

December 20, 2018

Serving You Better 2018 Consultation
Canada Revenue Agency
320 Queen Street
Ottawa, Ontario K1A 0L5

By email at: LPRABTRG@cra-arc.gc.ca

Re: “Serving You Better 2018” Consultation

In response to your invitation, Chartered Professional Accountants of Canada (CPA Canada) is pleased to present its suggestions related to Canada Revenue Agency’s (CRA) “Serving You Better” consultation.

Canadian taxpayers and their representatives have benefited significantly from the results of the CRA’s previous consultations on reducing red tape in the tax system. We welcome the CRA’s decision to continue and expand these discussions through the current “Serving You Better” initiative for small and medium businesses and their representatives.

Our suggestions set out in the attached submission aim to provide practical solutions to current service issues that would benefit taxpayers, their representatives and the CRA, recognizing the complexity of administering Canada’s tax system and the possible constraints under which the CRA operates. We would be pleased to discuss the issues and possible solutions set out in this submission in more detail and answer any questions you may have.

A French translation of our submission will follow early in 2019.

Yours truly,



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c.c.:

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**SERVING YOU BETTER 2018:
CPA CANADA'S SUGGESTIONS TO THE CANADA REVENUE AGENCY**

INTRODUCTION

Chartered Professional Accountants of Canada (CPA Canada) welcomes the Canada Revenue Agency's (CRA) consultations on the potential for improving efficiencies in Canada's tax system for small and medium businesses and the accountants who serve them. This submission puts forward our views and suggestions on how the CRA could enhance its services and programs to better meet the needs of this important stakeholder community.

CPA Canada and its predecessors have represented the views of professional accountants for many years. CPA Canada works together with the CRA toward making the administration of the Canadian tax system world-class. CPA Canada also regularly suggests tax policy positions to the federal government that we believe would improve the Canadian tax system. Our more than 210,000 professional accountants work in all sectors of the economy, and many of them are tax intermediaries who taxpayers count on to represent their interests with integrity and competence and to help them comply with Canada's complex tax laws.

CPA Canada is a longtime supporter of the federal government's initiatives to simplify and reduce the tax compliance burden that Canadian taxpayers face. CPA Canada and its members have made numerous representations and suggestions in the ongoing consultations that have followed the launch of the government-wide Red Tape Reduction Action Plan in 2012, the CRA's subsequent red tape reduction initiative in 2014, as well as the 2016 round of Serving You Better consultations. These consultations have led to a number of important practical improvements to the CRA's services for small and medium businesses.

In the fall of 2018, CPAs continued to contribute ideas during the CRA's cross-country consultations as professional accountants across the country shared their practical experiences and suggestions for improving the tax system for small and medium businesses.

The views in this submission were developed in consultation with CPAs across Canada, including members of CPA Quebec's Tax Committee and CPA Canada's tax committees, particularly the Small and Medium Practitioner Tax Committee, which comprises CPAs from across Canada who provide tax services as general practitioners or tax specialists to small and medium business owners.

SUMMARY OF RECOMMENDATIONS

In this submission, CPA Canada makes a number of suggestions for the CRA to improve its services and help taxpayers and their representatives meet their tax obligations.

To **improve the CRA's digital services**, CPA Canada suggests that the CRA:

- enhance the RC59 application process so taxpayers can authorize a new representative and cancel all previous authorizations in one step
- work to reduce online rejections of RC59 forms and review the authorization process for electronic filing of RC59 forms in detail with an aim of streamlining the process
- provide formal guidance on requirements for keeping digital authorization records such as T183 forms
- institute a process for formally acknowledging receipt of paper-filed submissions within a reasonable time period (e.g., within 30 days after receipt)
- extend electronic filing capability to section 116 returns, tax rollover forms such as section 85 elections, section 216 returns and not-for-profit organization tax returns
- review whether transmitting more data captured by tax preparation software to the CRA on electronic filing would help streamline the verification process for unincorporated business owners
- consider introducing a secure online chat service for taxpayers and their representatives

To **make tax information easier to access, understand and use**, CPA Canada suggests that the CRA:

- consider introducing a process of assigning a single point of contact to take responsibility for ensuring CRA helpline callers' questions and issues are efficiently resolved
- broaden and make permanent its pilot program to provide tax practitioners with a dedicated helpline, and create a similar service to resolve more complicated issues for specific taxpayers
- develop a process for improving the amount and timeliness of practical guidance available on the CRA's website to help small and medium businesses and their advisors comply with existing and new tax laws
- continue to collaborate with Finance Canada to ensure administrative guidance on new tax rules is available when they take effect
- examine its education letter campaign to ensure its communications promote compliance without raising unnecessary concerns for compliant taxpayers
- make a clear statement that taxpayers are not required to file T4A forms in respect of business-to-business payments for services until the CRA has determined and implemented its policy on the new requirement, and give taxpayers sufficient time to adjust their processes to comply with the requirement
- provide more guidance on the factors the CRA considers when determining eligibility for re-appropriation of T2 statute-barred credits

- consider additional outreach to educate taxpayers on how to protect themselves from fraudulent communications that claim to be from the CRA, and work with tax representatives to develop a specific process so that each party to a conversation can easily prove their identities without disclosing personal information

To **improve payment options**, CPA Canada suggests that the CRA:

- explore solutions to ensure advance payments for future taxes owing are properly allocated, and consider giving taxpayers and their representatives the ability to transfer funds between accounts or years in a manner similar to the T2 system for individuals who carry on business
- continue to facilitate the ability of taxpayers to make offline payments, for example, by ensuring remittance vouchers are readily available and by clarifying the appropriate CRA addresses to direct payments made by mail

To **improve services related to the audit, collections and appeals process**, CPA Canada suggests that the CRA:

- consider ways to make the audit, collections and appeals experience of taxpayers more consistent among its various locations and directorates
- seek to improve the technical proficiency of its auditors and the technical quality of their assessments
- consider ways to leverage existing tax training from education providers to help the CRA meet its training objectives in a more effective and timely manner
- consider fostering more communication on non-routine issues and situations by renewing the CRA's support for and engagement in joint forums for the CRA and practitioners
- encourage auditors to take a more customer-centric approach to their role and, as part of this, have auditors make it a practice to highlight to taxpayers any entitlements or benefits that may be available to them
- investigate ways to shorten the amount of time needed for the CRA to respond to requests and/or resolve issues that require human involvement and/or non-routine situations
- accept a taxpayer-initiated adjustment as a formal objection request so taxpayers do not need to file documentation twice with the CRA
- devote more resources to shorten the time needed to deal with adjustment requests made by taxpayers, and meet with tax practitioners to discuss this issue in more depth
- for 30-day letters, apply a consistent policy to requests for deadline extensions, and consider developing a list of common situations where taxpayers would require more than 30 days to respond to a CRA request
- revisit its policy of not allowing post-audit adjustments to correct or address errors detected by taxpayers after the audit is complete
- review the current processes for tax clearance certificates and investigate ways to shorten the amount of time needed for the CRA to provide these certificates
- give auditors the discretion to expand the scope of their audits
- seek to improve its coordination with Revenu Québec of audits of Quebec taxpayers

We have raised many of the issues and suggestions in this submission previously with the CRA in specific meetings and discussions, and we are aware that the CRA is making progress internally in some areas. We have captured these issues here for completeness and convenience.

In addition, we agree with many of the recommendations made by the Auditor General of Canada in the November 2018 report on the CRA's compliance activities. We also support the CRA's plans to meet these recommendations, particularly in providing more consistency among taxpayers in audit practices and in understanding and resolving regional variations in audit completion times. Canada's CPAs would appreciate the opportunity to help the CRA determine how to best implement the Auditor General's recommendations.

Further, our members in Quebec report that Revenu Québec has made major improvements to its processes related to its services for taxpayers. We strongly suggest the CRA discuss these improvements with Revenu Québec to identify best practices and lessons learned.

IMPROVING THE CRA'S DIGITAL SERVICES

Authorizing a representative – When small and medium businesses wish to authorize a new representative for offline access (by telephone or mail) to their business number program accounts using form RC59, members believe it would be helpful to have the ability to do a “reset authorization” in one step, as is currently possible with T1013 authorizations for individuals. When a small or medium business engages a new advisor, it would be useful to eliminate old authorizations when setting up a new one, provided the taxpayer understands and has agreed that all representatives currently on file would be cancelled.

Recommendation: CPA Canada suggests that the CRA enhance the RC59 application process so taxpayers can authorize a new representative and cancel all previous authorizations in one step.

RC59 process and rejected authorizations — Members have noted that RC59 authorization forms are often rejected because the business owner's name or spelling do not match that associated with the business number. Members observed that it would be helpful to be able to check the identification information that is on record with the CRA before filing RC59 forms.

A second issue is that the CRA's system rejects online RC59 applications when there is a paper RC59 on file. The paper RC59 must be cancelled first. Members suggested it might be helpful if the online application could override any paper authorization already on file.

Recommendation: CPA Canada suggests that the CRA work to reduce online rejections of RC59 forms by simplifying the RC59 application process.

Modernize the T183 Process – The authorization process for electronically filing a taxpayer's tax return (both corporations and self-employed individuals) has not changed materially since electronic filing was introduced. Since then, many recordkeeping processes for taxpayers have become digitalized. Despite these changes, the electronic filing authorization process is still based

on a form that is sent to taxpayers on paper or as a PDF file. The taxpayer must then sign the form and send it back to the tax preparer.

Further, the authorization processes for taxpayers and their advisors vary. For example, T1 and T2 returns require a signed T183 while partnership returns, T4s, T5s, GST returns and other electronic submissions are not governed by a T183.

This creates several concerns or issues:

- Fax machines are becoming less common, so many taxpayers scan and send the form by email. This puts the security of personal information at risk.
- The CRA has not yet released clear guidelines on what is acceptable in terms of digital recordkeeping for tax preparers. For example, is keeping a digital image of the signed T183 form acceptable? Is it acceptable to attach a digital signature to an electronic copy of the form?
- Using different authorization processes for various filings causes a greater probability for errors.
- Could this process be streamlined? In particular, given that a significant amount of information is transmitted to the CRA without a T183, is this form necessary?

***Recommendation:** CPA Canada suggests that the authorization process for electronic filing should be reviewed in detail with an aim of streamlining the process. Also, formal guidance should be provided on requirements for keeping digital authorization records such as T183 forms under the current system.*

Confirmation of information received by CRA – Currently, there does not appear to be a process for the CRA to acknowledge receipt of submissions that were not made electronically, such as paper-filed tax forms that cannot be filed electronically and voluntary disclosure requests. Since it can sometimes take the CRA a considerable amount of time to respond to such submissions, the lack of acknowledgement can cause uncertainty and inefficiency as taxpayers and their representatives seek assurance that these submissions have been received and are being addressed. Members also suggested that it would be helpful for the CRA to assign a reference number at the outset of an audit, rather than leaving it to the taxpayer to request a number on providing documents in response to a CRA audit request.

***Recommendation:** CPA Canada suggests that the CRA institute a process for formally acknowledging its receipt of paper-filed submissions within a reasonable time period (e.g., within 30 days after receipt).*

Extension of ability to EFILE – The CRA's existing electronic filing programs significantly ease compliance, and members would welcome the ability to electronically file additional types of returns.

***Recommendation:** CPA Canada suggests that the CRA extend electronic filing capability to section 116 returns, tax rollover forms such as section 85 elections, section 216 returns and not-for-profit tax returns.*

Leveraging information in tax preparation software – Today’s tax preparation software captures a great deal of information that is not transmitted as part of the electronic filing process. For individuals carrying on unincorporated businesses, transmitting some of this information with the associated return could streamline the CRA’s work in verifying the information that supports these filings.

Recommendation: CPA Canada suggests that the CRA should review whether transmitting more data captured by tax preparation software would help streamline the verification process for unincorporated business owners. This review should also look at whether there is other relevant T1 information that can be transmitted to streamline tax administration.

Online chat service — Other organizations with high call volumes have enhanced their customer service by offering online chats within secure customer areas. Members note that it would be useful for the CRA to add this functionality within My Account or My Business Account (or Represent a Client, depending on the access level), especially for taxpayers and representatives who do not know where to direct their queries and those seeking information on issues that do not have specific automated responses. An online chat function could also provide taxpayers and representatives with a record of their communications with CRA representatives.

CPA Canada suggests that the CRA consider introducing a secure online chat service for taxpayers and their representatives.

MAKING TAX INFORMATION EASIER TO ACCESS, UNDERSTAND AND USE

Taking ownership. Helpline services for small and medium businesses and their representatives could be improved by assigning a single point of contact to take ownership of ensuring the caller’s question or issue is resolved.

When small and medium businesses or their advisers are transferred from one service area to another, they often need to repeat their description of their issue, sometimes to multiple CRA agents. Taxpayers also do not have a point of contact for follow-up on the status of their issues where the processing of their issue or request may have been delayed. This can require the caller to start the resolution process from scratch, sometimes after many weeks have passed since the initial contact.

These situations could be avoided by having one CRA agent responsible for directing the issue to the appropriate CRA staff and following the issue through to completion. Many organizations use a ticketing system to track similar assistance requests internally. We believe a similar system could be helpful in the context of the CRA.

Recommendation: CPA Canada suggests that the CRA consider introducing a process of assigning a single point of contact to take responsibility for ensuring callers’ questions or issues are efficiently resolved.

Dedicated helpline for tax practitioners. Many members appreciated the benefits of the CRA’s pilot project to provide a dedicated helpline for tax practitioners to request technical information

on more complex tax issues. However, many have pointed out that a shortcoming of this service is that they cannot deal with more complicated issues related to specific taxpayers (i.e., for issues are not yet addressed with an automated process or are too complicated to deal with using the general taxpayer support line). Currently, practitioners typically need to send a letter to the CRA to resolve these issues.

Recommendation: CPA Canada suggests that the CRA broaden and make permanent its pilot program to provide tax practitioners with a dedicated helpline. We also suggest that the CRA create a similar service to resolve more complicated issues for specific taxpayers.

Timely guidance on tax changes. Members note that the CRA could improve the amount and timeliness of guidance on its website on the practical aspects of dealing with new tax changes, both legislative (e.g., tax on split income rules) and administrative (e.g., principal residence reporting).

There is also a lack of guidance on the applicability of some subjective rules, such as how to determine whether:

- Dividends paid to a family member aged 25 or older represent “reasonable returns” for purposes of the exclusion from the tax on split income
- There has been a “significant reduction of fair market value” for purposes of the intercompany dividend rules in section 55

More extensive guidance is also needed for certain existing tax areas. The CRA should consider developing a process for determining areas where there is uncertainty or errors are being made so additional guidance can be provided for taxpayers and their advisors.

Members also report that, in many cases, there is a significant lag between the effective date of new tax legislation and the CRA’s issuance of the associated guidance (and in some cases forms) that small and medium businesses and their advisors need to understand how to comply with the new rules. Recent examples include the amendments noted above affecting the taxation of private corporations and the changes to section 55 for intercorporate dividends. The CRA could ease and improve compliance with new rules by continuing to work closely with Finance Canada to ensure resources on new tax changes can be provided concurrently with the changes becoming applicable.

Recommendation: CPA Canada suggests that the CRA develop a process for improving the amount and timeliness of practical guidance available on its website to help small and medium businesses and their advisors comply with existing and new tax laws.

Recommendation: CPA Canada suggests that the CRA and Finance Canada continue to collaborate closely to ensure administrative guidance on new tax rules is available when they take effect.

CRA education letter campaigns. Members report that the CRA’s education letter campaigns are problematic for small and medium businesses who count on their tax advisors to manage their tax affairs for them. Because these businesses rely on their tax advisors, they often do not fully understand their tax obligations. Members said that, as a result, these letters can cause these clients to worry that their representatives are not doing their job properly. In particular, many do not understand that these letters are generally issued to taxpayers who fall into a specific risk group

without regard to whether the specific concerns apply to them or not. When this issue arises, their representatives are compelled to spend unnecessary time reassuring their clients that they are compliant.

Recommendation: CPA Canada suggests the CRA examine its education letter campaign to ensure its communications promote compliance without raising unnecessary concerns for compliant taxpayers.

Business-to-business (B2B) reporting of services. There appears to be confusion over the application of new regulations on B2B reporting of services (i.e., in box 48 of T4A slips). The CRA has indicated that businesses are expected to comply with the requirement. However, the CRA has also indicated that it is not currently assessing penalties for non-compliance with the rule but plans to do so after the 2018 taxation year. This seems to be a mixed message that leaves taxpayers and practitioners uncertain about their reporting obligations, which would be extensive for many small and medium sized taxpayers.

Recommendation: CPA Canada suggests the CRA make a clear statement that taxpayers are not required to file T4A forms in respect of payments for services until the CRA has determined and implemented its policy on the new requirement. Further, taxpayers should be given sufficient time to adjust their processes to comply with any new requirements that are introduced. As we have mentioned in the past, CPA Canada would be pleased to discuss this issue in greater detail should the CRA identify new alternatives.

Re-appropriation of T2 statute-barred credits. Tax overpayments arising from T2 returns filed more than three years past the tax year-end are statute-barred for refund purposes. The CRA may exercise ministerial discretion to allow the re-appropriation of T2 statute-barred credits to established debt within the same business number. However, members note that there is little practical guidance on how the CRA determines whether to apply this discretion.

Recommendation: CPA Canada suggests the CRA provide more guidance on the factors it considers when determining eligibility for re-appropriation of T2 statute-barred credits.

Inconsistency in medium used by CRA for communications — The CRA uses several different mediums for communicating with taxpayers, including regular mail and online mail. Taxpayers who have signed up for online mail may expect to receive all correspondence electronically, but some items, such as verification requests, may be sent by regular mail. This raises the risk that a communication with a short response deadline may be missed or not opened in time to respond (e.g., when regular mail is received in the summer). As a separate issue, these inconsistencies may cause taxpayers to question whether the CRA communications they receive as a letter are legitimate.

Recommendation: CPA Canada suggests the CRA consider ways to ensure more consistency in the medium it uses to communicate with taxpayers.

Phishing scams. Phishing and other scams — in which fraudsters pose as CRA agents via email, text and phone to gain personal information or trick taxpayers into paying fictitious tax debts — have become so prevalent that taxpayers and their representatives are starting to doubt bona fide

communications from the CRA. This could cause taxpayers to miss receiving verification requests or other important communications. The impact of these schemes is especially adverse for vulnerable Canadians, such as seniors. More education is needed to help taxpayers and their representatives understand how the CRA might interact with them and how to detect fraudulent messages. CPA Canada could help the CRA communicate this information more broadly.

In addition, many members have mentioned that issues arise when the CRA calls the taxpayer or their advisor. In this case, the person being contacted likely has significant fraud awareness and is concerned when the CRA requests personal or private information to verify that they have in fact contacted the taxpayer or advisor. Similarly, the CRA agent is reluctant to pass on information to prove that they are really from the CRA.

Recommendation: CPA Canada suggests that the CRA consider additional outreach to educate taxpayers on how to protect themselves from fraudulent communication that claims to be from the CRA. In addition, the CRA should work with tax representatives to develop a specific process so that each party to a conversation can easily prove their identities without disclosing personal information.

IMPROVING PAYMENT OPTIONS

Advance tax payments. Canadians carrying on unincorporated businesses are more likely to pay instalments. It can be difficult for them to ensure payments are properly allocated to specific years or issues rather than their instalment accounts. This often occurs when taxpayers know they will owe tax for a prior year but the assessment is in process, and interest charges for late payment may result. One member suggested that the CRA introduce a “holding area” for payments related to issues that will arise, so the payment can be transferred after the assessment is made and interest can be avoided. Also, although the frequency of this issue has declined, some still report that the CRA may apply instalment account balances to unpaid taxes before the unpaid balances are required to be paid (e.g., taking the March instalment and applying it to the prior-year balance before April 30).

Recommendation: CPA Canada suggests the CRA explore solutions to ensure advance payments for future taxes owing are properly allocated. In addition, it would be beneficial if the ability to transfer funds between accounts or years could be expanded in a manner similar to the T2 system for individuals who carry on business.

Remittance vouchers and payments by cheque. While the CRA’s introduction of various online payment applications is welcome, members believe that other options should be continue to be readily available. Some members report that small and medium businesses wishing to make a tax payment by cheque often have difficulty finding a payment slip, and issues arise if they use a slip that is inconsistent with the payment’s purpose (e.g., using a slip for the previous taxation year that is manually altered to make a current-year payment). Members also report that there is often uncertainty over the CRA address to direct payments made by cheque via mail.

Recommendation: CPA Canada suggests the CRA continue to facilitate the ability of taxpayers to make offline payments, for example, by ensuring remittance vouchers are readily available and by clarifying the appropriate CRA addresses to direct payments made by mail.

IMPROVING SERVICES RELATED TO THE AUDIT, COLLECTIONS AND APPEALS PROCESS

Make the taxpayer experience more consistent. Members report that small and medium businesses in similar situations may be treated differently by CRA staff in different locations, directorates and programs. Particular areas of inconsistent treatment identified include:

- Reassessments raised on audit versus those raised on verification
- Varying degrees of effort among CRA auditors to resolve disagreements at the lowest level possible and avoid unnecessary tax objections
- Rising tendency of some auditors to make assessments without discussing the issue with the taxpayer or advisor
- Inconsistent levels of knowledge and expertise of auditors across CRA (more details below)
- Tendency to issue increasingly onerous 30-day proposal letters to taxpayers, leaving them with inadequate time to gather the information required
- Disconnection between policies set by CRA Headquarters and the activities of field auditors across Canada
- Inconsistencies in the quality of communication and transparency between taxpayers and auditors

Recommendation: CPA Canada suggests the CRA consider ways to make the audit, collections and appeals experience of taxpayers more consistent among its various locations and directorates.

The Auditor General of Canada's November 2018 report observed similar inconsistencies in the CRA's audit activities and made several recommendations for resolving them. The CRA agreed to undertake reviews of its related processes in response.

CPA Canada would welcome the opportunity to help the CRA as they conduct their reviews of their audit processes to determine areas of inconsistent activities and assist in implementing the resulting solutions.

Technical proficiency of auditors — One of the main issues that many members have voiced over the years, and again in feedback for this submission, involves the technical proficiency of some auditors and the technical quality of some proposed assessments. In particular, many have seen instances where a CRA auditor has raised a potential issue as part of a proposed assessment and left it to the taxpayer to prove why there is not an issue (as opposed to the CRA doing more research to establish that a factual issue exists).

In other cases, members report that some taxpayers have decided that the time and cost of objecting to an assessment that they believe is incorrect is outweighed the benefits, especially when the assessed amount is relatively small. These taxpayers may choose to abandon their objection rights and simply pay the tax. However, these taxpayers may not recognize if they take the same filing approach in later years (as they believe it is correct), there is a risk that CRA might raise the possibility of a negligence penalty.

On the flip side, some taxpayers would rather go through the objection process, based on the belief that Appeals officers have a better grasp of the technical issues, and so these taxpayers may abandon their efforts resolve the issue at the audit stage.

Sometimes during GST/HST refund integrity audits, auditors may identify more complex issues related to, for example, the taxability of financial services (arranging for) or valuations of real property. In these cases, members report that the auditor does not either have the discretion or ability to review the additional information, or to expand the audit's scope. Instead, the auditor may seek to reassess a questionable position and advise the taxpayer to pursue the matter through an appeal. This approach contributes to the backlog of cases in Appeals, costs taxpayers time and resources, and may delay transactions for many months.

Members note that the technical quality of auditors' assessments could be improved by providing a feedback loop to auditors on whether their assessments were upheld on appeal and, if not upheld, the technical basis of assessment's rejection. We understand that part of the challenge in delivering timely feedback is due to the time lag between the initial assessments and settlement of the related objection, which can take up to two years.

Members have suggested a number of ways CRA could consider for improving the technical proficiency of its auditors. Members also note that joint CRA-practitioner regional forums present valuable opportunities to discuss non-routine issues. For example, CPA British Columbia hosted a symposium on the Scientific Research and Experimental Development program in the fall of 2018, and the CRA participated actively in planning, presenting and encouraging their staff to attend the program. The event was considered as a success in improving the knowledge in this area of practitioners and CRA attendees alike. Overall, however, it appears that overall the CRA's participation in such forums has been declining over recent years.

CPA Canada has developed extensive and leading edge tax education resources for its members who specialize in tax which could help the CRA enhance the technical knowledge of its auditors. Leveraging existing programs could be an efficient and effective way for the CRA to help meet its training objectives. We also believe there is great value for auditors to receive the same tax training as practitioners.

Recommendation: CPA Canada suggests the CRA seek to improve the technical proficiency of its auditors and the technical quality of their assessments.

Recommendation: CPA Canada suggests the CRA consider fostering more communication on non-routine issues and situations by renewing the CRA's support for and engagement in joint regional forums for the CRA and practitioners.

***Recommendation:** CPA Canada suggests that the CRA consider ways to leverage existing tax training from education providers to help CRA meet its training objectives in a more effective and timely manner. CPA Canada would welcome the opportunity to discuss opportunities where CPA Canada could assist the CRA with its internal technical training.*

Auditors should take on a more customer-centric approach. Members often indicate that auditors do not necessarily appreciate that small and medium business owners are focused on running their business. Often, there is a sense that the CRA lacks respect for the time and resources spent on the audit. This is exasperated by the short deadlines and onerous information requests discussed above.

Members also tell us that auditors do not always inform taxpayers when they may be entitled to credits or relief. For example, in the GST area, taxpayers are often not told that wash transaction relief may be available to them.

***Recommendation:** CPA Canada encourages the CRA to promote a more customer-centric approach to performing audits, and as part of this, have auditors make it a practice to highlight for taxpayers any entitlements or relief that may be available to them.*

Time needed to resolve non-routine issues. When a system becomes more automated, one of the big challenges is effectively dealing with issues that require human involvement and/or non-routine situations, especially where the issues involved are complicated. Within the CRA, members note that the time for resolving such issues has been increasing.

Some suggestions that members have put forward for improving the CRA's turnaround time in such cases include:

- Establishing a process for tax intermediaries to deal directly with senior officials (as opposed to helpline personnel) to help resolve more complicated issues (see "Dedicated helpline for tax practitioners" above)
- Allocating more resources to decrease turnaround times and improve services more generally for taxpayers who are trying to be compliant (i.e., to better balance the resources being made available to address non-compliant taxpayers)
- Introducing specific helplines for issues in specialized areas, such as non-residents, charities and not-for-profit organizations, given the difficulty that members often have in reaching CRA officials with specialized knowledge
- Conducting general information sessions on tax issues for small and medium businesses in specific industry sectors

***Recommendation:** CPA Canada suggests the CRA investigate ways to shorten the amount of time needed for the CRA to respond to requests and/or resolve regarding issues that require human involvement and/or involve non-routine situations.*

Processing time for taxpayer adjustments – As noted by our members and confirmed in the Auditor General’s report, there can be a long waiting period for the CRA to process taxpayer-initiated adjustments. In some cases, these adjustments relate to new or revised information, but in others, requests are made to correct CRA assessing errors.

When correcting a CRA error, the taxpayer has the choice of sending an adjustment request or filing a notice of objection. We believe that objections are filed more often than they should be and that the processing time for adjustments a key contributing factor. This creates problems because:

- If the adjustment is not made correctly, the taxpayer would likely have to object, which they could have done weeks or months earlier if they had proceeded directly to file an objection
- The deadline for filing an objection may pass before CRA has responded to the adjustment request
- The tax practitioner needs to maintain a detailed system for tracking adjustment requests, the date filed and the due date for an objection, which could be largely avoided if an objection were made as the first step
- If the requested adjustment is not made correctly, the taxpayer or advisor needs to prepare an objection, which requires making the request for a change twice. This would add more cost to the process when compared with filing an objection as the first step

Recommendation: CPA Canada suggests that the CRA meet with tax practitioners to discuss this issue in more depth. In particular, CPA Canada has suggested that a taxpayer-initiated adjustment could become a formal objection without a need to file documentation twice with the CRA. We also believe that the CRA should devote more resources to shorten the time needed to deal with adjustment requests made by taxpayers.

CRA verification, audit and proposal letter deadlines – Members report issues with the amount of time the CRA allows taxpayers to respond to queries. Taxpayers are often given short reply deadlines (e.g., 30 days) without consideration of the time needed to respond based on the issues and complexity.

Members also report a tendency to receive multiple information requests with tight deadlines toward the end of an audit’s limitation period.

Further, under the CRA’s letter process, the 30-day clock begins when the letter is mailed and not when it is received by the taxpayer. In some cases, this shortens response deadlines to 20 days or less by the time the taxpayer has received the letter. This can be especially problematic for letters related to the GST when the taxpayer is non-resident. Often by the time the non-resident registrant receives the letter, the 30 days is already up.

Some members have also told us that they have received inconsistent answers in response to their requests for extensions. In our view, the additional period should usually be granted, provided the taxpayer can prove they need more time to provide their response.

***Recommendation:** CPA Canada suggests that, for 30-day letters, the CRA apply a consistent policy to requests for deadline extensions, and consider developing a list of common situations where taxpayers would require more than 30 days to respond to a CRA request.*

As noted earlier, where a taxpayer has signed up for electronic communications, verification, audit and proposal letters should be sent to the taxpayer electronically.

Audit completion time. Members have noted that the amount of time required to complete audits appears to be lengthening. Further, the Auditor General of Canada's November 2018 report notes variations by region in audit completion times. For small and medium businesses, the average number of days to complete audits within a given region ranges from 213 to 251 days, representing a 38-day variance.

Not closing audits on a timely basis can result in a spike of assessments as the end of the CRA's year-end nears as auditors work to achieve performance targets. Assessments can also surge as the end of an assessment period approaches as auditors work to meet statute-barred deadlines, even though the CRA's Income Tax Audit Manual indicates that assessments should not be issued unless the necessary investigation is complete. Members have observed that some of these assessments have diminished quality.

The Auditor General recommended that the CRA determine the reasons for these regional variations and implement a plan to reduce those differences. In response, the CRA agreed to conduct a review to understand the sources of the variations and create a plan by March 2020 to address the problem areas identified.

***Recommendation:** CPA Canada would welcome the opportunity to help the CRA conduct its review of audit completion times and help implement the resulting solutions.*

Post-audit adjustments. We understand that the CRA's current policy for GST/HST audits is that once an audit file is closed, it cannot be reopened to make adjustments for mistakes or issues that taxpayers find later. Allowing such adjustments after the file has been closed could free up the objections/appeals process.

***Recommendation:** CPA Canada suggests the CRA revisit its policy of not allowing post-audit adjustments to correct errors or address errors detected by taxpayers after the audit is complete.*

Timeliness of clearance certificates — Some members observe that the amount of time required to obtain a tax clearance certificate has lengthened considerably, sometimes taking more than a year. This causes undue delays in wrapping up the tax affairs of a taxpayer.

***Recommendation:** CPA Canada suggests the CRA review the current processes around clearance certificates and investigate ways to shorten the amount of time needed for the CRA to provide tax clearance certificates.*

Sharing of information within CRA — Members report that the CRA may request from taxpayers or advisors to get information for one process (e.g., tax elections) when the information was already reported in another way (e.g., T2 return). The CRA should consider ways to promote the sharing of taxpayer information among the various compliance directorates, and consider ways to ensure auditors and verification staff do not request information that taxpayers or their advisors have already provided.

Recommendation: CPA Canada suggests that the CRA consider streamlining its processes to ensure that taxpayer information is accessible by all CRA agents who need it for assessment, verification, collection or problem resolution.

CRA-Revenu Québec collaboration on audits — Members in Quebec are seeing less cooperation between the CRA and Revenu Québec on common audit issues than in the past. In particular, members report that, unlike CRA auditors, Revenu Québec auditors often remain willing to wait to review the results of a CRA audit rather than auditing the same issue. The lack of cooperation is creating inefficiencies for the tax authorities and Quebec taxpayers alike.

Recommendation: CPA Canada suggests that the CRA and Revenu Québec seek to improve their coordination of audits of Quebec taxpayers.

CONCLUSION

CPA Canada, and the business and accounting professionals we serve, appreciate the CRA's efforts to ease the administrative burden of small and medium businesses and the accountants who serve them. We would welcome the opportunity to further discuss our suggestions made in the context of the Serving You Better initiative or answer any questions you may have. We look forward to our ongoing participation in the CRA's efforts to improve our country's tax system for the benefit of all Canadians and Canadian businesses.