

Evaluation – International and Large Business Tax Programs – Workload Management

Final Report

Audit, Evaluation, and Risk Branch



Canada Revenue
Agency

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Executive summary

The International and Large Business Directorate is the Canada Revenue Agency's (CRA) centre of expertise in the compliance management of the international and large business audit population and specialty areas. The international and large business income tax audit activities are performed under the umbrella of three principal programs within the Directorate, namely the large business income tax program, the international tax program, and the tax avoidance program.

The purpose of this engagement was to provide the Commissioner, CRA management, and the Board of Management with an assessment of the efficiency and effectiveness of the workload management activities associated with how the CRA administers international and large business income tax audits. This encompasses both file selection and file management for international and large business income tax audit programs. The evaluation covered the period from April 2017 to March 2024.

The evaluation team found that the current revenue threshold used to define the audit population may no longer reflect the evolving landscape. Tailored programs for international and large businesses are essential to addressing the risk of non-compliance and efficient resource allocation. However, including lower-revenue businesses in the population may dilute program focus and reduce overall effectiveness.

The evaluation team noted that while an overall tax earned by audit (TEBA) decline was observed, TEBA expectations were met in all periods except for fiscal year 2019 to 2020 (pandemic year). The team could not establish a definitive reason; however, it identified several potential contributing factors, including the onboarding of new auditors to the program, who require years to develop the specialized expertise needed for more complex audits. The evaluation team also highlighted the limitations of relying primarily on TEBA as a performance metric. This emphasis may overshadow other important indicators of audit quality and program effectiveness, particularly in the context of long-duration, high-complexity audit work.

The evaluation team reviewed the CRA's approach to file selection for international and large businesses, which involves opening three audit cases per legal entity across the three tax disciplines. The team found that TEBA did not necessarily result in all three cases, raising questions about the efficiency of the current risk assessment approach. Risk assessment is based primarily on self-assessed information provided to the CRA by taxpayers in their tax filings, which may inherently impact data reliability. Additionally, the resource-intensive nature of international and large business income tax audits means that auditors can only review a limited number of entities in depth, further underscoring the importance of precise and effective targeting to ensure the highest-risk files are identified and prioritized. The evaluation team also observed that time spent on risk screening and preliminary audit activities that do not produce TEBA has increased, while time spent on the more in-depth portion of the audit has decreased by a similar

margin, suggesting a need to reassess how effort is distributed across the audit process.

The evaluation team noted several program changes during the review period that aimed to improve effectiveness, reflecting a clear commitment to continuous improvement. These efforts demonstrate the program's willingness to adapt to evolving operational needs, legislative changes, and emerging risk patterns. The Compliance Programs Branch is encouraged to consider the recommendations in this report to further strengthen the program, alongside the enhancements already underway.

Summary of recommendations

The recommendations aim to strengthen the CRA's ability to target high-risk files, ensure efficient use of audit resources, and enhance the overall impact of its compliance programs.

- The Compliance Programs Branch should review and update its definition of what qualifies as a large business for the purposes of its income tax audit programs.
- The Compliance Programs Branch should create additional internal performance metrics to provide a holistic view of program performance related to the audit of international and large businesses.
- The Compliance Programs Branch should review its file selection processes related to international and large businesses.

Management response

The Compliance Programs Branch agrees with the recommendations in this report and has developed related action plans. The Audit, Evaluation, and Risk Branch has determined that the action plans appear reasonable to address the recommendations.

Introduction

This evaluation is included in the most recent 2025-2026 Risk-Based Assurance and Advisory Plan, which was approved by the Board of Management (Board) in March 2025. The Evaluation Framework was approved by the Commissioner on June 18, 2024. The framework identified the following research questions for the evaluation:

- To what extent are the international and large business tax programs' workload management activities helping the programs to achieve their outcomes?
 - To what extent do the current workload management and distribution processes effectively meet the international and large business income tax audit programs' needs?
 - How well does the integrated team model enable the international and large business income tax audit programs to complete their assigned workload?

Background

The purpose of this engagement was to provide the Commissioner, Canada Revenue Agency (CRA) management, and the Board of Management with an assessment of the efficiency and effectiveness of the workload management activities associated with how the CRA administers international and large business income tax audits. This encompasses both file selection and file management for international and large business income tax audit programs.

The International and Large Business Directorate (ILBD) is the CRA's centre of expertise in the compliance management of the international and large business audit population and specialty areas, including international tax (for example, transfer pricing) and tax avoidance. The Directorate supports, assists with, and verifies the compliance of international and large businesses through a strategically planned suite of audit and compliance activities, as well as through taxpayer outreach, consultation, and education (for example, through industry or professional groups, such as the Tax Executives Institute). Refer to Appendix A for the international and large business income tax audit programs logic model.

The international and large business income tax audit activities are performed under the umbrella of three principal disciplines within the ILBD, namely domestic, international, and tax avoidance.

In 2009, the ILBD transitioned from a coverage-based approach to a more risk-based approach to address compliance issues. The implementation of the National Risk Assessment Model enabled the economic entities of the ILBD population to be manually risk assessed, achieving a more consistent risk assessment approach nationally. As the program evolved, the ILBD updated its strategy and implemented a standardized

approach to risk assessment, including the use of technology to automatically risk assess 100% of tax returns filed by large businesses every year and the use of professional judgement to consider local knowledge of industries and audit history. These changes were reflected in a new policy, the International and Large Business Directorate's Approach to Large Business Compliance (effective 2010-2011).

In 2016, the ILBD adopted an integrated team model. Each team is made up of domestic, international, and tax avoidance auditors led by a case manager. Under this model, the domestic, international, and tax avoidance auditors all contribute to the risk assessment and audit process based upon their respective subject matter expertise. This integrated team model supports a coordinated process, where the case manager acts as a single point of contact between the CRA and the taxpayer, helping facilitate clear communication and efficient resolution of tax matters. In accordance with the integrated team model, the ILBD creates three separate audit cases, one for each discipline, for each legal entity on the workplan. The ILBD considers these three cases to be a single audit performed by an integrated audit team – the “one team, one voice, one audit” concept.

Evaluation methodology

This evaluation was conducted in accordance with the CRA Evaluation Policy. The following methodologies were used during the evaluation:

- **File and document review:** The evaluation team reviewed files and documents provided by the office of primary interest and offices of collateral interest to better understand the international and large business income tax audit programs and identify potential gaps in their structures or processes. These documents included, but were not limited to, organizational charts, business plans, resource allocation and utilization reports, workplans, and performance monitoring reports.
- **Interviews:** The evaluation team conducted interviews and discussions with Headquarters and regional staff working in the international and large business income tax audit programs to gain insight into their experiences and perspectives, with the aim of collecting feedback to enhance the programs.
- **Data analysis:** The evaluation team analyzed data to assess the impacts of workload management activities on the international and large business income tax audit programs. Data from the following systems was analyzed: the Compliance Program Suite of Solutions, human resources data from the Corporate Administrative System, and CORTAX.

Findings, recommendations, and action plans

The recommendations presented in this report address issues of high significance or mandatory requirements.

The Compliance Programs Branch agrees with the recommendations in this report and has developed related action plans. The Audit, Evaluation, and Risk Branch has determined that the action plans appear reasonable to address the recommendations.

There is an opportunity for the Compliance Programs Branch to update its definition of what qualifies as a large business for the purposes of its income tax audit programs.

Background

The large business audit population, as defined by the Compliance Programs Branch in relation to its income tax audit programs, refers to large business entities that have reported annual gross revenue of over \$250 million over two consecutive years in at least one entity in an economic entity group. Drawing on this definition, there are approximately 1,600 economic entity groups and over 25,000 legal entities that fall into this audit population. Under this definition, as of 2023, large business legal entities represented approximately 1.5% of the total number of legal entities.

This definition determines whether an entity falls within the international and large business income tax audit programs. If one entity in a group of related entities meets the definition, the entire group is considered part of the large business population. Other compliance programs within the Compliance Programs Branch are responsible for entities that do not meet the definition.

Findings

The evaluation team observed that total and average revenues for the large business audit population have been rising throughout the study period. These rising revenues have also meant that, proportionally speaking, large businesses now hold a higher share of total corporate revenues of all businesses. Specifically:

- between the 2017 and 2023 tax years, the total revenues of the large business audit population rose by 57%, and the average revenue per large business entity rose by 75%
- in 2017, large business entities were responsible for \$2.2 trillion, or 50.6% of total corporate revenue; in 2023, large business entities were responsible for \$3.5 trillion, or 52.8%, of total corporate revenue

Discussions and interviews with both Headquarters and regional employees highlighted that the current revenue threshold of \$250,000,000 to be considered a large business has been in place for more than 20 years. As such, it has not kept pace with inflation. Accounting for inflation, \$250,000,000 in the year 2000 is equal to \$431,170,886 in 2025.¹

Why it matters

International and large businesses pose higher compliance risks due to the materiality and complexity of their transactions as well as the potential for base erosion and profit shifting, where profits are shifted to low-tax jurisdictions. Compliance programs for international and large businesses require substantial administrative capacity, drawing on specialized personnel, sophisticated data analysis tools, and coordinated efforts across jurisdictions.

Tailored programs for international and large businesses allow the CRA to monitor and address these compliance risks more effectively and ensure efficient use of resources. A streamlined audit workplan allows the CRA to focus its international and large business audit resources on the highest risk audits in the population, contributing to more efficient and effective international and large business audit programs. If too many businesses were included on the audit workplan, especially those that did not pose higher compliance risks, it could dilute the focus and reduce the programs' effectiveness.

Given that the Organisation for Economic Co-operation and Development has set a €750 million revenue threshold to focus on high-risk multinational enterprises, this international benchmark may offer a useful point of reference as the CRA considers whether its own threshold remains appropriately calibrated.²

Recommendation #1

The Compliance Programs Branch should review and update its definition of what qualifies as a large business for the purposes of its income tax audit programs.

Management response

The Compliance Programs Branch (CPB) agrees with the recommendation and has developed a related action plan.

The CPB acknowledges the recommendation to review and update the definition of a large business, including the revenue threshold. The CPB recognizes that the current threshold may not adequately reflect the evolving landscape associated with international and large business revenues. It is, however, necessary to recognize that any changes to the threshold will significantly impact other compliance areas.

¹ [Bank of Canada Inflation Calculator](#), accessed on May 20, 2025.

² [OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022](#)

Therefore, to address this recommendation, the CPB's International and Large Business Directorate (ILBD) will:

- establish a cross-functional working group with representatives from the ILBD, the Small and Medium Enterprise Directorate, and stakeholders from the High Net Worth Compliance Directorate to gather input on the benefits and implications of revising the large business definition
- develop a proposal for the revised large business definition, depending on the conclusion of the working group
- develop a communication strategy to disseminate the revised large business definition to relevant stakeholders

The target completion date for this action plan is August 1, 2027 (Q2 2027-2028).

There are opportunities for the CRA to better assess the health of its audit programs by creating additional performance metrics related to the audit of international and large businesses.

Background

Tax earned by audit (TEBA) refers to the amount of additional tax revenue identified as a result of audit activities. Simply stated, it recognizes increases to tax revenue, decreases to deductions or credits, and changes to tax pools.

TEBA is the primary performance metric for the international and large business income tax audit programs. The presence of TEBA may indicate that audits are well-targeted and are uncovering non-compliance. It can also support risk-based auditing, allowing the CRA to focus its resources on areas with higher potential for revenue recovery and identify entities that have a history of non-compliance. However, like any performance metric, there are limitations. A strong emphasis on TEBA does not fully capture the large business audit programs' impact on voluntary compliance or the strength and sustainability of tax reassessments.

Findings

While TEBA expectations were met in all periods except for fiscal year 2019 to 2020 (pandemic year), the team noted that during the evaluation period, the international and large business programs' overall TEBA performance was trending downward. Various factors make it challenging to connect the decline to specific causes:

- **Global pandemic:** International and large business audit activity continued throughout the pandemic, but for a period was limited to high-risk audits and exceptional circumstances.
- **Simultaneous changes:** The International and Large Business Directorate implemented significant program modifications in close succession, making it difficult to isolate the specific impact of each change. Some of these changes

include moving to the integrated team model in fiscal year 2016 to 2017, transitioning to a new case management system beginning in fiscal year 2017 to 2018, and implementing a new risk assessment system in fiscal year 2017 to 2018.

- **Complexity:** The international and large business income tax audit programs operate under an elaborate and extensive set of tax rules, within a highly complex environment, reflecting the scale and sophistication of the taxpayers they oversee. The programs coordinate with foreign tax authorities and integrate specialized expertise in law, economics, and accounting. The associated data is also complex, as it spans multiple years and systems.
- **Multiple interacting variables:** A range of interconnected factors influence performance outcomes and make it difficult to pinpoint a single cause. A decline in TEBA despite rising reported revenues could be caused by various factors, such as improved voluntary compliance, reported profits and losses, various changes in audit procedures and/or methodology, implementation of new legislation, and shifts in taxpayer behaviour or in the complexity of transactions.
- **Time lag in results:** International and large businesses engage in complex transactions that require in-depth analysis of significant amounts of documentation provided by taxpayers. As a result, audits of these businesses may take years to complete. Following that, taxpayers may challenge proposed adjustments, causing further delays. This means that the results observed during the evaluation reflect a combination of actions and decisions taken years ago.

Due to these factors, the evaluation team is unable to establish a definitive causal link for the decline in TEBA. However, the evaluation team identified several contributing factors that help contextualize the decline. The evaluation team observed that the largest year-over-year growth in staff occurred in fiscal year 2021 to 2022, with 11% growth in the number of full-time equivalents. This is in addition to turnover, which is when one staff member leaves and is replaced.

The evaluation team noted that the data demonstrates an increase in the number of hours charged to audit cases. Specifically, the average hours charged to closed cases rose 26% between fiscal years 2021 to 2022 and 2023 to 2024 (from 127 to 160 hours per case).

Given the complexity and technical demands of auditing international and large businesses, new auditors require several years to develop the specialized knowledge required to complete audits.

To understand whether experience levels contributed to the decline in TEBA, the evaluation team examined the proportion of auditors with lower levels of experience in the regions. When examining how much experience an auditor has, the evaluation team identified those with less than four years of experience working in the AU category at the CRA. The evaluation team observed that there was a spike in this level of experience for auditors beginning in fiscal year 2021 to 2022, and this continued to trend upward for the rest of the study period. From fiscal year 2021 to 2022 to fiscal

year 2023 to 2024, there was a 54% increase in auditors with this level of experience. This was even more pronounced in the AU-02, AU-03, and AU-04 categories, where there was a 62% increase in this level of experience. This is notable as 88% of auditors occupied the AU-02, AU-03, and AU-04 categories during the evaluation period.

Interview feedback highlighted that newly hired auditors that lack CRA-specific knowledge of procedures and regulations frequently rely on more experienced colleagues for assistance. Additionally, case managers and technical support staff reported challenges in balancing their own caseloads while also providing ongoing support to a larger cohort of less experienced auditors.

While these issues have impacted short-term performance, they also reflect a transitional phase in workforce development that, with continued investment in training and mentorship, is expected to strengthen the international and large business audit programs' long-term capacity and effectiveness. As such, the International and Large Business Directorate has indicated that work is underway to update the learning strategy with the goal of improving technical capacity.

Why it matters

While TEBA can be a valuable performance indicator, it has certain limitations that may affect its ability to fully represent the effectiveness or overall health of an audit program, including:

- Short-term perspective: TEBA reflects immediate assessments rather than long-term behavioural changes or deterrence effects
- Assessment vs. collection: TEBA is based on assessed amounts, which may be reduced through appeals or not fully collected, thereby providing only a partial view of the overall result of an audit
- Audit quality not reflected: TEBA alone does not measure the quality of an audit
- Non-monetary outcomes excluded: TEBA does not capture educational impacts, systemic insights, or administrative improvements made over time to the audit program

As such, while TEBA provides useful insights into audit outcomes, it should be interpreted alongside other qualitative and quantitative measures to obtain a more comprehensive view of audit program performance and health.

It is worth noting that performance management in programs involving complex audit work is inherently challenging, particularly when results are subject to significant time lags. Measuring performance is further complicated by the evolving nature of complex transactions, which require in-depth analysis and professional judgement, making it hard to isolate the impact of specific actions or decisions. These challenges are compounded by a shifting legislative and policy landscape, where amendments to tax laws or program rules can significantly alter audit scope, taxpayer behaviour, and the interpretation of compliance risks. As a result, performance data may reflect not only the effectiveness of audit practices, but also external changes beyond the program's

control. This dynamic environment limits the ability to use performance results in real time to inform improvements, underscoring the need for flexible, adaptive performance frameworks that account for both operational complexity and external change.

Recommendation #2

The Compliance Programs Branch should create additional internal performance metrics to provide a holistic view of program performance related to international and large businesses.

Management response

The Compliance Programs Branch (CPB) accepts the recommendation to develop additional internal performance metrics to improve the health of its audit programs as they relate to international and large businesses. As noted in the evaluation report, tax earned by audit (TEBA) has some limitations as a performance metric, including its inability to capture improvements in voluntary compliance and its inability to distinguish between fully sustainable reassessments and less certain ones. Performance metrics that better measure audit effort, audit quality, and the indirect impact of compliance programs on voluntary compliance and tax revenue could better capture the activities of the international and large business programs. In response to this recommendation, over the next two years, the International and Large Business Directorate (ILBD) will :

- review existing performance metrics as well as performance metrics employed by other leading tax administrations internationally to identify gaps and to develop a manageable number of additional internal performance metrics related to international and large businesses, where necessary
- establish procedures for collecting and analyzing data related to the new internal performance metrics
- communicate the new internal performance metrics to CRA stakeholders to provide a holistic view of program performance to facilitate decision making

The target completion date for this action plan is August 1, 2027 (Q2 2027-2028).

There are opportunities for the CRA to improve its file selection processes related to international and large businesses.

Background

File selection is a critical component of income tax audit programs and refers to the process by which the CRA identifies and prioritizes taxpayer files for audit based on a set of risk indicators, including data analytics and strategic criteria. A comprehensive file selection process helps the CRA to focus on high-risk areas, improve compliance, and protect the integrity of the tax system.

The CRA uses a combination of automated and manual tools to assess risk for the international and large business income tax audit programs. Beginning in fiscal year

2017 to 2018, the CRA introduced an automated system (algorithm based), known as the Integrated Risk Assessment System, which includes risk rankings that are used in the first phase of file selection.

The current risk assessment and audit steps are as follows³:

- The CRA uses the Integrated Risk Assessment System to identify risk in the entire large business population both at the economic entity level and at the legal entity level. This produces a risk ranking of the entire population.
- The CRA then uses human judgement to incorporate local knowledge and audit history to add or remove entities from the risk ranking of the population. The highest risk files then form the basis of the audit workplans. These files are assigned to the regions for allocation to audit teams.
- The audit process has two steps, and distinct timecodes allow time in each audit step to be tracked:
 1. The first step provides an opportunity to validate the risk indicators and/or audit issues identified during the risk assessment process. This involves contacting the taxpayer and performing various audit activities (normally within the first 300 hours of the audit) that allow the audit team to determine which issues require further review. If the audit risk(s) identified are sufficiently resolved, the case is closed. Although cases that are closed at this point do not result in TEBA, they can provide the CRA with a level of assurance that the taxpayer is compliant.
 2. When the risk(s) are unable to be addressed during the first audit step, the audit continues until the risks are addressed or a reassessment is issued. Cases that are closed during this step may result in TEBA.

Three cases for each entity

When the Integrated Risk Assessment System ranks the entire international and large business audit population, it produces three separate risk scores in each of the three disciplines (domestic, international, and tax avoidance) as well as an integrated risk ranking. The integrated risk ranking is then modified through a manual process using human judgement, as described above. The highest-ranking entities according to the modified integrated risk ranking are the entities that are added to the workplan. As a standard, for each entity on the workplan, a three-case set is opened. This means that one case for each of the disciplines noted above must be opened in the case management system.

When an entity has a high integrated risk ranking, the same level of risk is not always present across the three disciplines. For example, if an entity scores high in both the international and domestic disciplines' risk rankings, but scores low for tax avoidance, it

³ [BEPS Action 13 – Country-by-Country Reporting – Handbook on Effective Tax Risk Assessment](#)

might still have a high integrated risk ranking. This would typically result in three cases being added to the workplan, as described above including one for tax avoidance, even though the entity was ranked as having a lower risk in that discipline. Once a case is added to the workplan, certain audit activities are required to perform a preliminary review, along with the mandatory procedures to close the case.

Findings

The evaluation team examined how frequently each of the three integrated cases resulted in TEBA outcomes, focusing on tax years 2016 and 2017 as sufficient time had passed for more than 90% of files to be completed, and the files were available in the current case management system. Although the workplan typically includes three cases per entity—one for each of the integrated disciplines—TEBA is not commonly generated in all three. In practice, TEBA tends to be generated by only one or two of the three integrated cases. More specifically, the evaluation team observed that, on average:

- all three integrated cases generate TEBA 3% of the time, with those cases accounting for 6% of total TEBA
- two integrated cases generate TEBA 22% of the time, with those cases accounting for 34% of total TEBA
- one integrated case generates TEBA 76% of the time, with those cases accounting for 60% of total TEBA

Starting in March 2023, the International and Large Business Directorate shifted its approach to allow for some “limited audits”, which led to opening cases in one or two of the integrated disciplines, instead of all three. The evaluation was unable to assess the impact of this change as it is too recent to see the effects.

Time distribution

To better understand the relationship between effort and impact, the evaluation team examined trends between fiscal years 2019 to 2020 and 2023 to 2024. The team focused on how time is distributed between the two audit steps, as only cases closed during the second audit step may result in TEBA.

The team found that hours charged to the first audit step exceeded those charged to the second audit step by 11%, indicating a shift in resource allocation toward upfront audit activities that validate the risk indicators and/or audit issues. During this period, hours charged to risk assessment and the first audit step rose by 8%, while hours charged to the second audit step decreased by 8%. The evaluation team also noted that this shift occurred alongside other changes, including an increase in staffing levels, additional workload related to pandemic benefits, and a number of pandemic-era changes to the large business audit context.

While this may indicate a more thorough and deliberate approach to identifying high-risk files for audit, it could also point to inefficiencies or challenges in the screening and preliminary processes that may be slowing down workflow. As time in these activities

grows, and as automated tools become increasingly sophisticated, it is important to assess whether this additional effort is translating into more effective targeting and better audit outcomes, or whether adjustments to tools, processes, or training are needed to support efficiency without compromising quality.

Additional factors

A self-assessment tax filing system means that the CRA relies on the accuracy and completeness of information provided by taxpayers to ensure the proper assessment and treatment of tax filings. This can have an impact on data reliability and risk assessment processes.

The CRA's 2024 Evaluation of the Management of Interrelated Businesses noted that while tax forms and schedules that address business rules are designed to balance user friendliness and the capture of accurate and complete information, the inherent complexity of the rules may increase the likelihood of gaps or errors in the forms and schedules submitted by taxpayers. That evaluation also observed opportunities for the CRA to improve information available to the public with respect to complex business rules with management action plans underway⁴.

Why it matters

Despite more intensive screening and preliminary audit activities, it is not clear that large business tax compliance has improved overall. This underscores the need to evaluate whether current audit strategies and file selection processes are still aligned with the evolving risk landscape to ensure that resources are being deployed where they yield the highest impact.

Recommendation #3

The Compliance Programs Branch should review its file selection processes related to international and large businesses.

Management response

The Compliance Programs Branch (CPB) agrees with the recommendation and has developed a related action plan.

The CPB welcomes the recommendation to review its file selection processes related to international and large businesses. The International and Large Business Directorate (ILBD) considers its automated risk assessment system to be a marked improvement over previous manual risk assessment processes. Having said that, the CRA and other tax administrations are making continuous strides in improving the targeting of risk. A review of our current risk assessment process is prudent and timely. Over the next two years, the ILBD will:

⁴ [Evaluation – The CRA's Management of Interrelated Businesses - Canada.ca](https://www.cra.ca/evaluation)

- review the file selection processes related to international and large businesses, which will include comparisons with approaches in other CRA compliance areas as well as international benchmarks
- implement updates to the file selection processes related to international and large businesses
- communicate to CRA stakeholders to clarify any file selection process changes related to international and large businesses, as needed

The target completion date for this action plan is August 1, 2027 (Q2 2027-2028).

Conclusion

This evaluation found that, while the international and large business income tax audit programs are generally functioning reasonably well, there are some opportunities for improvement. In particular, this evaluation highlights the importance of refining and continuing to adjust the CRA's approach to auditing international and large businesses to better align file selection and workload management strategy with performance outcomes. While the CRA has demonstrated a strong commitment to continuous improvement, the findings underscore opportunities to update the population definition, broaden performance measurement, and enhance file selection processes. Implementing these recommendations will help ensure that audit efforts remain targeted, efficient, and responsive to an increasingly complex and dynamic compliance environment.

Acknowledgement

In closing, the Audit, Evaluation, and Risk Branch would like to acknowledge and thank the Compliance Programs Branch for their cooperation, the time dedicated, and the information provided during the course of this evaluation. Their engagement supported a comprehensive and successful review, contributing to a clearer understanding of the program's operations and context.

Appendices

Appendix A: Logic model

Key activities	Compliance activities	Workload management	Provide tax expertise and training	Work with external organizations and other tax administrations
Sub-activities	<ul style="list-style-type: none"> • Make technical referrals (including mandatory Transfer Pricing Review Committee, mandatory disclosure rules, and general anti-avoidance rule referrals) • Perform quality reviews • Provide education and proactive support to taxpayers 	<ul style="list-style-type: none"> • Implement technology solutions and major projects • Undertake data capture • Develop and maintain algorithms • Perform taxpayer risk assessment • Develop work plans • Analyze business intelligence • Provide functional leadership to the regions • Undertake program monitoring 	<ul style="list-style-type: none"> • Identify emerging tax issues • Support field auditors • Develop and deliver training • Participate in seminars, outreach sessions, and conferences • Develop specialized tax information returns and related guidance 	<ul style="list-style-type: none"> • Avoid double taxation • Determine appropriate transfer pricing methodologies • Participate in advisory committees and technical forums (e.g., Organisation for Economic Co-operation and Development, Department of Finance) • Manage information exchange • Recommend legislative changes

<p>Outputs</p>	<ul style="list-style-type: none"> • Completed audits of the large business taxpayer segment, including international tax and tax avoidance files • New and advanced information technology systems and capabilities • Resolved Mutual Agreement Procedure cases • Negotiated advance pricing arrangements • Work on Canada’s international tax reform commitments (e.g., Organisation for Economic Co-operation and Development’s two-pillar solution, base erosion and profit shifting, mandatory disclosure rules, digital services tax) • Business equity valuations • Business intelligence, quality audits, and accurate information • Recommendations on proposed legislative changes • Fulfilled treaty obligations and related services for taxpayers with respect to international tax • Internal committee decisions on issues pertaining to international and large business tax programs • Learning paths • Technical training courses and products • Support to the Department of Justice and the Appeals Branch in the resolution of tax disputes
<p>Immediate outcomes</p>	<p>International and large business non-compliance with Canadian tax obligations is detected and corrected, and strategies are developed to proactively address aggressive tax planning and tax avoidance.</p>
<p>Intermediate outcomes</p>	<p>International and large businesses understand their Canadian tax obligations and have confidence that non-compliance will be detected and corrected.</p>
<p>Ultimate outcomes</p>	<p>International and large businesses comply with Canadian tax obligations, Canada’s revenue base is protected, and Canadians trust the CRA to ensure that everyone pays their fair share.</p>

Appendix B: Glossary

Advance Pricing Arrangement Program	A service to assist taxpayers in preventing transfer pricing disputes that could otherwise arise in future tax years.
Base erosion and profit shifting	Tax planning strategies that international businesses use to exploit loopholes in tax rules to artificially shift profits to low or no-tax locations to avoid paying tax.
Business Equity Valuation Program	The Business Equity Valuation Program has evaluators across Canada, whose mandate is to provide independent expert opinions in the determination of the fair market value of ownership interests (whether held in a corporation, partnership, sole proprietorship or franchise) and intangible properties (for example, goodwill, patents, copyrights, trademarks, licences, and royalties) to assist audit programs of the Compliance Programs Branch.
Economic entity	A related group of legal entities, where at least one legal entity has a connection to Canada, such as being incorporated, formed, settled, resident, controlled, or managed in Canada.
General anti-avoidance rule	The general anti-avoidance rule's purpose is to deny tax benefits from transactions that are not in accordance with the object, spirit, or purpose of the <i>Income Tax Act</i> , even if they comply with a literal reading of the legislation.
Legal entity	An entity or legal relationship that is generally subject to filing obligations and specific tax rules (generally, corporations, partnerships and trusts). Most large businesses include numerous legal entities under common control.
Mutual Agreement Procedure	Resolves disputes with foreign tax administrations regarding double taxation as a result of transfer pricing adjustments made by either the CRA, the foreign tax administration, or both.
Transfer pricing	The prices at which services, tangible property, and intangible property are traded across international borders between related parties.
Workload management activities	Activities related to the processes of forecasting, planning, distributing, managing, and monitoring workload.