type of work, specify: _____

NOTE TO INTERVIEWER – ENSURE A GOOD MIX

10. [IF MORE THAN ONE RESPONSE SELECTED AT Q.9, ASK] Which tax-related work accounts for the biggest share of workload for your clients? **NOTE TO INTERVIEWER – RECORD ANSWER BASED ON LIST PROVIDED IN Q.9**

11. What is your job title?

Tax accountant
 Tax lawyer
 Tax analyst
 Tax specialist
 Certified public accountant
 Tax consultant
 Tax preparer
 Payroll specialist
 Compensation coordinator
 Other (specify):

12. How many years have you been in your current position as a [insert answer to Q.11]?

Less than a year
 1-5 years
 6-10 years
 More than 10 years

NOTE TO INTERVIEWER – LIMIT THOSE WHO HAVE BEEN IN THEIR CURRENT POSITION FOR LESS THAN A YEAR TO ONE PER TRIAD

13. Are you familiar with the concept of an online video discussion/triad?



- Yes **CONTINUE**
 No **EXPLAIN THE FOLLOWING** *“a triad consists of three participants and one moderator. During a 90-minute session, participants are asked to discuss a wide range of issues related to the topic being examined.”*
14. As part of the triad, you will be asked to actively participate in a conversation. Thinking of how you engage in group discussions, how would you rate yourself on a scale of 1 to 5 where 1 means ‘you tend to sit back and listen to others’ and 5 means ‘you are usually one of the first people to speak’?
- 1-2 **THANK AND END**
 3-5 **CONTINUE**
15. As this group is being conducted online, in order to participate you will need to have high-speed Internet and a computer with a working webcam, microphone and speaker. **RECRUITER TO CONFIRM THE FOLLOWING. TERMINATE IF NO TO EITHER.**
- Participant has high-speed access to the Internet
 Participant has a computer/webcam
16. Have you used online meeting software, such as Zoom, Webex, Microsoft Teams, Google Hangouts/Meet, etc., in the last two years?
- Yes **CONTINUE**
 No **CONTINUE**
17. How skilled would you say you are at using online meeting platforms on your own, using a scale of 1 to 5, where 1 means you are not at all skilled, and 5 means you are very skilled?
- 1-2 **THANK AND END**
 3-5 **CONTINUE**
18. During the discussion, you could be asked to read or view materials on screen and/or participate in poll-type exercises online. You will also be asked to actively participate online using a webcam. Can you think of any reason why you may have difficulty reading the materials or participating by video?
- PROVIDE PARTICIPANT WITH OPPORTUNITY TO ENGAGE VIA ALTERNATE FORMAT IF RESPONDENT OFFERS ANY REASON SUCH AS SIGHT OR HEARING PROBLEM, A WRITTEN OR VERBAL LANGUAGE PROBLEM, A CONCERN WITH NOT BEING ABLE TO COMMUNICATE EFFECTIVELY, OR ANY CONCERNS WITH USING A WEBCAM.**
19. Have you ever attended a focus group discussion, an interview or survey which was arranged in advance and for which you received a sum of money?
- Yes **CONTINUE**
 No **SKIP TO Q.23**
20. How long ago was the last focus group you attended?
- Less than 6 months ago **THANK AND END**
 More than 6 months ago **CONTINUE**
21. How many focus group discussions have you attended in the past 5 years?



0-4 groups	CONTINUE
5 or more groups	THANK AND END

22. On what topics were they and do you recall who or what organization the groups were being undertaken for?
TERMINATE IF MENTION OF CANADA REVENUE AGENCY OR GOVERNMENT OF CANADA IDENTIFIED AS ORGANIZATION OR TAX-RELATED TOPICS MENTIONED AS SUBJECT/TOPIC OF DISCUSSION.

23. The focus group discussion will be audio-taped and video-taped for research purposes only. The taping is conducted to assist our researchers in writing their report. Do you consent to being audio-taped and video-taped?

Yes	CONTINUE
No	THANK AND END



INVITATION

I would like to invite you to an online focus group discussion, which will take place the evening of **[INSERT DATE/TIME BASED ON GROUP # IN CHART ON PAGE 1]**. The group will be 90 minutes in length and you will receive \$200 for your participation following the group via an e-transfer. Please note that there may be observers from the Government of Canada at the group.

Would you be willing to attend?

Yes **CONTINUE**
 No **THANK AND END**

May I please have your full name, a telephone number that is best to reach you at as well as your e-mail address if you have one so that I can send you the details for the group?

Name:

Telephone Number:

E-mail Address:

You will receive an e-mail from **The Strategic Counsel** with the instructions to login to the online group. Should you have any issues logging into the system specifically, you can contact our technical support team at support@thestrategiccounsel.com.

We ask that you are online at least 15 minutes prior to the beginning of the session in order to ensure you are set up and to allow our support team to assist you in case you run into any technical issues. We also ask that you restart your computer prior to joining the group.

You may be required to view some material during the course of the discussion. If you require glasses to do so, please be sure to have them handy at the time of the group. Also, you will need a pen and paper in order to take some notes throughout the group.

This is a firm commitment. If you anticipate anything preventing you from attending (either home or work-related), please let me know now and we will keep your name for a future study. If for any reason you are unable to attend, please let us know as soon as possible at **[1-800-xxx-xxxx]** so we can find a replacement.

Thank you very much for your time.

RECRUITED BY: _____

DATE RECRUITED: _____



B. Moderator's Guides

1. SMEs

**Underground Economy
Triads with SMEs
FINAL Moderator Guide**

INTRODUCTION (10 MINUTES)

- Welcome participants
- Explain topic: discussion of Canadian tax system as it applies to small and medium-sized businesses (SMEs), experiences interacting with Canada Revenue Agency (CRA) and tax filing
- Guidance for discussion:
 - 90 minutes in length – need participants' undivided attention for the duration
 - Recording of discussion
 - Presence of observers (as applicable)
 - Confidentiality of results and participant contact information – report being produced is a summary of findings across all groups/no attribution of comments to individual participants
 - Voluntary nature of participation
- Explain role of moderator:
 - Cover a series of topics/questions
 - Monitor time
 - Ensure engagement of all participants
 - Remain objective
 - Moderator has no specific expertise in tax policy/law and does not work for CRA or the Government of Canada
- Explain role of participants:
 - Offer views, based on your opinions, experience, understanding of the issues (although not expected to be an expert)
 - Be as open and frank as you feel comfortable
 - No right or wrong answers
 - Feel free to agree or disagree with others – your views may be different from others – but respect others' opinions
- Participant introductions:
 - About the business – nature of business activity, types of services and products offered, length of time business has been operating, regions in which business operates, size of business (by number of employees)
 - About your role – position occupied by participant and involvement in preparing/reviewing/filing taxes for the business
 - About your customers – are your customers primarily local or regional, national or international?
 - Do you belong to any industry or professional associations? If so, which ones?

TAX FILING PRACTICES AND RELATIONSHIP WITH TAX INTERMEDIARIES (20 MINUTES)

- In general, how easy or difficult do you feel it is for businesses like yours to prepare and file your tax returns annually? Explain. **IF DIFFICULT, ASK:** What makes it particularly difficult or complicated? What could CRA do to make it easier for small and medium sized businesses?



- Do you use the services of any of the following to provide your business with tax planning information, advice, and assistance ... an accountant, a bookkeeper, other financial/tax expert (if so, please specify what kind of expertise), business/industry association (which one/ones)? Is there anyone else you would seek out advice, information, or assistance of this nature from?
- **[IF SME IS USING SERVICES OF A TAX INTERMEDIARY, ASK]** What types of services does your business receive from tax intermediaries? (e.g., tax planning and advice, completing your business tax returns, filing your business tax return, etc.).
- Do you feel that using a tax intermediary reduces the difficulty/complexity of filing your business taxes? Explain.
- How much value do tax intermediaries add to your business? Explain.
- Does using the services of a tax intermediary reduce the likelihood that your business' tax return will be reassessed? Has your business been reassessed?
- The tax system in Canada operates on the basis of voluntary compliance. **[NOTE TO MODERATOR, CLARIFY AS NECESSARY: Voluntary Compliance is when the taxpayer complies with the legislation voluntarily and can include programs/things like education, outreach, 'nudge' letters, assisted compliance program, etc.]** What do you feel are the main motivators of voluntary compliance? Probe for:
 - It's the morally right thing to do
 - It's the law-abiding thing to do
 - To avoid penalties
 - Our taxes fund necessary program and services
 - The reputation of the business would be at risk if it were discovered they did not fully or accurately report their income
 - Anything else?

AWARENESS/VIEWS ON THE UNDERGROUND ECONOMY AND THE IMPACT OF COVID-19 (30 MINUTES)

- When you hear the term 'underground economy' what comes to mind? **CLARIFY AS NECESSARY:** The underground economy includes legal (i.e., not black market/illegal) economic transactions in goods or services which are unreported, resulting in failure to comply with tax laws administered by the Canada Revenue Agency. For more precision, this includes situations in which transactions are underreported or unreported, both of which contribute to the growth of the underground economy. Underreporting or not reporting is considered part of the underground economy, regardless of whether the taxpayer is intentionally non-compliant or just unaware of their tax obligations.
- Based on this definition, do you think there are underground economy activities happening in Canada? How widespread do you feel this kind of activity is?
- What kinds of activities are occurring? Probe for:
 - Is this practice more common in certain sectors/industries? If so, which ones and why?
 - From your experience, have you seen any regional differences in the type or level of underground economy activity in Canada? Elaborate.
 - Is this practice more common among certain types of business owners/operators? If so, can you describe who typically tends to participate more actively in these kinds of practices?
- Based on what you know or have heard, how active is the underground economy in the sector in which your business operates?
- In what ways, if at all, do you feel the COVID-19 pandemic impacted participation in the underground economy in Canada? Probe for:
 - Thinking about the sector in which your business operates, has this kind of activity increased, decreased, or not changed because of the pandemic? Explain.
- I'm going to show you a list of factors or drivers that could influence participation in the underground economy. **SHOW ON SCREEN:**
 - **High tax burden**



- Administrative burden on business (complicated or difficult to understand tax reporting structure)
 - Disillusion with government/CRA
 - Ability for business to price more competitively
 - Increased sales volumes and profit levels
 - Most small and medium sized businesses couldn't survive if they reported all their income
 - Pressure from customers
 - Viewed by businesses as a common practice
 - Advice/influence from others
- Now I would like you to select the ones that you feel are the main factors. You can select up to 3, but no more than 3. You can also select 'other' if you think something else is a factor. **RUN POLL WITH ABOVE LIST OF ITEMS. ADD 'OTHER' CATEGORY.**
 - **MODERATOR TO GO THROUGH PARTICIPANTS' SELECTIONS.** Why did you make this selection? Can you tell me more about why you feel this is a key driver or factor?
 - Are there specific trends or forces that you feel may contribute to increased activity in the underground economy in the next 5 to 10 years? If so, what are they? Probe for:
 - Digitization of commerce and financial data (e.g., electronic invoicing – is this something that your company has implemented?)
 - Growing prevalence of online platforms that connect buyers and sellers for goods and services (e.g., online marketplaces/peer-to-peer transactions – is this a common practice in certain sectors/the sector in which your business operates?)
 - Use of virtual assets like cryptocurrencies in the purchase and sale of goods and services

COMMUNICATIONS AND TACTICAL APPROACHES (20 MINUTES)

- How important is it for the Government of Canada and the CRA to track the underground economy and step up their efforts to strengthen compliance and enforcement programs in respect of the taxation rules that above-ground operators are expected to abide by? Would you say it is very important, moderately important, or not that important? Explain.
- What should the Government of Canada be doing to address this issue? Probe for:
 - Are you aware of anything the Government of Canada/CRA is currently doing to address this issue?
 - Do you feel that the Government of Canada/CRA should be doing more than they are now to address this issue, less, or do you feel they are currently doing what is necessary?
- The estimated gross domestic product (GDP) at market prices for underground economic activity in Canada reached \$61.2 billion or 2.7% of total GDP in 2018. What do you think about this? Does it sound believable? Why/why not? Probe for:
 - Does knowing this change your opinion about the importance of addressing this issue? Explain.
- I'd like to share some information on the CRA's activities regarding the underground economy. **SHOW ON SCREEN:**

To identify, prevent and address unreported and underreported sales or income, the CRA has maintained an ongoing focus on four key activities:

- finding undeclared income and hidden commercial transactions through data analysis, legislative tools, and other information sources including leads from Canadians (*identifying*)
- staying up to date on the underground economy (through stakeholder engagement, working with other levels of government, and international information sharing) (*identifying*)



- **reducing the social acceptability of participating in the underground economy by raising awareness of risks with consumers and educating the public about negative consequences for those who avoid or evade their tax obligations (*preventing*)**
 - **correcting behaviour that is not compliant (through audits, penalties, criminal investigations and prosecutions, where warranted (*addressing*))**
- What is your reaction to each of these measures? **[MODERATOR TO REVIEW AND GAUGE REACTION TO EACH.]** What kind of effect do you think they will have? Do you think some will be more effective than others? If so, which ones?
- Does the CRA currently provide enough information on the underground economy? Probe for: Is it easy to access? Are you aware of where this information is available?
- What is the best way for CRA to share information with business owners/operators like yourself to inform them about their obligations under the tax system, and to raise awareness of issues regarding the underground economy? Probe for:
 - Via the CRA website/Government of Canada website
 - Presentations to professional/industry associations
 - Webinars aimed at businesses like yours
 - Newsletters or pamphlets mailed to businesses
 - Anything else? Is there another channel/option that you can think of – something that CRA is not doing now?
- What kind of information/messaging do you feel would be useful?
 - Data on the size of the underground economy in Canada/around the world
 - What you can/should do as a business owner/operator if you believe someone/a business is participating in the underground economy
 - The impact of this kind of activity on society (e.g., creating an unfair advantage for some businesses over others, negative effects on economic growth, reduction in tax revenues for all levels of government putting pressure on government's ability to provide services and benefits to Canadians that they enjoy, expect and need, the possibility of having to increase tax rates in order to make up for lost revenues)
 - Anything else?

CONCLUSION AND WRAP-UP (10 MINUTES)

- In general, do you think that Canada's tax system as it applies to small and medium sized businesses like yours is fair? Why/why not?

Thank you for your time today and for sharing your opinions. Your feedback has been very helpful. Before we conclude, do you have any other comments or questions on any of the topics we have discussed?

- Provide instructions for receipt of incentive
- Share information on obtaining access to the report through Library and Archives Canada, once it is finalized.



2. Tax Intermediaries

Underground Economy Triads with Tax Intermediaries FINAL Moderator Guide

INTRODUCTION (10 MINUTES)

- Welcome participants
- Explain topic: discussion of Canadian tax system as it applies to small and medium-sized businesses (SMEs), experiences interacting with Canada Revenue Agency (CRA) and tax filing
- Guidance for discussion:
 - 90 minutes in length – need participants’ undivided attention for the duration
 - Recording of discussion
 - Presence of observers (as applicable)
 - Confidentiality of results and participant contact information – report being produced is a summary of findings across all groups/no attribution of comments to individual participants
 - Voluntary nature of participation
- Explain role of moderator:
 - Cover a series of topics/questions
 - Monitor time
 - Ensure engagement of all participants
 - Remain objective
 - Moderator has no specific expertise in tax policy/law and does not work for CRA or the Government of Canada
- Explain role of participants:
 - Offer views, based on your opinions, experience, understanding of the issues
 - Be as open and frank as you feel comfortable
 - No right or wrong answers
 - Feel free to agree or disagree with others – your views may be different from others – but respect others’ opinions
- Participant introductions:
 - About your role – please tell us about your title, professional designations (if any), role and responsibilities as a tax intermediary
 - About your business – do you work independently or in a firm?

TAX FILING PRACTICES AND RELATIONSHIP WITH TAX INTERMEDIARIES (20 MINUTES)

- In general, how easy or difficult do you feel it is for SMEs to prepare and file their tax returns annually? Explain. **IF DIFFICULT, ASK:** What makes it particularly difficult or complicated, and what could CRA do to make it easier for small and medium sized businesses?
- How much do your SME clients rely on you for assistance with tax planning information, advice, and assistance? Do they use other tax intermediaries as well (e.g., an accountant, a bookkeeper, other financial/tax expert (if so, please specify what kind of expertise), business/industry association (which one/ones))?
- What types of services do you provide to SMEs? (e.g., tax planning and advice, completing business tax returns, filing business tax returns, interacting with CRA on their behalf or as their representative, etc.)
- How often do you interact with your clients – only during tax season, multiple times throughout the year, whenever they have questions or concerns, etc.?



- In your view, does using the services of a tax intermediary reduce the likelihood that a business' tax return will be reassessed? Have your clients been reassessed?
- The tax system in Canada operates on the basis of voluntary compliance. **[NOTE TO MODERATOR, CLARIFY AS NECESSARY: Voluntary Compliance is when the taxpayer complies with the legislation voluntarily and can include programs/things like education, outreach, 'nudge' letters, assisted compliance program, etc.]**
What do you feel are the main motivators of voluntary compliance for SMEs? Probe for:
 - It's the morally right thing to do
 - It's the law-abiding thing to do
 - To avoid penalties
 - Taxes fund necessary program and services
 - The reputation of a business would be at risk if it were discovered they did not fully or accurately report their income
 - Anything else?

AWARENESS/VIEWS ON THE UNDERGROUND ECONOMY AND THE IMPACT OF COVID-19 (30 MINUTES)

- When you hear the term 'underground economy' what comes to mind? **CLARIFY AS NECESSARY:** The underground economy includes legal (i.e., not black market/illegal) economic transactions in goods or services which are unreported, resulting in failure to comply with tax laws administered by the Canada Revenue Agency. For more precision, this includes situations in which transactions are underreported or unreported, both of which contribute to the growth of the underground economy. Underreporting or not reporting is considered part of the underground economy, regardless of whether the taxpayer is intentionally non-compliant or just unaware of their tax obligations.
- Based on this definition, do you think there are underground economy activities happening in Canada? How widespread do you feel this kind of activity is?
- What kinds of activities are occurring? Probe for:
 - Is this practice more common in certain sectors/industries? If so, which ones and why?
 - From your experience, have you seen any regional differences in the type or level of underground economy activity in Canada? Elaborate.
 - Is this practice more common among certain types of business owners/operators? If so, can you describe who typically tends to participate more actively in these kinds of practices?
- In what ways, if at all, do you feel the COVID-19 pandemic impacted participation in the underground economy in Canada?
- I'm going to show you a list of factors or drivers that could influence businesses/business owners/operators to participate in the underground economy? **SHOW ON SCREEN:**
 - **High tax burden**
 - **Reducing the administrative burden on business (complicated or difficult to understand tax reporting structure)**
 - **Disillusion with government/CRA**
 - **Ability for business to price more competitively**
 - **Increased sales volumes and profit levels**
 - **Most small and medium sized businesses couldn't survive if they reported all their income**
 - **Pressure from customers**
 - **Viewed by businesses as a common practice**
 - **Advice/influence from others**
- Now I would like you to select the ones that you feel are the main factors or drivers influencing businesses to participate in the underground economy. You can select up to 3, but no more than 3. You can also select 'other' if you think something else is a factor. **RUN POLL WITH ABOVE LIST OF ITEMS. ADD 'OTHER' CATEGORY.**



- **MODERATOR TO GO THROUGH PARTICIPANTS' SELECTIONS.** Why did you make this selection? Can you tell me more about why you feel this is a key driver or factor?
- Are there specific trends or forces that you feel may contribute to increased activity in the underground economy in the next 5 to 10 years? If so, what are they? Probe for:
 - Digitization of commerce and financial data (e.g., electronic invoicing)
 - Growing prevalence of online platforms that connect buyers and sellers for goods and services (e.g., online marketplaces/peer-to-peer transactions)
 - Use of virtual assets like cryptocurrencies in the purchase and sale of goods and services
- Do you proactively provide information to your clients on the benefits of reporting their full income, how to correct mistakes on their tax return, etc.? Why/why not?
- Hypothetically, if you noticed that a client had misreported their income, what would you recommend they do? In your view, would they be likely to go through the process? If not, why not?

COMMUNICATIONS AND TACTICAL APPROACHES (20 MINUTES)

- How important is it for the Government of Canada and the CRA to track the underground economy and step up their efforts to strengthen compliance and enforcement programs in respect of the taxation rules that above-ground operators are expected to abide by? Would you say it is very important, moderately important, or not that important? Explain.
- What should the Government of Canada be doing to address this issue? Probe for:
 - Are you aware of anything the Government of Canada/CRA is currently doing to address this issue?
 - Do you feel that the Government of Canada/CRA should be doing more than they are now to address this issue, less, or do you feel they are currently doing what is necessary?
- The estimated gross domestic product (GDP) at market prices for underground economic activity in Canada reached \$61.2 billion or 2.7% of total GDP in 2018. What do you think about this? Does it sound believable? Why/why not? Probe for:
 - Does knowing this change your opinion about the importance of addressing this issue? Explain.
- I'd like to share some information on the CRA's activities regarding the Underground Economy. **SHOW ON SCREEN:**

To identify, prevent and address unreported and underreported sales or income, the CRA has maintained an ongoing focus on four key activities:

- **finding undeclared income and hidden commercial transactions through data analysis, legislative tools, and other information sources including leads from Canadians (*identifying*)**
 - **staying up to date on the underground economy (through stakeholder engagement, working with other levels of government, and international information sharing) (*identifying*)**
 - **reducing the social acceptability of participating in the underground economy by raising awareness of risks with consumers and educating the public about negative consequences for those who avoid or evade their tax obligations (*preventing*)**
 - **correcting behaviour that is not compliant (through audits, penalties, criminal investigations and prosecutions, where warranted) (*addressing*)**
- What is your reaction to each of these measures? **[MODERATOR TO REVIEW AND GAUGE REACTION TO EACH.]** What kind of effect do you think they will have? Do you think some will be more effective than others? If so, which ones?
 - Does the CRA currently provide enough information on the underground economy? Probe for: Is it easy to access? Are you aware of where this information is available?



- What is the best way for CRA to share information with tax intermediaries like yourself to inform them about their obligations under the tax system and to raise awareness of issues regarding the underground economy? Probe for:
 - Via the CRA website/Government of Canada website
 - Presentations to professional/industry associations – What associations do you belong to? Are you already receiving information about this issue from a professional or industry association?
 - Webinars aimed at tax intermediaries
 - Newsletters or pamphlets mailed to you
 - Anything else? Is there another channel/option that you can think of – something that CRA is not doing now?
- What kind of information/messaging do you feel would be useful?
 - Data on the size of the underground economy in Canada/around the world
 - What your obligations are as a tax intermediary?
 - What you can/should do if you believe someone/a business is participating in the underground economy?
 - The impact of this kind of activity on society (e.g., creating an unfair advantage for some businesses over others, negative effects on economic growth, reduction in tax revenues for all levels of government putting pressure on government's ability to provide services and benefits to Canadians that they enjoy, expect and need, the possibility of having to increase tax rates in order to make up for lost revenues)
 - Anything else?

CONCLUSION AND WRAP-UP (10 MINUTES)

- In general, do you think that Canada's tax system as it applies to small and medium sized businesses is fair? Why/why not?

Thank you for your time today and for sharing your opinions. Your feedback has been very helpful. Before we conclude, do you have any other comments or questions on any of the topics we have discussed?

- Provide instructions for receipt of incentive
- Share information on obtaining access to the report through Library and Archives Canada, once it is finalized.



C. Polling Exercise - Results

Option	SMEs	Tax Intermediaries	Total
High tax burden	46	33	79
Administrative burden on business (complicated or difficult to understand tax reporting structure)	14	11	25
Disillusion with government/CRA	32	13	45
Ability for business to price more competitively	20	10	30
Increased sales volumes and profit levels	22	8	30
Most small and medium sized businesses couldn't survive if they reported all their income	15	6	21
Pressure from customers	27	10	37
Viewed by businesses as a common practice	23	9	32
Advice/influence from others	16	12	28
Other	3	2	5



D. Statement of Political Neutrality

Statement of Political Neutrality

I hereby certify as Senior Officer of *The Strategic Counsel* that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the *Communications Policy* of the Government of Canada and Procedures for Planning and Contracting Public Opinion Research. Specifically, the deliverables do not include information on electoral voting intentions, political party preferences, standings with the electorate or ratings of the performance of a political party or its leaders.

Signed:

Donna Nixon, Partner