



Canada Revenue  
Agency

Agence du revenu  
du Canada



**2016-17**

# DEPARTMENTAL RESULTS REPORT

The Honourable Diane Lebouthillier, P.C., M.P.  
Minister of National Revenue

**Canada**

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## ERRATUM

"Subsequent to tabling in Parliament and online publication of the 2016-2017 Departmental Results Report, two errors were corrected in the Results section for the Taxpayer and business assistance program:

In the Telephone programs results table, the amount of "Number of calls abandoned in the agent queue" should read 258,534, instead of 255,776. As well, the "Number of calls that received a busy signal" should read 14,947,677, instead of 16,467,355.

These errors have been corrected in both the PDF and HTML online versions of the 2016-2017 Departmental Results Report."

"Subsequent to tabling in Parliament and online publication of the 2016-2017 Departmental Results Report, an error was corrected in the Key Results of the Benefit Programs section.

- The number of files reviewed should read 341,605 instead of 172,703.

This error has been corrected in both the PDF and HTML of the 2016-2017 Departmental Results Report."



# Table of contents

A message from the Minister - - - - -	1
Foreword by the Chair - - - - -	3
A message from the Commissioner - - - - -	5
Results at a glance - - - - -	7
Raison d'être, mandate, and role - - - - -	9
Raison d'être - - - - -	10
Mandate and role - - - - -	10
Operating context and key risks - - - - -	13
Operating context - - - - -	14
Key risks - - - - -	16
Results - - - - -	19
Programs	
Taxpayer and business assistance - - - - -	20
Assessment of returns and payment processing - - - - -	29
Benefit programs - - - - -	37
Reporting compliance - - - - -	42
Collections, compliance, and verification - - - - -	63
Appeals - - - - -	69
Internal services - - - - -	78
Analysis of trends in spending and human resources - - - - -	87
Actual expenditures - - - - -	88
Actual human resources - - - - -	90
Expenditure by votes - - - - -	91
Alignment of spending with the whole-of-government framework - - - - -	91
Financial statements highlights - - - - -	93
Supplementary information - - - - -	95
Corporate information - - - - -	96
Supporting information on lower-level programs - - - - -	97
Supplementary information tables - - - - -	97
Federal tax expenditures - - - - -	97
Organizational contact information - - - - -	98
Appendices - - - - -	99
Agency governance and the Board of Management - - - - -	100
Financial statements - - - - -	113
Service standards - - - - -	183
Taxpayer Bill of Rights - - - - -	190
Other items of interest - - - - -	191
Definitions - - - - -	194
Endnotes - - - - -	196



# A MESSAGE FROM THE MINISTER

The Honourable Diane Lebouthillier, P.C., M.P.  
**Minister of National Revenue**



I have had the honour of serving Canadians as Minister of National Revenue for the past two years. When I was appointed in 2015, I was given the mandate to ensure that the Canada Revenue Agency (Agency) become more fair and helpful, and its services easier to use, so that Canadians interacting with the Agency would feel more like valued clients and not just taxpayers. This report sets out the concrete results that have been achieved by the Agency and communicates the progress made during 2016-2017.

Over the past year, the Agency continued to provide high quality services to taxpayers and to benefit recipients. Innovative methods were introduced to permit more timely communication between the Agency and taxpayers, opening the door for ongoing dialogue without compromising the security of taxpayer information. The CRA also made it easier for taxpayers to access its digital services, and millions of Canadians made use of these improved, secure services. No matter how Canadians now contact the Agency, they can be sure that we treat them like valued clients and they will receive the high standards of service they expect.

I am especially committed to improving the services that the CRA offers to Indigenous peoples, individuals who have modest incomes and middle class families. Using investments announced in the 2016 Budget, the Agency took action to ensure that more taxpayers file their returns and receive the amounts they are entitled to by proactively reaching out to over 20,000 Canadians who were eligible for benefits but not yet receiving them. The CRA also improved the clarity and simplicity of its correspondence to make it easier for taxpayers to comply with their tax obligations. Meanwhile, the Government of Canada made a significant investment toward optimizing the CRA's Community Volunteer Income Tax Program so that the Agency can provide more assistance to taxpayers with modest incomes and simple tax situations.



I am proud of Agency employees' professionalism and integrity, and Canadians can be proud to count on a tax administration that is **world-class**.

—The Honourable Diane Lebouthillier, P.C., M.P.  
**Minister of National Revenue**

The Agency also took steps during 2016-2017 to make regulations for registered charities more fair and transparent. Increased involvement with charities and the consultations that we held gave both me and the Agency a better understanding of the challenges that these organizations face. I am especially pleased to note the extent to which charities participated in these consultations and I look forward to continuing our engagement with the charitable sector to ensure that charities get the support they need to carry out the important work they do on behalf of Canadians.

In light of the disturbing revelations from the Panama Papers and to respond to the desire by Canadians that all taxpayers pay their fair share, the Government of Canada increased the number of Agency resources assigned to the fight against tax evasion and aggressive tax planning. We pursue individuals and businesses that are not meeting their obligations, identifying an additional \$21.6 billion in potential revenue this past year. Canada is working closely with other members of the Organisation for Economic Co-operation and Development to make sure that individuals who hide their income and assets abroad are brought to justice and pay their fair share. Historical investments from the 2016 Budget have allowed the Agency to hire more experts in behavioural economics, data analysis, forensic accounting and project management to research and address both domestic and international tax schemes. The additional funding invested in the Agency by the Government of Canada, as well as the expertise of Agency employees, is helping to identify more of the revenue needed to fund the essential programs that assist millions of Canadians.

I am proud of Agency employees' professionalism and integrity, and Canadians can be proud to count on a tax administration that is world-class. I am confident that you will draw the same conclusion after reading of the Agency's many accomplishments in this 2016-2017 Canada Revenue Agency Departmental Results Report.

**The Honourable Diane Lebouthillier, P.C., M.P.**  
Minister of National Revenue

# FOREWORD BY THE CHAIR

Suzanne Gouin  
**Chair, Board of Management**



In 2016-2017, the Board of Management continued to encourage fair and timely service to Canadians. The Board met its statutory obligation to oversee the organization and administration of the Agency, offering strategic advice to senior management to improve service and performance.

This year was another year of transition. The Board collaborated with two commissioners of Revenue during the fiscal year: first Mr. Andrew Treusch, and then Mr. Bob Hamilton, who took over on August 1, 2016, upon Mr. Treusch's retirement. The Board thanks both Mr. Treusch for our successful collaboration throughout his tenure, and Mr. Hamilton for the strong and productive start to the relationship with our members.

During 2016-2017, the Board's achievements were realized under the leadership of Mr. Rick Thorpe, whose term as Chair of the Board ended on July 31, 2017. Members are grateful for his devotion to public service and to the CRA. We also thank Ms. Susan Hayes for accepting to serve as Chair in August 2017.

Throughout this reporting period, the Board maintained its four strategic Board priorities: service to Canadians, integrity and security, people management, and resource optimization. It also adopted a fifth priority, innovation, which has become a significant objective for both the CRA and the government as a whole.

In all areas of management, the Board underscored the importance of measurable and timely results for Canadians. The Board supported the Agency's progress on goals identified in the 2016-2017 to 2018-2019 Corporate Business Plan and in the Government of Canada's results framework. Members actively monitored targets of budgetary focus as well as fulfilment of the Minister's mandate, and fully supported the CRA's vision to ensure the CRA is a world-class tax and benefit administration, where taxpayers feel like valued clients.

“

This year, the Board emphasized the Canada Revenue Agency's continuing focus on serving clients with fairness and respect.

—Suzanne Gouin  
Chair, Board of Management

Other highlights of the Board's work during the year included strategic discussions on Canadians' perception of tax fairness, the Board's encouragement of new and improved digital services and heightened electronic participation by tax filers, a Board study of post-employment practices and an action plan to implement recommendations. The Board appreciated and promoted continued efforts within the Agency to streamline and improve service through the Service Renewal initiative, which modernized compliance and collections processing, and through the CRA's continued consultations with small and medium businesses. The Board remains a strong proponent of the CRA's commitment to the Appeals Comprehensive Business Plan to ensure a timely response to taxpayer objections.

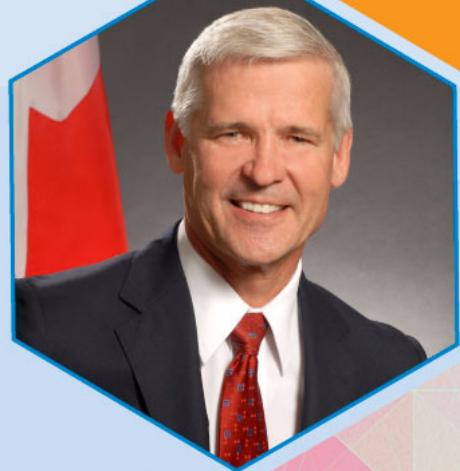
Turnover on the Board was high during this period, and members placed a renewed emphasis on director orientation and development. Members engaged in many helpful and informative discussions with senior management and staff of the Agency, and received excellent support, which was essential to the successful exercise of the Board's oversight responsibilities.

On behalf of the CRA Board of Management, I am pleased to recommend this report to the Minister of National Revenue, the Honourable Diane Lebouthillier, for tabling in Parliament.

**Suzanne Gouin**  
Chair, Board of Management

# A MESSAGE FROM THE COMMISSIONER

Bob Hamilton  
**Commissioner of the Canada Revenue Agency**



The Canada Revenue Agency (CRA) touches the lives of Canadians from all walks of life through its interactions with individuals, businesses, and charitable organizations. It is our role to administer the tax, benefits, and related activities that support the vast range of social and economic programs that sustain Canada's high standard of living and quality of life. Our goal is to be a World-Class Tax and Benefit Administration.

This past year, the CRA took further steps to make it easier for Canadians to meet their tax obligations by improving the electronic offerings that allow us to more effectively deliver services, increase the overall accessibility of tax information, and provide more options to interact with us. We began to offer a number of new and enhanced secure digital services for both businesses and individuals—including Auto-fill my return, for which we received over seven million requests during the 2017 filing season. We also completed the redesign of 75% of our external correspondence to make it easier to read and understand.

The CRA strives to ensure that all taxpayers comply with Canada's tax laws. Budget 2016 investments have allowed us to enhance our focus on large multinational corporations, increase the number of auditors assigned to detect offshore non-compliance, and collect outstanding tax debts.

The protection of Canada's revenue base is greatly aided by international collaboration. During 2016-2017, the CRA continued to work with other tax administrations to improve transparency and address instances where tax planning arrangements are undertaken by multinational enterprises to inappropriately minimize their taxes. This has allowed Canada to maintain its central role in international discussions on base erosion and profit shifting, and to support multinationals operating in Canada that will be affected by the country-by-country reporting obligations that are to begin in 2018.



As the environment in which we operate continues to evolve, we will strive for excellence in the tax and benefits administration that we provide to Canadians. Our goal is to be a **World-Class** Tax and Benefit Administration.

—Bob Hamilton  
Commissioner of the Canada Revenue Agency

The CRA recognizes the importance of maintaining the trust of Canadians, so we make it a priority to be open and transparent. Canadians rely on us to exercise the highest levels of security to protect their information and they expect Agency employees to perform their duties with the utmost integrity. Over the past year, we put in place stronger technological controls and processes to proactively detect fraud and information abuse, and identified security weaknesses before they could be exploited. We also made aggregate data available to other government departments and agencies, academics, and the public in ways that balanced openness, transparency, and appropriate protection of sensitive information.

We recognize that the CRA is an organization that is highly visible and we are very proud of both the excellent reputation we have earned and our accomplishments over the past year. I know, however, that we cannot simply rely on past achievements; we can always do better. For this reason, the CRA has embarked on a world-class tax and benefit administration initiative to inject fresh ideas into the way we operate. Making use of international comparisons, we are examining our initiatives and operations using a rigorous and principled assessment to identify the Agency's strengths and reveal opportunities to position our organization to meet current and future challenges. As the environment in which we operate continues to evolve, we will strive for excellence in the tax and benefits administration that we provide to Canadians.

In submitting this report, I would like to extend a sincere thank you to all CRA employees who, in 2016-2017, helped deliver over \$31.8 billion in benefits to Canadians and administered over \$498 billion in taxes on behalf of governments across Canada. As we move forward, I remain confident in the dedication, knowledge, and professionalism of our employees to deliver quality results that matter to Canadians.

**Bob Hamilton**  
Commissioner of the Canada Revenue Agency

# Results at a glance

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## RESULTS AT A GLANCE



# Raison d'être, mandate, and role

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# Raison d' être

The Minister of National Revenue is responsible for the Canada Revenue Agency (CRA). The CRA administers tax, benefits and related programs, and ensures compliance on behalf of governments across Canada. The CRA collects the revenues governments need to deliver essential services to Canadians. The CRA processes hundreds of billions of dollars in taxes and issues billions of dollars in benefit and credit payments annually.

The CRA's mandate is to make sure Canadians:

- > pay their required share of taxes
- > receive their rightful share of benefits
- > get an impartial review of the decisions they contest

## Mandate and role

In fulfilling its core responsibilities, the CRA administers the Income Tax Act, the Excise Tax Act, and the Excise Act; collects taxes on behalf of provinces and territories; and collects non-tax debts for the federal government and administers legislation relating to the Canada Pension Plan and the employment insurance program.

## Service

The CRA provides taxpayers with the accurate and timely information they need to comply with Canada's tax laws through [Canada.ca](#)<sup>ii</sup>, call centres, publications, and technical interpretations and rulings. The Agency also assesses and processes tax returns and payments for individuals and businesses as quickly and accurately as possible. The CRA strives to provide a fair and impartial redress process to resolve disputes and requests for relief arising from decisions the CRA has made. If taxpayers are not satisfied with the outcome of this process, they can appeal to the courts.

## Compliance

The CRA identifies, addresses, and deters non-compliance with Canada's tax laws and undertakes audits and criminal investigations at the domestic and international levels. It helps to resolve tax debt and works with international partners to adopt strategies to combat aggressive tax avoidance.

## Benefits

The CRA administers a range of ongoing benefits and one-time payment programs for the provinces and territories and the federal government, such as the Canada child benefit, and the goods and services tax/harmonized sales tax credit. The Agency strives to make sure that the right benefit payment goes to the right individual at the right time, and gives recipients accessible information and timely responses to their enquiries.

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For more general information about the CRA, see the “Supplementary information” section of this report. For more information on the CRA's organizational mandate letter commitments, see the [Minister's mandate letter](#)<sup>iii</sup>.

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# 100 YEARS OF INCOME TAX



1917, a year which marked the 50th anniversary of Confederation, was an eventful year in Canadian history. Three years into the First World War, Canadian troops demonstrated their courage and tenacity, and their military acumen, in the battle of Vimy Ridge (April 9th–12th). Later in the year, on December 6th, Canadians at home displayed their own resolve and valour in responding to the death and destruction that overwhelmed Halifax as a result of the largest human-made explosion prior to the detonation of the first atomic bombs in 1945.

1917 was also the year taxation on income was introduced in Canada. Although some provinces had already imposed a tax on income, the Income War Tax Act of 1917 represented “a new departure in Canadian methods of raising money for federal purposes.”

Originally implemented to finance Canada’s war effort, income tax today – together with other taxes such as the GST/HST – supports numerous government programs and contributes to the economic and social well-being of all Canadians. Income tax helps pay for our health care, for infrastructure and regional development, assistance to farmers and other food producers, benefits to seniors and children, national defence and public safety, foreign aid, and student assistance programs.

In marking the 100th anniversary of the introduction of income tax in Canada, it is worth reflecting on the extent to which it has given Canada a secure economic and social foundation and provided Canadians with an enviable standard of living and a high quality of life.



# Operating context and key risks

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# Operating context

The CRA carries out its mandate by administering a complex set of acts, regulations, incentives, credits, surtaxes, and international treaties enacted by Parliament and provincial and territorial legislatures. Working in collaboration with the Department of Finance Canada, our legislative authorities support effective and efficient tax administration and promotes compliance through sanctions and penalties for not complying. Meanwhile, our provincial and territorial partners rely on us to deliver their tax and benefit programs. Canada's courts address tax and other disputes that cannot be successfully resolved through the CRA's administrative redress process.

The Agency counts on a wide range of intermediaries at all levels of the public and private sectors inside and outside Canada to help us serve our clients; for example, in Quebec, Revenu Québec administers the GST on our behalf. Partners outside of government, such as financial institutions, help us by providing convenient, accessible services to individuals and businesses so they can receive and deposit their refunds and pay their taxes on time. We also collaborate with multilateral agencies, such as the Organisation for Economic Co-operation and Development, the International Monetary Fund, and the World Bank—and a network of foreign governments—to develop common approaches to emerging and ongoing compliance challenges.

The Agency counts on Canadians to demonstrate a high level of voluntary compliance. The CRA works to build and maintain taxpayers' trust by being as open and transparent as possible about how it administers taxes and benefits. We also build trust by continually improving client service, by simplifying and streamlining the filing and payment process, and by communicating news about taxes and benefits to clients. We also collaborate with the Treasury Board of Canada Secretariat and other federal partners to provide ongoing support of the Government of Canada's commitment to openness and transparency, notably by making a wide range of aggregate tax data available to the public.

The Agency can best achieve its mandate by providing high-quality services to inform taxpayers of their obligations and help benefit recipients receive their entitlements. Canadians expect to interact digitally and securely with the CRA; advances in information technology drive and facilitate many of the service improvements we make to promote voluntary compliance. Through ongoing service improvements like these, we continue to increase our capacity to offer taxpayers certainty in meeting their tax obligations. We are also better able to take steps to make sure taxpayers, especially Indigenous peoples, seniors, lower-income earners, newcomers to Canada, and people with disabilities, receive all they are entitled to.

## Innovation

The CRA has made it a priority to seek out opportunities to try new ideas, adapt to new technology, and continuously improve its service to Canadians, and this report highlights a number of areas in which the Agency has taken significant steps to transform our core business to better meet our mandate. Engagement has been key to developing and maintaining a culture of innovation at the CRA.



In this report, advances and areas of innovation are marked with a light bulb graphic, representing the bright ideas that are serving to keep the Agency at the forefront of meeting Canadians' service expectations and protecting Canada's revenue base.

## Key indicators

The following indicators will be used to assess the CRA's performance in providing Canadians with access to timely, modern, and innovative services, while promoting and supporting compliance. These indicators are a subset of the CRA's overall performance measurement framework as described in pages 20 to 69 of the report.

Indicator	Target	2015-2016 result	2016-2017 result
Percentage of individuals who paid their taxes on time	90%	94%	93.1%
Dollar value of payments the CRA processed	N/A	\$485 billion	\$498.8 billion
Dollar value of benefit and credit payments to recipients	N/A	\$28.6 billion	\$31.8 billion
Percentage of electronic filing rates for individuals	2015-2016: 84% 2016-2017: 86%	84%	86.1%
Percentage of electronic filing rate for corporations	85%	88%	89.3%
Processing electronic individual income tax returns within an average of two weeks	100%	1.7 weeks	1.6 weeks
Percentage of electronic corporation income tax returns processed within 45 calendar days	90%	97.5%	84% <sup>1</sup>
Percentage of individual taxpayers with a My Account, either directly or through their tax representative	N/A	55.3%	63.8%
Percentage of businesses with a My Business Account, either directly or through their tax representative	N/A	40.3%	42.1%
Dollar value of identified non-compliance	N/A	\$23 billion	\$21.6 billion
Tax debt as a percentage of gross revenues	N/A	8.1%	8.3%
Caller accessibility <sup>2</sup>			
• Individual enquiries (peak season)	85%	85.6%	87.1%
• Individual enquiries (non-peak season)	80%	78.2%	87.1%
• Business enquiries	85%	86.3%	86.9%
• Benefit enquiries	80%	81.9%	89.6%
Percentage of service complaints resolved in 30 business days	80%	91.8%	83.6%
Percentage change in appeals (closing) inventory	N/A	8.5%	4.9%

<sup>1</sup> We did not meet our 90% target due mostly to changes in the taxation of dividends (announced last year within Bill C-2), which required us to manually review more than 230,000 corporation income tax returns.

<sup>2</sup> Caller accessibility measures the percentage of callers who succeed in reaching our telephone service. See page 24 for more information on our telephone service levels.

# Key risks

The CRA proactively monitors and addresses internal and external events that could affect whether it achieves its priorities and objectives. The CRA maintains a well-established risk process that regularly scans, identifies, and assesses key risks it must be aware of in a changing environment. The emerging trends and events that are identified can potentially affect the Agency's operations when delivering its programs and services.

Externally, several emerging global trends have affected the CRA's role in detecting non-compliance and delivering taxpayer services. Emerging digital currencies, online payment systems, and an increasing number of online platforms for businesses and services have enabled a growing trend of digitized and sharing-based economies. Also, the ever-increasing frequency and complexity of cyber attacks has prompted the CRA to make sure it has the intelligence and capacity required to detect and defend against them. In 2016-2017, the CRA received budget investments to improve client-focused services and introduce measures to prevent tax evasion and aggressive tax avoidance. The Agency has also realigned its objectives and priorities to effectively operate and address the potential impacts of these trends as they continue to evolve in the future.

Internally, several factors have influenced the CRA and the way it operates to deliver on its priorities. The CRA houses an ever expanding inventory of data assets, and managing information for tax and benefit programs is a core function of the CRA's business. Continuing to enhance how it governs and manages its data assets is critical. This includes renewing its IT infrastructure, breaking down data silos, and getting the right tools. Also, demographic changes in the CRA's workforce are requiring proactive strategies to prevent a gap between retiring employees and the workforce of the future. These shifting demographics create a need to transfer knowledge, train leaders, and recruit and retain specialized skill sets. The CRA's current priorities focus on career development, simplifying tools and processes, and transitioning to online platforms. These have expanded the CRA's ability to address the potential impacts of future changes internally.

The key risks in these areas are prioritized by their potential impact on the CRA's commitment to service, compliance, integrity, security and innovation. By making sure its risks are properly identified and managed, the CRA continues to be well-positioned to deliver on its mandate and maintain the trust and confidence of taxpayers.

## KEY RISKS



## Mitigating strategy and effectiveness

<p>The 2016-17 Report on Plans and Priorities (RPP) identified cybersecurity as a key risk under the CRA's priority of security and integrity. The CRA maintains strong security controls and has made progress on several fronts to continue strengthening them.</p> <p>These are the most recent actions and activities taken to respond to this risk:</p> <ul style="list-style-type: none"> <li>• The CRA is addressing its data security requirements with the Data Security Initiative. This initiative will further reduce the risk of data being distributed to unauthorized parties.</li> <li>• The CRA implemented the Identity and Access Management project, which increased the protection of CRA information.</li> <li>• The CRA is implementing the National Audit Trail System project. This project gives the CRA an enterprise fraud management solution and helps proactively analyze user transactions and safeguard the confidentiality of taxpayer information.</li> </ul> <p>The results of these risk responses help the CRA strengthen its security, reduce its exposure to risk, and adapt to managing a complex, demanding, and rapidly evolving business environment. This positively affects the CRA's culture of integrity, as well as helps mitigate certain CRA security risks.</p>	<p>The 2016-17 RPP identified the top compliance risks as offshore assets, transfer pricing, digital commerce, and the sharing economy.</p> <p>These are the most recent actions and activities taken to respond to each risk:</p> <p><b>Offshore assets:</b></p> <ul style="list-style-type: none"> <li>• The CRA allocated more investments to hire additional auditors and specialists, increase verification activities, enhance the capacity of its investigative work, and further develop business intelligence infrastructure to crack down on tax evasion and aggressive tax avoidance.</li> </ul> <p><b>Transfer pricing:</b></p> <ul style="list-style-type: none"> <li>• The CRA continued its work with the Organisation for Economic Co-operation and Development (OECD)/G20 Base Erosion and Profit Shifting (BEPS) action plan to address instances of transfer pricing exploitation.<sup>1</sup></li> </ul> <p><b>Digital commerce:</b></p> <ul style="list-style-type: none"> <li>• The CRA is focusing its compliance strategies on the types of and extent of non-compliance in evolving digital currencies, digital payment systems and online businesses.</li> </ul> <p><b>Sharing economy:</b></p> <ul style="list-style-type: none"> <li>• The CRA continued to expand its research to better understand the extent and varying types of non-compliance in the emerging sharing economy. Studying areas that are rapidly evolving will help identify proper risk models to support potential strategies and new areas of focus.</li> </ul>	<p>Business intelligence was identified in the 2016-17 RPP as a key risk under the CRA's innovation priority. The following are the most recent actions and activities taken to respond to this risk:</p> <ul style="list-style-type: none"> <li>• The CRA continued to develop both the Business Intelligence Renewal initiative, and the Managed Metadata Environment project to work toward implementing an integrated "whole of agency" approach to generating and distributing business intelligence and research.</li> </ul> <p>The results of these initiatives will bring new innovative practices to the CRA. Those practices will allow the CRA to enhance its business intelligence capabilities.</p>	<p>The service channels risk was not previously identified in the 2016-17 RPP. It is a key risk area because of the CRA's priority to continually deliver improved services that will meet the evolving needs of taxpayers.</p> <p>These are the most recent actions and activities taken to respond to this risk:</p> <ul style="list-style-type: none"> <li>• The CRA is currently implementing the Service Modernization strategy. This strategy will respond to the increasing digital expectations of Canadians and make it easier for them to comply by providing end-to-end, digital services that are easy, fast, and secure.</li> <li>• Work is ongoing to implement the Benefits System Renewal project to modernize the benefits IT infrastructure. Modernizing the infrastructure will increase the capacity for additional growth, eliminate infrastructure risks, and support improvements to how benefits are delivered.</li> </ul> <p>The CRA continues to enhance its service channels to help taxpayers meet their tax obligations and receive the benefits they are entitled to. The results of these initiatives deliver on the CRA's priority to provide services that meet the needs of diverse stakeholders and taxpayers.</p>
<p><b>Link to CRA's Programs:</b></p> <ul style="list-style-type: none"> <li>• Internal Services</li> </ul> <p><b>CRA priorities:</b></p> <ul style="list-style-type: none"> <li>• Integrity and Security</li> </ul>	<p><b>Link to CRA's Programs:</b></p> <ul style="list-style-type: none"> <li>• Reporting Compliance</li> <li>• Taxpayer and Business Assistance</li> <li>• Assessment of Returns and Payment Processing Individual Returns</li> <li>• Collections, Compliance, and Verification</li> <li>• Appeals</li> </ul> <p><b>CRA priorities:</b></p> <ul style="list-style-type: none"> <li>• compliance</li> <li>• service to small and medium enterprises</li> </ul> <p><b>Mandate letter commitments:</b></p> <ul style="list-style-type: none"> <li>• Invest more resources to help the CRA crack down on tax evaders and work with international partners to adopt strategies to combat tax avoidance.</li> </ul>	<p><b>Link to CRA's Programs:</b></p> <ul style="list-style-type: none"> <li>• Internal Services</li> </ul> <p><b>CRA priorities:</b></p> <ul style="list-style-type: none"> <li>• our people</li> <li>• innovation</li> <li>• integrity and security</li> <li>• service to Canadians</li> </ul> <p><b>Mandate letter commitments:</b></p> <ul style="list-style-type: none"> <li>• Make sure the CRA is a client-focused agency that supports more Canadians who want to file taxes without using paper forms</li> </ul>	<p><b>Link to CRA's Programs:</b></p> <ul style="list-style-type: none"> <li>• Internal Services</li> <li>• Taxpayer and Business Assistance</li> </ul> <p><b>CRA priorities:</b></p> <ul style="list-style-type: none"> <li>• innovation</li> <li>• service to small and medium enterprises</li> <li>• service to Canadians</li> </ul> <p><b>Mandate letter commitments</b></p> <ul style="list-style-type: none"> <li>• Make sure the CRA is a client-focused agency that: <ul style="list-style-type: none"> <li>o supports more Canadians who want to file taxes without using paper forms</li> <li>o delivers straightforward and easy-to-read correspondence and communications</li> </ul> </li> </ul>

1. Base erosion and profit-shifting (BEPS) refers to international tax planning arrangements used by multinational enterprises to unduly minimize their taxes. See page 48.



# Results

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# Taxpayer and business assistance

The taxpayer and business assistance program is committed to providing taxpayers with the accurate and timely information they need to comply with Canada's tax laws. The Canada Revenue Agency (CRA) website is organized according to taxpayer needs, giving detailed information about its programs and services for individuals and families, businesses, charities and giving, and representatives. Taxpayers with more complex information needs can contact the CRA's call centres, refer to its publications and videos, or use its technical interpretations and rulings services. To further support taxpayers, the CRA monitors charities and administers registered plans to make sure they meet the legislative requirements.

## Performance results

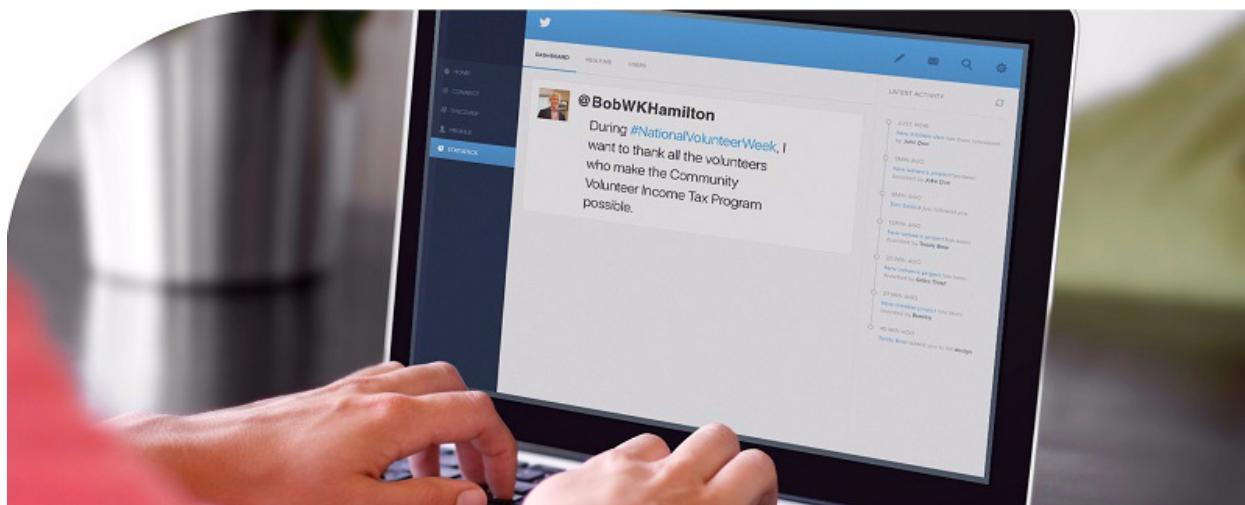
EXPECTED RESULT	INDICATOR	TARGET	2014-15 RESULTS	2015-16 RESULTS	2016-17 RESULTS
Taxpayers and businesses have access to the information and services they require to voluntarily comply with tax laws	Percentage of service standard targets that are met or mostly met for individual and business enquiries <sup>1</sup>	100%	85.7% <sup>1</sup>	57.1% <sup>1</sup>	85.7% <sup>1</sup>
	General enquiries – telephone service level (target 80%)		81%	81%	81.2%
	Business enquiries – telephone service level (target 80%)		81%	81.4%	81.8%
	GST/HST rulings and interpretations – telephone enquiries (target 80%)		93.2%	86%	86%
	GST/HST rulings and interpretations – written enquiries (target 80%)		83%	74%	84%
	Charities – responding to telephone enquiries (target 80%)		76.2%	76.8%	82.5%
	Charities – written enquiries – routine (target 80%)		83.3%	71.6% <sup>2</sup>	81.7%
	Charities – written enquiries – complex (target 80%)		62.6% <sup>3</sup>	42% <sup>4</sup>	44.8% <sup>5</sup>
EXPECTED RESULT	INDICATOR	TARGET	2014-15 RESULTS	2015-16 RESULTS	2016-17 RESULTS
Organizations and businesses administering and/or producing registered plans, charities, and excise dutiable products are compliant with applicable legislation	Percentage of charity, registered plans, and commodity audits completed compared to planned	100%	97.5%	94.7%	98.6%

1. The percentage of the indicators listed below that have met or mostly met their targets during the fiscal year.
2. Available staff diverted to support telephone program delivery.
3. Volume of written enquiries increased, and training requirements diverted resources from answering enquiries.
4. Shortage of available staff to address complex enquiries, and existing staff diverted to support telephone program delivery.
5. A new strategy has been implemented to reduce the inventory; resources have been applied to both incoming and aged enquiries. Additionally, as of April 1, 2017, the timeframe of 75 days has been changed to 120 days.

# Digital services

Canadian taxpayers are seeking increasingly convenient ways to get information to meet their tax obligations and receive their benefit entitlements. To this end, the CRA always looks for ways to meet their needs and expectations by providing information through a variety of means that are convenient and easy to use. The web is the mainstay of the Agency's communications efforts. In 2016-2017, taxpayers visited the CRA website over 200 million times and downloaded nearly 21 million forms and publications. We have been preparing for a seamless migration to the [Canada.ca<sup>ii</sup>](#) domain, where taxpayers use improved navigation to access the information they are searching for.

In 2016-2017, the CRA finalized preparations for the transition of all its web content to [Canada.ca<sup>ii</sup>](#). For Canadian taxpayers seeking answers to their tax questions on the web, the Taxes tab on [Canada.ca<sup>ii</sup>](#) provides timely, accurate, and relevant information. We update our web content regularly to improve navigation and clarify information. The Agency also uses web analytics and usability testing to help us understand how Canadians use this information, and to assess and monitor the effectiveness of the content. As part of our efforts to make access to our information as convenient as possible, the CRA's web content is designed to display on any electronic device: smartphone, tablet, laptop, or desktop computer.



## Twitter and YouTube

Canadians continue to seek information and updates through innovative platforms, such as videos on the CRA's YouTube channel and tweets from our Twitter account. We have responded to these demands by expanding the variety and reach of our social media campaigns to better serve taxpayers who choose these media. The CRA uses Twitter as a way to interact with Canadians; it allows us to widely share our web content and YouTube videos about the services we provide. The CRA's video series on its YouTube channel is available in several languages.

# Written correspondence

In 2016-2017, the CRA sent out about 130 million pieces of correspondence, including notices, statements, and letters. We have advanced our initiative to simplify all our correspondence by making significant changes to the design, tone, and structure to make it easier for Canadians to understand their tax obligations. We have received positive feedback from taxpayers and some media outlets about these improvements.

## KEY RESULTS



In 2016-2017:

- > We received over 200 million visits to our webpages
- > Nearly 21 million forms and publications available on the web were downloaded
- > We posted 32 new or updated videos between April 2016 and March 2017; the English and French videos on our YouTube channels were viewed 156,305 times
- > The most-viewed CRA video on YouTube was "Filing online — fast, easy, and secure," with over 7,000 views, whereas the most viewed video on the CRA website, "How to register for My Account," was viewed over seven million times
- > Since 2015, 75% of all external correspondence has been redesigned to be simpler and clearer

# Outreach and the Community Volunteer Income Tax Program

The CRA engaged with and visited representatives from a variety of vulnerable population segments in 2016-2017. All outreach visits are conducted with the following goals in mind:

- > to heighten awareness of benefits and credits available through tax filing
- > to provide tools and tips on how to file
- > to promote, recruit, and support new organizations and volunteers to participate in the Community Volunteer Income Tax Program (CVITP)



The CRA established partnerships with other government departments—such as Employment and Social Development Canada and Indigenous and Northern Affairs Canada—to collaborate on several initiatives aimed at building a whole-of-government approach to engagement with Indigenous peoples on benefits promotion.

As part of the Government of Canada's commitment to improve service to Canadians, we also maintained support to those who need help to meet their tax obligations, specifically through the CVITP. This program offers free clinics to help prepare income tax and benefit returns for eligible individuals, particularly those with a modest income.

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**A former user of the Community Volunteer Income Tax Program** who needed help getting her taxes done for the first time when she arrived in Canada is now proudly celebrating five years as a volunteer. "I think it's important to help other people, to give back your blessings."

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Funding from Budget 2016 has allowed the CRA to strengthen the services offered by the CVITP, recruit additional organizations and volunteers, and increase the number of taxpayers getting help to complete their returns through the program. To this end, the CRA has made improvements in the following areas:

- > process: we clarified wording about the registration process for volunteers and organizations
- > training: we created two new courses for returning volunteers and organizations, and updated all courses with new wording and some with new images
- > technology: we conducted research to find better tools to track and report on the CVITP, and created online self-study courses to be piloted in 2017-2018

## KEY RESULTS

In 2016-2017:

- > In collaboration with Service Canada, we visited 237 Indigenous communities
- > We doubled the number of CVITP community organizations holding clinics on reserves to 193
- > The CVITP assisted 702,965 individuals
- > The CVITP helped complete 768,349 tax returns

# Telephone programs

The CRA's call centres handle millions of tax enquiries every year and remain a key channel for providing service to taxpayers. While we have achieved a great deal of success in providing comprehensive and responsive information services online and self-service options on the telephone, the volume of calls continues to grow and the nature of calls are, on average, more complex and time-consuming. With the shift toward increasingly complex and longer calls, we have faced ongoing challenges with having sufficient resources. Although self-service options continue to improve and meet the needs of Canadians in new ways, the CRA finds that these services can create new reasons for Canadians to call the CRA. These reasons can include obtaining technical support to access a service, or to discuss a complex topic after having researched the details on our website.

Although we have achieved our annual service objectives, we are continuing to take steps to address the challenges in responding to call demand and continually improving the quality of the information provided to callers. The table below provides a detailed breakdown of the manner in which calls to our individual and business enquiries call centres were treated.

	Number of calls answered by an agent	Number of calls abandoned in the agent queue	Number of calls answered through self-service <sup>1</sup>	Number of calls that received a busy signal
Individual	9,770,365 <sup>2</sup>	258,534	5,529,335	14,947,677
Business	3,204,261 <sup>3</sup>	61,199	982,097	6,193,100

<sup>1</sup> Defined as calls that reached the Interactive Voice Response (IVR), within business hours, where the option to speak to an agent was not selected, as well as calls that accessed the IVR outside business hours.

<sup>2</sup> 81% of calls were answered within two minutes of entering the agent queue.

<sup>3</sup> 82% of calls were answered within two minutes of entering the agent queue.



During the last quarter of 2016-2017, we integrated our e-Services Helpdesk with our individual and business enquiries lines to reduce the need to call more than one phone line.

Also, CRA phone agents now have the ability to provide callers with a security access code, allowing individual taxpayers to register for My Account immediately, rather than waiting five to ten business days to receive the security code by mail. The CRA also expanded the number of transactions available to callers through our automated Interactive Voice Response allowing callers to obtain information or perform many common transactions without requiring assistance from an agent. Access to our automated Interactive Voice Response is available 24 hours a day, 7 days a week.

## KEY RESULTS ➤➤➤

In 2016-2017:

- > We answered 19.5 million income tax and business-related calls through agents and automated services
- > We met our service standard target of 80% for timeliness by answering calls within two minutes of callers entering the agent queue 81% of the time for individual enquiries and 82% of the time for business enquiries
- > 87% of business and individual callers were assisted through agent or automated services

# Charities

The CRA is responsible for administering registration for charities, registered Canadian amateur athletic associations, and registered national arts service organizations. The Agency develops guidance products to help charities understand the requirements of registration. In 2016-2017, we published new guidance products to help taxpayers, as well as our first Report on the Charities Program 2015-16 to increase transparency through the sharing of information about how the CRA regulates charities.

The CRA also engaged in several charitable sector conferences and seminars over the 2016-2017 year allowing us to:

- > learn more about the environment in which charities are operating and the challenges they face
- > offer valuable information to registered charities
- > demonstrate our commitment to the overall social well-being of Canadians by being an engaged regulator of the charitable sector



**The Government** remains committed to clarifying the involvement of the charitable sector in public policy dialogue and development.

—**The Honourable Diane Lebouthillier,**  
Minister of National Revenue

As part of the Government of Canada's commitment to clarifying the rules that govern the participation of charities in political activities and making it easier for them to comply with tax laws, extensive online and in-person consultations were held with over 165 public and charitable sector representatives in seven cities across the country. Subsequently, a consultation panel composed of five experts on the charitable sector reviewed the feedback and presented its report to the Minister of National Revenue in March 2017. The Minister has shared the report with the Department of Finance to act on suggestions for changes to the Income Tax Act; the Government of Canada will carefully review it to inform its future regulation of charities.

## KEY RESULTS ➤➤➤

In 2016-2017:

- > We provided timely response to applications for charitable registration: 89% of simple applications were answered within two months, and 86% of regular applications were answered within six months. We surpassed our target of 80% in both instances
- > We processed 82,846 registered charity information returns
- > We audited 812 charities, including all those known to be participating in gifting tax shelters

# Policy, rulings, and interpretations

Taxpayers, businesses, tax professionals, and industry associations depend on the CRA for current and accurate technical tax information. Over the course of 2016-2017, the rulings the CRA issued helped ensure its key priorities of compliance and service were met. We also improved service to taxpayers and other stakeholders through the following income tax measures:

- > increased capacity in various centres across the country
- > published income tax folios
- > prepared for the July 2017 launch of our Dedicated Telephone Service



In regard to this last measure, our new Dedicated Telephone Service gives a predetermined number of income tax service providers who prepare returns and advise a large number of taxpayers access by telephone to rulings officers. Facilitating access to experienced staff to help with complex technical income tax enquiries leaves lines open and call centre agents available on our general enquiries lines; this will help improve service to the rest of the Canadian tax-paying public.



To improve service to taxpayers with respect to GST/HST, in May 2016, the CRA began accepting online requests for GST/HST rulings or interpretations through the new Submit Documents feature in My Business Account and Represent a Client. We also built on the efficiencies gained by implementing a new inventory model that routes policy or precedent-setting written requests for GST/HST rulings and interpretations to a technical expert in a timelier manner. Lastly, the CRA assisted with the implementation of rate increases for the harmonized sales tax in the following ways.

- > We provided support to New Brunswick, Newfoundland and Labrador, and Prince Edward Island
- > We provided information and responses to enquiries from taxpayers

## KEY RESULTS ➤➤➤

In 2016-2017:

- > We received over 1.1 million site visits to our newly published, web-friendly income tax folios
- > We received over one million site visits to GST/HST technical publications, including technical information made available by the effective date of a change in legislation
- > We provided 2,482 GST/HST rulings and interpretations
- > We completed 2,250 income tax technical interpretations, 87% of which were completed within 90 business days, exceeding our service standard target of 85%
- > We provided 129 advance income tax rulings
- > We completed 90% of CPP/EI rulings on time
- > We responded to 90,821 GST/HST technical telephone enquiries

# Registered plans

Registered plans are an important financial tool for many Canadians. Through tax exemptions, deductions, and deferrals, the Government of Canada encourages and helps Canadians to save for education, disability, and retirement. The CRA registers and monitors deferred-income and savings plans such as employee pension plans, retirement savings plans, education savings plans, disability savings plans, and tax-free savings accounts. We participate in the deferred-income and savings plans sector in Canada by promoting compliance with legislation through a combination of outreach, education, and verification.



The CRA pursues service excellence and innovation through process and system transformations. We are expanding our capacity to communicate with clients by making it possible for them to provide more registered plans forms through an online tool. We are actively seeking a solution to enable full electronic communication with registered plan administrators.

Canadians who rely on registered plans to help them secure income for the future depend on the CRA to protect the integrity of the tax-deferred savings system in Canada. The CRA strives to make sure registered plans comply with legislative requirements—while reducing the administrative burden on plan administrators—by collaborating with our federal and provincial counterparts.

In administering the laws that apply to registered plans, however, we continued to face a number of challenges during 2016-2017 in meeting three of our service standards.

- > Responding to written enquiries for deferred-income plans within sixty days at least 80% of the time, where our achievement was 65%.
- > Responding to requests for recommended employer contributions to a registered pension plan within 270 days of receipt of the actuarial report at least 80% of the time, where our achievement was 54%.
- > Providing a decision within 180 calendar days of receipt of an application to register a pension plan at least 85% of the time, where our achievement was 82%.

In response to missing our targets for these standards, we are committed both to putting the necessary staff in place over the coming year to address existing backlogs and to identifying the underlying issues that are contributing to these performance shortfalls, which we have experienced over the past number of years.

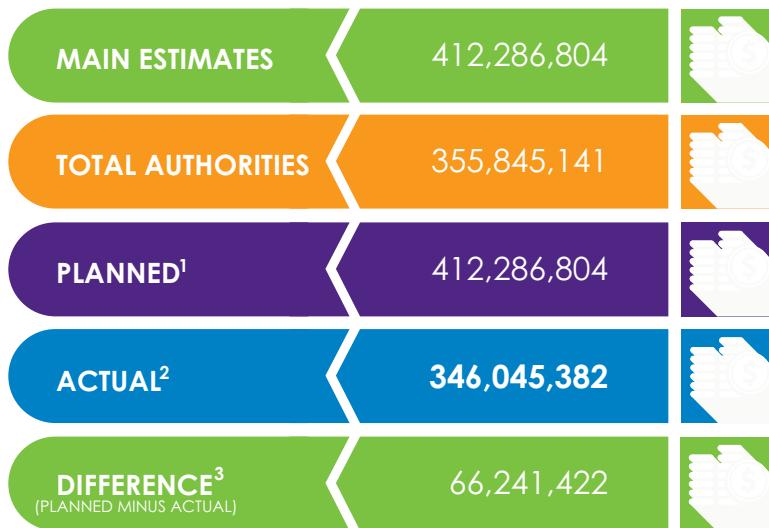
## KEY RESULTS ➤➤➤

In 2016-2017:

- > We responded to 65% of written enquiries for deferred-income plans within 60 days
- > We reviewed 82% of the applications to register pension plans within 180 days
- > We approved 54% of requests for eligible contributions within 270 days
- > We audited 364 registered plans

# Taxpayer and business assistance

## BUDGETARY FINANCIAL RESOURCES (dollars)



## HUMAN RESOURCES (FTEs)<sup>4</sup>



- 
1. Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2015-2016 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in total authorities and actual spending.
  2. Modified cash basis, based on Parliamentary appropriations used. See pages 127 and 128 of the Departmental Results Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.
  3. Decrease primarily due to lower than planned statutory payments related to the Canada/US softwood lumber agreement partially offset by increases associated with collective bargaining adjustments and spending to implement and administer service and charities measures announced as part of Budget 2016.
  4. Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.
  5. Increase primarily due to new funding for service and charities measures announced as part of Budget 2016 as well as increased volumes in the first call resolution line associated with the Canada Child Benefit program.

# Assessment of returns and payment processing

The assessment of returns and payment processing program assesses and processes tax returns and payments for individuals and businesses as quickly and accurately as possible, giving them early certainty to help them manage their tax affairs confidently. The Canada Revenue Agency (CRA) aims to reduce red tape by providing streamlined and timely services to individuals and businesses while securing Canada's revenue base.

## Performance results

EXPECTED RESULT	INDICATOR	TARGET	2014-15 RESULTS	2015-16 RESULTS	2016-17 RESULTS
Individuals, businesses and registrants are provided timely and accurate tax assessment notices and tax payment processing.	Percentage of service standards targets that are met or mostly met relating to timeliness of processing for individual, business and GST/HST returns.	100% Processing T1 individual income tax returns (EFILE and NETFILE) (target: within an average of two weeks of receipt, 100% of the time)	100% <sup>1</sup> 1.6 weeks	100% <sup>1</sup> 1.7 weeks	80% <sup>1</sup> 1.6 weeks
		Processing T1 individual income tax returns (paper) (target: in an average of four to six weeks of receipt, 100% of the time)	5.6 weeks	5.6 weeks	4.4 weeks
		Responding to taxpayer-requested adjustments (T1) received by Internet (target: within an average of two weeks, 100% of the time)	1.6 weeks	1.8 weeks	1.4 weeks
		Responding to taxpayer-requested adjustments (T1) (target: within an average of eight weeks of receipt, 100% of the time)	7 weeks	7.8 weeks	10 weeks <sup>2</sup>
		Processing T3 trust returns (target: within four months, 95% of the time)	96.3%	96.4%	96%
		Processing T2 corporation income tax returns – electronic (target: within 45 calendar days, 90% of the time)	96.5%	97.5%	84% <sup>3</sup>
		Processing T2 corporation income tax returns – paper (target: within 90 calendar days, 90% of the time)	92.1%	92.8%	92.1%
		Processing GST/HST returns (target: within 30 calendar days, 95% of the time)	97%	96.7%	N/A <sup>4</sup>
		Processing GST/HST electronic returns (target: within 30 calendar days, 95% of the time)	N/A <sup>5</sup>	N/A <sup>5</sup>	98%
		Processing GST/HST paper returns (target: within 60 calendar days, 95% of the time)	N/A <sup>5</sup>	N/A <sup>5</sup>	98.3%
		Processing excise tax, excise duty, softwood lumber returns, and air travellers' security charge returns (target: within 60 calendar days, 95% of the time)	97.6%	98.5%	98.3%

The CRA makes it easy to meet filing, reporting, and payment obligations by offering an expanding suite of secure and easy-to-use services. We review the information received for errors and adjust tax returns for individuals and businesses. We also detect non-compliance through risk assessment and third-party data matching.

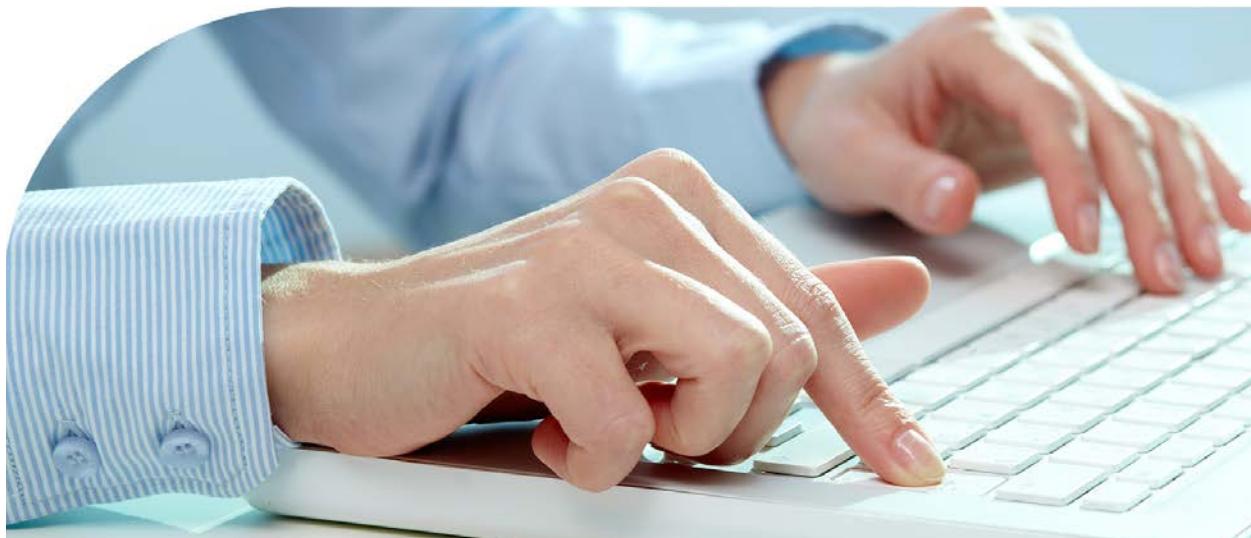
1. The percentage of the indicators listed below that have met or mostly met their targets during the fiscal year.
2. The adoption of new systems for processing reassessments in February 2016. System responsiveness challenges, mainly related to the technology, combined with a protracted learning curve resulted in decreases in productivity. These issues have been addressed.
3. The manual review of more than 230,000 corporation income tax returns primarily resulting from changes to the taxation of dividends announced earlier last year with Bill C-2.
4. This service standard has been retired.
5. This service standard was introduced in 2016-2017.

# Service enhancements

Responding to the increased desire of Canadians to interact digitally, we expanded our digital offerings and provided access to clear, accurate information and timely, convenient services. In 2016-2017, we launched various other innovative services that will improve taxpayers' interactions with the CRA.

## Auto-fill my return

This service can automatically fill out parts of an individual income tax and benefit return based on information the CRA has on hand. This significantly reduces the risk for human error and the burden on taxpayers who now only need to confirm the information imported about tax information slips and other tax-related information, such as capital gains and losses, as well as tuition, education, and textbook carryover amounts.



The Auto-fill my return service was improved for the 2017 filing season. Taxpayers were able to access more slips and could use the service to fill out returns for prior years. Between February 2017 and July 31, 2017, 7.9 million individual requests were made for tax information using the Auto-fill my return service—information that was delivered quickly and securely.

## Express notice of assessment



The new express notice of assessment (NOA) is available to taxpayers who use certified tax software to file their returns and are registered for My Account or My Business Account. Regular turnaround times for processing returns filed on paper are six to eight weeks. Under the previous standard for electronic filing, taxpayers received a NOA in eight to ten days. Beginning in the 2017 tax filing season, taxpayers who filed using certified tax software received an express NOA within 24 hours.

## ReFILE



During the 2016-2017 year, the CRA successfully launched its ReFILE service, making it easier for the more than 1.6 million individuals per year who want to amend their income tax and benefit return. Four out of five of these individuals were making amendments on paper. ReFILE now allows taxpayers to make changes online through their EFILE service provider. This improves timely, convenient, and secure services. Since its launch in February 2017—and as of July 31, 2017—over 51,000 ReFILE requests have been made.

## Submit documents



The Submit documents service allows taxpayers to securely submit documents that the CRA requests through one of our secure portals: My Account, My Business Account, and Represent a Client. Documents are accepted for certain CRA programs. As of June 2016, taxpayers requesting an adjustment to their tax return could use this service as an alternative method to making an adjustment request. In 2016-2017, taxpayers sent 1.4 million documents via this service, which represents a 59% increase over the previous year.

## My Account and My Business Account

Canadian taxpayers have come to rely on these secure digital services to perform tasks like viewing their personal income and benefit information and managing their tax affairs online. The CRA has continued to expand and improve its My Account and My Business Account portals, adding options such as:

- > account alerts
- > telephone authentication
- > Link to My Service Canada

In 2016-2017, individuals or their representatives logged in over 41 million times to My Account, and businesses or their representatives logged in over eight million times to My Business Account.

## Online mail



The CRA no longer issues certain types of correspondence by traditional mail to taxpayers who sign up for online mail. Instead, we send an email to the taxpayer, telling them there is online mail available to view in My Account or My Business Account. Over the course of 2016-2017, the Agency added more correspondence items to its online services, including instalment reminders and benefit notices and slips. This year the CRA also made it easier for businesses to sign up for online mail. As a result, more than 97,000 businesses signed up last year—a fivefold increase over each of the previous two years.

## Account alerts



In 2016-2017, the Agency put in place additional advanced fraud prevention measures in My Account to safeguard the information that taxpayers entrust to us. One such measure is account alerts, which sends notifications to a registered taxpayer's email address when an address or banking information for direct deposit on their account has been changed, or when mail the CRA sent to them was returned. In the two-month period between the launch of account alerts in February 2017 and the end of the fiscal year on March 31, 2017, over 280,000 taxpayers registered for the service.

## Telephone authentication



New authentication measures were put in place in 2016-2017 to allow taxpayers to access our convenient My Account services without the need to wait five to ten business days to receive a security code in the mail. Simply by validating their identity over the telephone while speaking to one of our call centre agents, taxpayers registering for My Account for the first time may now receive their code by email within minutes and can access the portal immediately. Between the launch of this service in February 2017 and the end of the 2016-2017 fiscal year, the CRA securely emailed over 370,000 security codes requested using telephone authentication.

## Link to My Service Canada



Canadians expect easier access to accurate and timely information and services. In 2016-2017, the Canada Revenue Agency launched a new initiative in collaboration with Service Canada. The Link to My Service Canada allows users of CRA's My Account to link directly to their My Service Canada Account—and vice versa—through a single secure session. Since the launch of this service in October 2016, there has been an average of 4,500 transfers per day from My Service Canada to My Account.

## KEY RESULTS



In 2016-2017:

- > 1.7 million individuals registered for online mail and over ten million pieces of correspondence were issued online
- > 97,736 businesses registered for online mail and over 556,000 correspondence items were issued online
- > 1,470,590 individuals enrolled in My Account; 64% of individuals are now registered
- > 159,925 new business owners enrolled in My Business Account; over three million businesses are now registered

# Processing returns and payments

Individual returns and business returns activities help taxpayers voluntarily meet their tax obligations by processing their information as quickly and as accurately as possible. The Agency assesses the information provided; makes adjustments where necessary; advises individuals and businesses of any changes; and issues or processes payments. It also registers businesses for a business number and administers corporate tax, GST/HST, excise tax, and those programs that administer other levies.



Over the course of 2016-2017, the CRA added new payment options, including pre-authorized debit for taxpayers who e-file personal income tax and benefit returns, and we increased the number of payment types available to online platforms of financial institutions.

In 2016-2017, we processed over 31 million income tax returns and assessed over \$2.1 billion in additional taxes owing by verifying claims for errors, reviewing high-risk claims, and matching the information in filed returns to third-party data.

## KEY RESULTS



In 2016-2017:

- > 86.1% of individual returns were filed online for the 2017 filing season
- > We processed 28,858,681 individual income tax and benefit returns
- > 89.3% of corporation income tax returns were filed online
- > We identified nearly \$68.5 million in additional taxes owing on corporation income tax returns
- > 87% of GST/HST returns were filed online and processed
- > We processed approximately 341,000 GST/HST rebate applications (excluding those in Quebec, which were processed by Revenu Québec)
- > We issued over 16 million refunds, totalling over \$28 billion
- > We reviewed over 285,000 individual returns, and taxpayers received beneficial adjustments to their tax returns of almost \$117 million.
- > Almost 66% of refunds to individuals were made by direct deposit
- > We processed nearly 39 million payments, totalling over \$498 billion, and received 80% of payments electronically (including payments remitted at financial institutions)

## Service Renewal

Canadians are increasingly turning to the internet to file and pay their taxes. Since 2005, the number of taxpayers filing online has almost doubled—from 12.2 million to 24.4 million—and the number of payments received electronically has increased from 18.6 million to 31.1 million. Today, more than 86.1% of taxpayers file their tax and benefit returns online, and the CRA receives 80% of payments electronically. These increases mean there has been a steady decline in the number of paper-based transactions the Agency processes across the country. As online processing grows, our processing centres are receiving less and less paper-based work.



The Agency has responded to this changing environment and is looking at its business differently. We launched the Service Renewal Initiative in November 2016 to improve the way our work is managed by consolidating processing activities in fewer sites. Four sites (Winnipeg, Sudbury, Jonquière, and Summerside) will specialize in processing and will grow in size. Work from two specialized processing sites in Ottawa will gradually be consolidated into sites elsewhere in Canada. New National Verification and Collections centres will be located in Surrey, Shawinigan, and St. John's to improve how we manage our collections and verification activities.

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**Service renewal** will improve service delivery to Canadians, offer continued opportunity to employees and ensure a strong presence in all regions of the country. This will improve the CRA's effectiveness and strengthen its ability to deliver on the Government of Canada's mandate and better serve Canadians.

—**The Honourable Diane Lebouthillier,**  
Minister of National Revenue

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The Service Renewal Initiative will create a more efficient organization and will fully leverage all employees to prepare for future growth and sustainability.

# Voluntary Disclosures Program

The Voluntary Disclosures Program promotes compliance with Canada's tax laws by encouraging taxpayers to voluntarily come forward and correct previous omissions in their dealings with the CRA.

The Voluntary Disclosures Program is intended to help taxpayers correct their affairs. It can, however, be used by sophisticated taxpayers to minimize or avoid the penalties that are intended to deter aggressive non-compliance. During 2016-2017, the Agency undertook a comprehensive review of the Voluntary Disclosures Program in response to the Sixth Report of the Standing Committee on Finance, The Canada Revenue Agency, Tax Avoidance and Tax Evasion: Recommended Actions. This review was also supported by the Minister's Offshore Compliance Advisory Committee, who had recommended the continuation of the Voluntary Disclosures Program but proposed to tighten the criteria for acceptance into the program. The Agency recently launched a 60-day online consultation to obtain feedback from Canadians on proposed revisions to the voluntary disclosures policy. Input from the public will help the Government of Canada ensure that Canadians have confidence in the fairness of their tax system, a key element of ensuring compliance. The CRA will announce changes to the program in the fall of 2017.

The House of Commons Standing Committee on Finance report can be found at:

<http://www.ourcommons.ca/DocumentViewer/en/42-1/FINA/report-6/><sup>iv</sup>

The Report on the Voluntary Disclosures Program can be found at:

<https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/report-on-voluntary-disclosures-program.html><sup>v</sup>

## KEY RESULTS

In 2016-2017:

- > We received more than 18,500 voluntary disclosures and generated more than \$1.6 billion in previously unreported income through voluntary disclosures. More than \$900 million of that amount resulted from offshore disclosures

# Assessment of returns and payment processing

## BUDGETARY FINANCIAL RESOURCES (dollars)



## HUMAN RESOURCES (FTEs)<sup>4</sup>

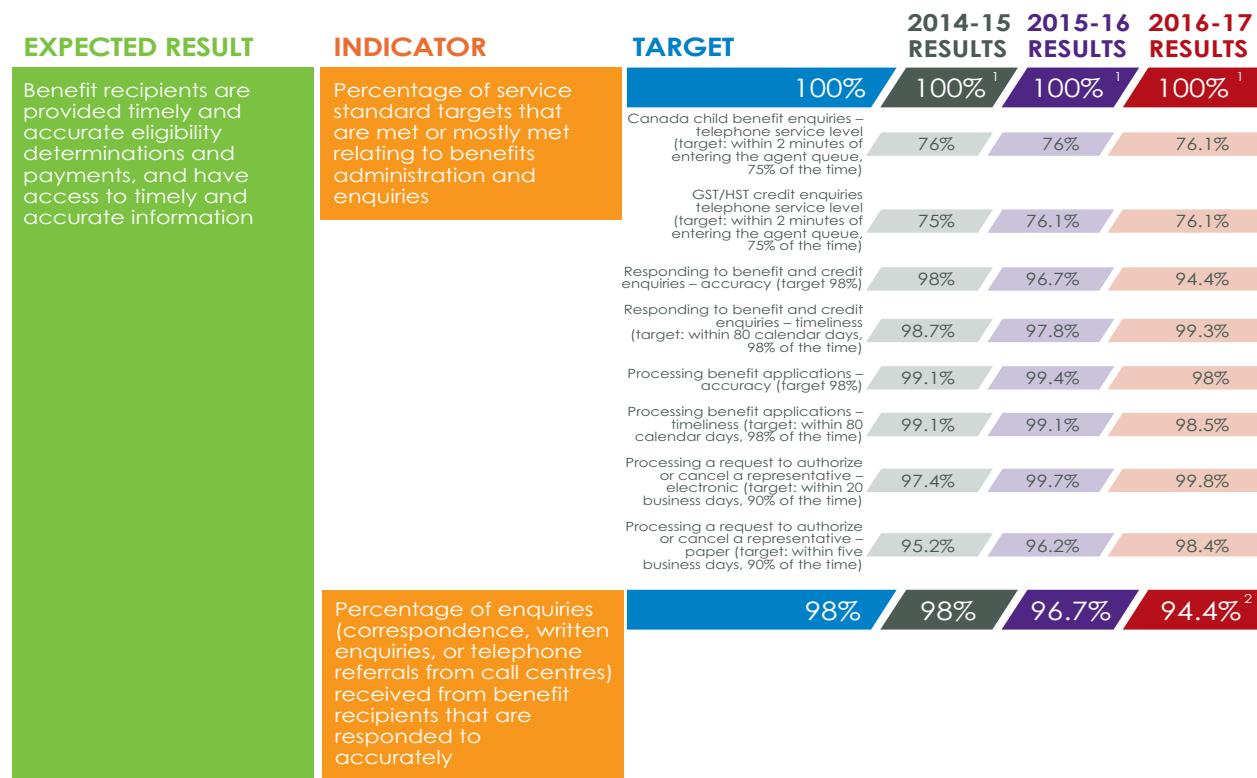


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1. Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2015-2016 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in total authorities and actual spending.
  2. Modified cash basis, based on Parliamentary appropriations used. See pages 127 and 128 of the Departmental Results Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.
  3. Increase primarily due to collective bargaining adjustments and the internal reallocation of funding for postage costs.
  4. Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.

# Benefit programs

Benefit programs help many Canadians who depend on benefit payments for a large part of their household income. The Canada Revenue Agency (CRA) administers a range of ongoing benefits and one-time payment programs on behalf of the provinces and territories and the federal government, such as the Canada child benefit and the GST/HST credit. The CRA makes sure the right benefit payment is made to the right individual at the right time and gives recipients accessible information and timely responses to their enquiries.

## Performance results



1. The percentage of the indicators listed below that have met or mostly met their targets during the fiscal year.

2. Processing errors were determined to be attributable to a deficiency in training, which has since been corrected.

The CRA provides individuals with the benefit payments they are entitled to. The CRA administers 157 benefits, credits, and services on behalf of partners such as the provinces, territories, and other federal government departments. Our expertise and systems lower the costs of administration and reduce the need for separate calculation and delivery systems at the federal, provincial, and territorial levels. We provide flexible and efficient administration based on our ability to quickly implement changes to meet our partners' needs, which in turn improves the service delivered to benefit recipients.

## Benefit programs administration

In 2016-2017, the CRA enhanced its communications strategy to increase awareness of available benefits and credits and to inform recipients of their rights and obligations. Various initiatives and collaborative communication products were used. For example, in October 2016, the CRA sent 260,000 letters to taxpayers who had not filed for the 2014 tax year, prompting them to file a tax return to get benefits they may have been entitled to. As of mid-February 2017, 21,532 potential benefit recipients had filed a total of 33,937 returns, with some filing returns for both 2014 and 2015. These taxpayers received over \$12.4 million in tax refunds for 2014 and 2015 combined. In addition, following the assessment of returns for those two years, the CRA issued over \$27.2 million in benefit and credit payments, helping 6,542 children.

## Canada child benefit and old age security pension

In July 2016, the CRA delivered the first Canada child benefit payments, replacing the Canada child tax benefit, the national child benefit supplement, and the universal child care benefit.



In October 2016, we successfully implemented a new data exchange with Service Canada in support of the Automatic Enrolment initiative for the old age security (OAS) pension. This was a major milestone in the Agency's contribution to Employment and Social Development Canada's OAS Service Improvement Strategy, whereby the CRA now provides Service Canada with the tax filing history of identified seniors so they can determine whether they can be automatically enrolled for the OAS pension.

### KEY RESULTS



In 2016-2017:

- > We administered 157 federal, provincial, and territorial benefit and credit programs and services
- > We reviewed 341,605 accounts based on our risk assessments, and 58.4% of the files reviewed had to be adjusted
- > We processed 942,959 account maintenance adjustments to GST/HST credit accounts because of changes to recipient family situations, such as a change in income, marriage, or a child turning nineteen
- > We issued 99.99% of Canada child tax benefit and Canada child benefit payments on time
- > We issued 117 million benefit payments to 12.4 million benefit recipients
- > We issued 82% of benefit and credit payments by direct deposit

# Digital services

To respond to the evolving service expectations of Canadians, the CRA periodically implements measures to ensure the security of our digital services, thereby protecting the personal information of benefit recipients. Canadians can apply for and receive benefits with the assurance that their personal information will remain confidential.

## Online mail



In July 2016, the CRA began delivering online benefit and credit notices to individuals who requested this service. All system-generated benefit notices are now available for viewing in My Account, including notices that were previously printed and mailed. Approximately 18% of all notices for our GST/HST credit and related programs and about 22% of all notices for our Canada child benefit and related programs were delivered online in 2016-2017. This resulted in an estimated cost savings of \$1,400,000 for our GST/HST credit and related programs and \$800,000 for Canada child benefit and related programs.



In addition, in February 2017, we began delivering online statements for benefit payments. Much like notices, when a statement becomes available, individuals are prompted to view it through My Account. In 2016-2017, some 779,000 statements were delivered online, resulting in an estimated cost savings to the Agency of \$600,000.

## MyBenefits CRA



In May 2016, the CRA launched MyBenefits CRA, a web-based mobile app designed specifically for benefit recipients. MyBenefits CRA gives benefit recipients easy access to their benefit information. It shows benefit and credit payment details—such as when benefits or credits will be paid and the amounts—as well as a breakdown between federal and provincial/territorial to their last benefit payment. It also allows users to view and update their marital status and view information the CRA has about children in their care. From May 2016 to the end of March 2017, taxpayers visited the app's home page approximately 300,000 times.

A large number of calls to our benefits enquiries line are related to payment dates and benefit amounts for recipients. The MyBenefits CRA app provides benefit recipients with a means to self-serve, allowing call centre agents to spend time answering more complex calls about benefit eligibility and payments.

## KEY RESULTS



In 2016-2017:

- > The benefits page in My Account registered nearly 6.7 million visits
- > The MyBenefits CRA app was visited 300,000 times

# Benefit enquiries

Many Canadians rely on benefit payments for a significant part of their household income. With that in mind, the CRA works to provide accurate and timely benefit information and services.

More and more users are opting for the convenience of our online tools, such as the MyBenefits CRA app. We are committed, however, to maintaining our telephone enquiries service and continually improving the quality and ease of use of our web content.

For Canadians who prefer to call the CRA for answers to their benefit questions, we continue to improve our telephone services to ensure that benefit recipients are able to discuss their needs with one of our telephone enquiry agents. During 2016-2017, the CRA met its caller accessibility and service level targets for benefit enquiries. Callers who were successful in accessing the service were given the option to speak with an agent. Of those who chose to do so, 76% were connected with an agent within two minutes of entering the agent queue, meeting our 75% target. Other improved service measures, such as the enhanced Interactive Voice Response system, let callers use self-service options such as obtaining the amount of their benefit payment.

	Number of calls answered by an agent	Number of calls abandoned in the agent queue	Number of calls answered through self-service <sup>1</sup>	Number of calls that received a busy signal
Benefits	3,058,145 <sup>2</sup>	64,400	4,279,280	5,527,404

<sup>1</sup> Defined as calls that reached the Interactive Voice Response (IVR), within business hours, where the option to speak to an agent was not selected, as well as calls that accessed the IVR outside business hours.

<sup>2</sup> 76% of calls were answered within two minutes of entering the agent queue.

## KEY RESULTS

In 2016-2017:

- > We answered 7.3 million calls on our benefit enquiries line through agent and automated services
- > We met our service standard target of 75% for timeliness by answering calls within two minutes of callers entering the queue 76% of the time for Canada child benefit and GST/HST credit enquiries
- > We met our service standard target of responding to benefit and credit written enquiries within 80 calendar days over 99% of the time, surpassing our goal of 98%

# Benefit programs

## BUDGETARY FINANCIAL RESOURCES (dollars)



## HUMAN RESOURCES (FTEs)<sup>4</sup>



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1. Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2015-2016 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in total authorities and actual spending.
  2. Modified cash basis, based on Parliamentary appropriations used. See pages 127 and 128 of the Departmental Results Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.
  3. Increase primarily due to higher than planned statutory Children's Special Allowance payments and collective bargaining adjustments partially offset by a reduction in spending as a result of a high volume of calls associated with the Canada Child Benefit program being made through the first call resolution line under the Taxpayer and Business Assistance program.
  4. Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.
  5. Decrease primarily due to lower than planned call volumes associated with the Canada Child Benefit program as a result of a high number of these inquiries being made through the first call resolution line, which is tracked under the Taxpayer and business assistance program.

# Reporting compliance

The Reporting Compliance program seeks to protect the integrity of Canada's voluntary compliance system by identifying and addressing the small segment of the population that does not report the correct amounts. The CRA's compliance interventions follow an escalating approach that moves from influencing compliance to enforcing it. The CRA seeks to influence compliance attitudes by increasing taxpayers' understanding of their tax obligations through targeted outreach activities, client service, and education. It also completes examinations, audits, and investigations at the domestic and international level to ensure Canada's tax laws are being followed.

## Performance results

EXPECTED RESULT	INDICATOR	TARGET	2014-15 RESULTS	2015-16 RESULTS	2016-17 RESULTS
Reporting non-compliance is detected and corrected by targeting compliance actions through effective risk assessment	Change rate (percentage of risk-assessed audit activities that result in detection of non-compliance by individuals and corporations)	75%	75%	76%	77%

# International and large business

The CRA helps to ensure that Canada receives its share of taxes from multinational corporations, large partnerships, and trusts with complex commercial and complex financial transactions. The CRA defines its large business population as businesses with over \$250 million in revenue. We enforce compliance with Canada's tax legislation by encouraging, assisting, and verifying compliance, doing this through taxpayer consultations, education, legislative reviews, and audits. Using our multinational enterprise centre of expertise in compliance management, the Agency can achieve operational efficiencies to better identify and address risks on specific files, and to ensure a more co-ordinated approach that results in better service and less burden to taxpayers.

This past year, the CRA successfully implemented a risk-based, integrated approach to international and large business audits by creating multidisciplinary teams of specialists to address complex and emerging tax issues. To better target our audit activities on aggressive tax avoidance and transfer pricing, newly-developed IT solutions allow us to assess the compliance risk of 100% of the large business population on a yearly basis. During the 2016-2017 fiscal year, these activities identified a total of \$8 billion in fiscal impact.

A main focus of the Agency's international and large business compliance activities is to identify and address abusive tax avoidance. The CRA leads an interdepartmental committee that reviews files and makes recommendations on the application of the General Anti-Avoidance Rule (GAAR), an Income Tax Act provision that received royal assent on September 13, 1988. The GAAR draws a line between legitimate tax minimization and abusive tax avoidance. The GAAR's purpose is to deny tax benefits to any taxpayer where the transactions comply with a literal reading of the provisions of the Income Tax Act and the Excise Tax Act, but are not in accordance with the object, spirit or purpose of the legislation. In such cases, the GAAR may be invoked by the Minister. Between the inception of the GAAR and March 31, 2017, the provision has been applied to 1,093 files. This represents 79% of the referred files. The number of taxpayers reassessed under this provision exceeds the number of files involved, because many arrangements comprise partnerships with multiple partners, a number of related parties, or groups of investors who have participated in avoidance schemes. Of the total number of files where the CRA has applied the GAAR, 66 were appealed to the judiciary system, a number that represents 6% of the 1,093 files mentioned above.

## Offshore non-compliance

Offshore non-compliance, involving low- or no-tax jurisdictions, continues to be a significant concern for most countries, including Canada. With the growth of the global economy, the rise of electronic commerce, and increased international trade, governments worldwide have witnessed a parallel rise in the development of complex tax schemes to aggressively avoid taxes. The use of offshore jurisdictions to conceal income results in a fiscal cost to governments and taxpayers—and reduces the fairness and integrity of the tax system. The use of aggressive tax avoidance schemes is a challenge for tax administrations around the world.

The CRA is targeting offshore non-compliance on several fronts, including through resource allocation appropriate to the type and level of risk, better access to and use of taxpayer information and third-party data, and increased international collaboration. We continue to play a leadership role in the global network of tax administrations working together to combat offshore tax evasion and aggressive tax avoidance, and to prevent high-net-worth individuals from avoiding their tax obligations. With new resources from Budget 2016 investments, and previous investments, the CRA has:

- > increased the number of its auditors and enhanced its risk assessment tools to use new information and identify high-risk, wealthy individuals
- > increased the number of auditors focusing exclusively on promoters of aggressive tax schemes



**The Government of Canada** is taking action to crack down on tax cheats. When some choose not to pay their share [through the use of offshore accounts], it places an unfair burden on the tax system.

We are sending another strong signal to tax cheats: that this behaviour will not be tolerated and they will face the full force of the law. Our Government will continue to update Canadians on these important actions to ensure a tax system that is responsive, fair and meets the needs of all Canadians.

—**The Honourable Diane Lebouthillier,**  
Minister of National Revenue

The Agency is committed to developing predictive and strategic analytics solutions to generate business intelligence. The CRA analyzed 48 offshore jurisdictions as part of its efforts to prioritize countries based on the risk they pose of being havens where taxpayers could conceal income to avoid their tax obligations. Of the 48 jurisdictions reviewed, 21 were identified as high-risk and are considered jurisdictions of concern for Canada. We have adopted a proactive approach of analyzing all international electronic funds transfers by targeting four jurisdictions or financial institutions of concern each fiscal year. As of March 31, 2017, the Agency has:

- > analyzed over 41,000 electronic funds transfers worth over \$12 billion
- > sent over 4,500 nudge letters to taxpayers
- > completed or initiated audits of 121 taxpayers

The Agency also finished a study of offshore audits completed between 2014 and 2017 in order to identify tax schemes, financial and non-financial transactions, or taxpayer behaviours related to offshore non-compliance. The study's research identified at least 10 typologies that will contribute to our understanding of some common methods used by Canadian taxpayers to conceal funds offshore for the purpose of avoiding taxes.

The CRA is continuing in its efforts to detect and deter those who help to promote aggressive tax planning or abusive tax avoidance schemes. Between April 1, 2003 and March 31, 2017, the Agency has levied over \$262 million in third-party penalties against promoters and tax preparers who advised their clients to participate in aggressive or illegal tax arrangements, plans or schemes. We currently have ten promoter audits underway.

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Since the CRA began identifying tax scheme promoters and their schemes, 933 promoters and 154 tax schemes have been identified. In 2016-2017 we identified 6 promoter tax schemes, 1 of which was identified at an early stage. Identifying tax schemes at an early stage means that the CRA is aware of the scheme before tax filing and proactively disallows payments. This ensures that taxpayers meet their filing obligations up front and thereby results in significant savings as the work of auditors, collection officers, appeals officers and the tax court are minimized.

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Implemented in January 2014, the CRA's Offshore Tax Informant Program offers financial compensation to individuals who provide information about major cases of offshore tax avoidance that lead to the collection of tax owing. From the inception of the Program in 2014 to March 31, 2017, the Agency has:

- > received 1,028 informant calls and 435 written submissions regarding possible cases of offshore tax avoidance
- > initiated audits of 227 taxpayers
- > assessed over \$1.6 million in federal tax and foreign-reporting penalties

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## THE PANAMA PAPERS

**On April 3, 2016**, the CBC published a story concerning the leak of 11.5 million documents from a Panamanian law firm, Mossack Fonseca, relating to the offshore financial affairs of numerous prominent individuals worldwide. Prior to the leak, the CRA had already started work related to potential Canadian clients of Mossack Fonseca. The leaked data was downloaded and over 3,800 records were found to have a Canadian link. More than half of these records are associated to suspected Canadian promoters. The CRA is reviewing all of the records.

In addition, the CRA is working closely with its domestic and international partners to share findings on the Panama Papers and is committed to supporting any ongoing international audit or investigation, where warranted. For example, in January 2017, through the OECD's Joint International Task Force on Shared Intelligence and Collaboration (JITSIC), the Agency participated in the largest ever simultaneous exchanges of information under treaty.

A Canadian financial institution was reported to have used the services of Mossack Fonseca to set up over 350 offshore corporations for its clients. The CRA requested and received information from the financial institution on over 300 of the corporations. The CRA reviewed the information and it appears to be primarily related to non-residents of Canada. From all the information, the CRA identified over 3,150 offshore entities with over 2,360 possible beneficial owners. The CRA reviewed and risk-assessed over 1,300 of these possible beneficial owners.

As of March 31, 2017, there are 122 audits underway. Several criminal investigations are ongoing, which involve participants and facilitators. In addition to these, the CRA identified 64 other files for review to determine links to offshore files or transactions and assessment potential.

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## Offshore Compliance Advisory Committee (OCAC)

In April 2016, the OCAC—an independent committee composed of experts with significant legal and tax administration experience—was created to advise the Minister of National Revenue and the CRA on the CRA’s strategies to combat offshore tax evasion and avoidance. The OCAC published a report on December 5, 2016, concerning the Voluntary Disclosures Program that contained a number of recommendations that touched on the issue of offshore non-compliance.

The OCAC’s report is available on the CRA’s website:

[http://www.cra-arc.gc.ca/gncy/ocac-ccoe/menu-eng.html<sup>vi</sup>](http://www.cra-arc.gc.ca/gncy/ocac-ccoe/menu-eng.html)

### KEY RESULTS

In 2016-2017:

- > We completed 8,925 international and large business audits which include 6,545 aggressive tax planning audits and 223 offshore audits
- > Our international and large business audit activities identified almost \$8 billion in fiscal impact<sup>1</sup>, including \$1.8 billion from our efforts to combat aggressive tax planning
- > We levied more than \$194 million in transfer-pricing penalties
- > We levied approximately \$44 million in third party penalties
- > We received 841 calls and 110 written submissions through our Offshore Tax Informant Program
- > We received more than 13.9 million reports of electronic funds transfers over \$10,000

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1. Fiscal impact consists of tax assessed, tax refunds reduced, interest and penalties, and present value of future federal tax assessable arising from compliance actions. It excludes the impact of appeals reversals and uncollectable amounts. \$1 billion of fiscal impact was refunded during 2016-2017 through the resolution of double taxation issues with Canada’s treaty partner countries. This amount has been included in our program results for prior years.

## International collaboration

The CRA continues to play a leadership role on the international stage. For example, the CRA is leading efforts to strengthen tax administration capacity in developing countries through its membership in the Organisation for Economic Co-operation and Development (OECD) Forum on Tax Administration (FTA), particularly through our sponsorship of the FTA Capacity Building Network and the deployment of the Global Knowledge Sharing Platform. Within the OECD’s FTA, the CRA’s Commissioner sponsors the Large Business and International Programme, where the CRA is co-ordinating work to support the OECD and the Group of 20 Base Erosion and Profit Shifting (BEPS) Project.

The CRA also participates in the Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC), a network of tax administrations from over 37 countries. The JITSIC offers a platform to enable its members to collaborate within the legal framework of effective bilateral and multilateral conventions and tax information exchange agreements—sharing their experience, resources, and expertise to tackle the common issues they face. This ongoing collaboration is a key part of the CRA’s work to develop strong relationships with the international community, to help the Agency refine the world-class tax system that benefits all Canadians.

## Combatting base erosion and profit-shifting

Base erosion and profit-shifting (BEPS) refers to international tax planning arrangements used by multinational enterprises to unduly minimize their taxes. For example, some enterprises shift their taxable profits away from the jurisdiction where the underlying economic activity has taken place to avoid paying what they would otherwise be obliged to pay. The Government of Canada, through the CRA, is firmly committed to protecting Canada’s tax system and revenue base, and has implemented—or is implementing—measures that have been agreed to as necessary standards under the BEPS project. The following are some of the key measures that Canada has undertaken.

### Country-by-country reporting

As part of the BEPS project, Canada—along with many other jurisdictions around the world—implemented rules to require country-by-country reporting on business structures and global operations of large, multinational enterprises, in order to enhance transparency and identify transfer-pricing and base-erosion risks. Canadian legislation was enacted in December 2016 that requires large Canadian enterprises with multinational business operations and annual revenues of €750 million or more to file country-by-country reports. Specifically, Canadian-based multinational enterprise groups must provide information about their global allocation, by jurisdiction, of key variables for their group, including revenue, profit, tax paid, stated capital, accumulated earnings, number of employees and tangible assets—as well as the main activities of each constituent entity of the multinational enterprise group—using a common template, referred to as the country-by-country report.

Within each participating jurisdiction, country-by-country reports are designed to provide information about the global activities of a corporate group. The information will give participating tax authorities a clearer picture of where the operations of the group in their jurisdiction fit into the group’s global operations. This will enable tax administrations to better assess high-level transfer pricing and other risks related to base erosion and profit shifting. Beginning in 2018, participating OECD countries will exchange with each other the country-by-country reports filed in their respective jurisdictions. The CRA is ready to start the country-by-country report exchange in 2018.

In early 2017, the CRA published the new country-by-country report form and, in March 2017, produced a technical guidance document on country-by-country reporting to provide support to those multinational enterprises affected by the new filing obligations.

### Other BEPS measures:

- > The CRA has begun to exchange with other tax administrations tax rulings that could give rise to BEPS concerns. As part of the effort to counter harmful tax practices, the exchange of rulings helps to ensure that revenue authorities are not granting to taxpayers non-transparent rulings that guarantee favourable tax treatment for a transaction. During 2016-2017, the Agency exchanged over 630 tax rulings from other jurisdictions.

- > Canada requires taxpayers, as well as promoters and advisors, to disclose specified tax avoidance transactions to the CRA.
- > Canada is well engaged in dispute resolution and the implementation of BEPS Action 14 that provides for a minimum standard on resolving matters under the mutual price agreement procedures contained in the OECD Model Tax Convention.
- > The CRA is applying revised international guidance on transfer pricing by multinational enterprises. These guidelines provide an improved interpretation of the requirement in the tax laws of Canada—and those of most other OECD countries—that transactions between entities of a corporate group in different jurisdictions should be priced as if they were arm's length transactions.

## OECD Common Reporting Standard

The automatic exchange of information with respect to financial accounts held by non-residents—under the framework of the Common Reporting Standard developed by the OECD—is an important tool to: promote compliance; combat international tax evasion and aggressive tax avoidance; and ensure that taxpayers are reporting their income from all sources. To strengthen its efforts to combat international tax evasion and aggressive tax avoidance through enhanced sharing of information between tax authorities, the Government of Canada adopted legislation in December 2016 to bring the Common Reporting Standard into force in Canada as of July 1, 2017. Adoption of the standard will allow for Canada's first exchanges of information with other countries in 2018. To date, more than one hundred jurisdictions have committed to implement this standard.

## Tax gap

The tax gap represents the difference between the tax that would be paid if all obligations were fully met in all instances, and the tax actually paid and collected. As part of the Agency's efforts to crack down on tax evasion and aggressive tax avoidance, the CRA is undertaking tax gap estimation research to encourage an open and transparent discussion of this issue.

On June 30, 2016, the CRA published two papers related to tax gap studies. The first was a conceptual study on the tax gap, while the second paper, prepared by the Department of Finance, contained an estimate of the tax gap related to the goods and services tax/harmonized sales tax (GST/HST). A third study examining the individual income tax gap in Canada was published on June 6, 2017.

Research on various aspects of the tax gap will help to inform the CRA's analysis of the many factors giving rise to non-compliance and provide insight into the work being done to combat non-compliance. The CRA is also collaborating closely with its international partners, academics, and other tax experts. In this context, the CRA, in collaboration with the Canadian Tax Foundation, held a conference in Ottawa on June 6, 2017 with experts, international public sector officials, and tax practitioners, on tax gap estimation. The conference focused on challenges and approaches related to tax gap estimation. The perspectives shared at this conference will promote the sharing of best practices in order to find the most effective approaches to estimating the tax gap. In addition to the conference, the CRA hosted a workshop on June 5, 2017 with international tax authorities to discuss respective approaches and challenges. The Agency has committed to publishing additional papers on various aspects of the tax gap over the next two to three years.

# Criminal Investigations Program

The CRA's Criminal Investigations Program enforces the legislation administered by the Agency by detecting and addressing tax evasion and fraud. The Agency investigates suspected significant cases of tax non-compliance and recommends such cases for criminal prosecution. To enhance public awareness and encourage voluntary compliance, we also publicize the results of court convictions and certain high-profile investigative actions to warn Canadians of potential fraudulent schemes.

When egregious non-compliance is identified, the CRA takes the appropriate corrective measures to deter tax evasion and protect the Canadian tax base. We investigate suspected cases of tax evasion, fraud, and other serious violations of tax laws and recommend to the Public Prosecution Service of Canada (PPSC) those cases where a criminal investigation has been carried out and where evidence accumulated indicates guilt beyond a reasonable doubt. On conviction, tax evaders face court fines and jail time, in addition to having to pay the taxes they tried to evade, plus interest and penalties.

Tax crimes continue to evolve in their level of sophistication and complexity, making the job of combatting them very challenging. In response to this challenge, the CRA has: adopted a more strategic approach to file selection; expanded its partnerships with key stakeholders, such as the PPSC and the RCMP; and continued to develop and foster a workforce with the technical expertise to address complex cases of tax evasion and fraud, aligning staff competencies with criminal investigations skills sets.

During the year, the CRA continued to ensure that the most serious cases of tax evasion were investigated for possible criminal activity. Early involvement of the PPSC in investigations meant that the quality of cases referred for criminal prosecution remained high. Meanwhile, in order to improve the Agency's ability to identify and address serious cases of international tax evasion, the CRA strengthened its engagement with the OECD, as well as with Canada's tax treaty partners. Between April 1, 2011, and March 31, 2017, the CRA convicted 43 taxpayers with offshore links of tax evasion, involving \$34.8 million in federal taxes evaded, court fines of \$12.8 million, and 734 months of jail time.

Throughout 2016-2017, as part of the Agency's ongoing efforts to strengthen its criminal investigations function, we:

- > implemented a prioritization and governance framework to ensure criminal investigative resources are focused on the highest threats to the integrity of Canada's tax system
- > engaged in-house legal counsel to inform decisions relative to case-specific files as early as possible, by identifying and resolving legal issues
- > enhanced our intelligence capacity by seeking information from the Financial Transactions and Reports Analysis Centre of Canada on all criminal investigation cases

- > addressed new and ongoing policy and procedural issues relating to digital evidence through the creation of the National Forensics and Informatics Working Group
- > implemented changes to our forensics and informatics function to enhance our ability to process digital evidence
- > developed a robust communication work plan that complements the Agency's compliance communications strategy

In support of the Government of Canada's commitment to crack down on tax evasion and aggressive tax avoidance, throughout 2016-2017 the CRA placed more emphasis on investigating:

- > promoters of sophisticated tax schemes and/or aggressive tax planning aimed at defrauding the Government of Canada
- > significant and/or material cases with an international tax evasion element
- > significant and/or material cases involving income tax and/or GST/HST evasion, including cases involving the underground economy
- > financial crime cases investigated jointly with the RCMP, other domestic law enforcement agencies, and our international law enforcement partners

## KEY RESULTS

In 2016-2017:

- > From April 1, 2016, to March 31, 2017, working with the CRA's Criminal Investigations Program, federal prosecutors achieved an 89% conviction rate
- > During this same period, the work of CRA criminal investigators led to the conviction of 37 taxpayers for tax evasion, involving approximately \$32.7 million in federal tax evaded, and more than \$10 million in criminal fines imposed. The courts sentenced 24 taxpayers to prison terms totalling 50.5 years.
- > In addition, there were:
  - 335 cases referred for criminal investigation
  - 123 search warrants executed
  - 32 files where criminal charges were laid under the Income Tax Act, Excise Tax Act, and/or Criminal Code
  - 12 investigations resulted from joint-forces operations with law enforcement agencies

# Small and medium enterprises

The CRA strives to make it easier for small- and medium-sized businesses to comply with Canada's tax laws and make it more difficult for those who choose not to be compliant. Our aim is to administer Canada's tax system effectively and reserve the more costly traditional audit and enforcement interventions for areas of greatest risk.



The CRA further developed its innovative approaches to promote compliance this past year through the expansion of its Liaison Officer Program, as well as through increased engagement with industry associations. The Liaison Officer Program provides small and medium enterprises with information, tools, and in-person support to help them navigate the tax system, understand their rights and obligations, and assist them in correctly calculating their taxes. During 2016-2017, we increased the service coverage of the program, which now operates in each tax services office across the country.

Building on positive feedback from taxpayers who completed a survey following a visit, the Agency expanded the program during 2016-2017 to include support for new businesses and to make information on GST/HST available. We also launched a pilot in the greater Montréal and Toronto areas for a new assistance request option known as Liaison Officer Assistance Requests (LOAR). LOAR provides taxpayers in the pilot cities an additional way to contact the Agency to request the assistance of a liaison officer rather than wait for the CRA to reach out to them. We also expanded our service offerings under this pilot to include group seminars.



Meanwhile, the Agency took additional steps in implementing another innovative approach to promoting compliance within specific industry sectors as part of its Industry Campaign Approach. In 2016-2017, we launched our second campaign aimed at communicating sector-specific tax information to businesses to help them meet their tax obligations. This campaign focused on the cattle ranching and dairy farming sectors, as well as the child daycare services sector. Engagements with industry associations in these areas involved the identification of tax concerns specific to each. We also sought input from these sectors about what information we should include in various communications products that the Agency plans to mail to businesses in 2017-2018.

The CRA is in the eighth year of using letter campaigns to promote compliance with Canada's tax laws and more accurate filing. During 2016-2017, the CRA sent letters to more than 30,000 taxpayers to encourage them to self-correct in situations where an adjustment to their taxes may be warranted. The letters focused on three types of transactions where reporting errors often occur: consecutive rental losses, consecutive business losses, and rental property dispositions. In addition to explaining ways they could correct past errors (for example, through filing an adjustment request for an individual income tax and benefit return), the letters provided individuals and small business owners with other information to help them meet their tax obligations.

One area of focus in relation to compliance has been the real estate sector. With increased media attention and interest in the CRA's real estate compliance activities, the CRA launched a webpage during the year that identified and discussed the key areas of compliance risk within this sector of the economy. Information on the Agency's compliance activities was also outlined on this webpage. In particular, the latest cumulative quarterly results for Ontario and British Columbia were posted related to CRA audits in process and the dollar totals of additional tax identified through audit. Meanwhile, the Agency formed a Real Estate Task Force to ensure consistency in how we manage real estate issues

and our real estate non-compliance activities. The Task Force is promoting a horizontal approach to dealing with underground economy issues in the real estate sector by bringing together expertise from across the Agency.

The CRA regularly consults with taxpayers to help identify opportunities for service improvements and to explain our initiatives. In fall 2016, consultations were held with small and medium businesses and accountants in 18 cities across Canada, including northern communities. The CRA's 2017-2019 Serving You Better action plan contains over 50 action items that will improve services for small and medium businesses.

The Serving You Better consultations included the following key elements:

- > an in-person consultation session facilitated by CRA senior officials to hear first-hand what the business community wants and needs the most;
- > interactive external online consultations using a new tool called CRA Engage to generate discussions and comments;
- > in-person and online consultations with CRA employees to seek ideas for improvements from those who deal directly with and provide services to small and medium enterprises; and
- > enhanced partnerships with key external stakeholders, such as the Canadian Chambers of Commerce and Chartered Professional Accountants Canada, to host and recruit participants for consultations.

Building on our efforts to improve services for taxpayers, the CRA continued to enhance the My Business Account and Represent a Client portals during 2016-2017 by launching the Audit Enquiries feature in two phases. The first phase, introduced in May 2016, allows businesses who are under audit (and their authorized representatives) to send secure electronic enquiries to Agency auditors. The second phase, introduced in October 2016, gives our auditors the ability to initiate electronic communication with businesses under audit and send attachments (for example, letters or audit working papers) electronically and securely. These initial enhancements, which have been well received, affect corporations, their corporation income tax returns, and their GST/HST returns.

In March 2017, the Agency further improved its service for small and medium enterprises by:

- > launching a survey to give small and medium enterprises the opportunity to provide feedback on their audit experiences and to offer ideas about how the CRA could improve its audit process
- > introducing process changes to improve the timeliness of clearance certificates and to better engage with legal representatives

## Underground economy

The CRA continues to identify and address high-risk sectors of tax non-compliance in its efforts to combat the underground economy (UE). In 2016-2017, the Agency completed the second year of its three-year UE strategy, which is based on three themes:

- > refining the CRA's understanding of the UE
- > reducing the social acceptability of participating in the UE
- > deploying a range of initiatives to promote compliance and reduce participation in the UE

Given the diverse nature and many components of the UE, the CRA employs a horizontal, Agency-wide approach in its compliance efforts. The scope of the work we undertake to combat the UE includes communications, education, audits, and collections activities. Our work on the UE also involves doing research, identifying non-filers, and obtaining data from third-parties to enable the identification of under-reported income. To identify trends and areas where the risk of non-compliance is present, we also work with various stakeholders through provincial and territorial roundtables and working groups that focus on research, data sharing, and exploration of how new business models (for example, the sharing economy) may affect tax compliance.

The CRA also works closely with industry associations to gain insight into trends within the UE. The Minister of National Revenue's Underground Economy Advisory Committee comprises representatives from the business community, tax professions, and academia. Committee members offer advice to the Minister on current trends, help the CRA identify emerging risks, deepen the CRA's understanding of taxpayer compliance behaviour, and contribute to the development of innovative compliance tools. In 2016-2017, two meetings of the Committee were held, during which the CRA shared approaches we are considering for our next UE strategy. We sought Committee members' views on the potential of each proposed approach in regard to their effectiveness and the degree of administrative burden each might impose on tax-compliant businesses.

One area where the CRA has experienced especially strong results in combatting underground economic activity is through expanded use of the unnamed persons requirements. These requirements allow the CRA to identify both non-filers and unreported income. Through a court order that requires a business or organization to provide the CRA with documents or information about one or more persons, the Agency is able to acquire data that can help it identify a taxpayer or group of taxpayers who might be non-compliant. In 2016-2017, the CRA continued to issue unnamed persons requirements to obtain third-party information about persons working in sectors of the economy with the greatest potential for non-compliance.

During the reporting period, data analytics continued to be a useful means to find and address underground economic activity. The advanced data analysis techniques that we employ allow us to study industry trends, anticipate taxpayer behaviour, and predict the industry sectors in which tax non-compliance is more likely.

The Agency made further use of its specialized team approach in those sectors of the economy that are currently at highest risk for participation in the UE. Our underground economy specialist teams, located across the country, have special advanced training in identifying unreported and under-reported income; their work is focused on those files where the risk of unreported income is greatest.

Communication and education remain key pillars of the Agency's efforts to reduce participation in the UE and promote compliance. During 2016-2017, a number of external communication initiatives and products were launched by the CRA in an effort to bring awareness to the risks of participating in the UE. As part of an advertising campaign on the risks of supporting contractors who operate in the UE, a comprehensive online toolkit was produced for our industry partners involved in the battle against the UE. The toolkit contained promotional material for dissemination, such as videos, posters, and sample social media messaging (for example, sample UE-related tweets).

At the same time, a new UE Communications Working Group, with external stakeholder participation, was created to help populate the toolkit and circulate and publicize the promotional items more widely. The following are two samples of the kind of material included in the toolkit that were specifically designed to be disseminated through tweets:



/canrevagency

Canada



/canrevagency

Canada

A number of UE-related webpages on [Canada.ca](#)<sup>ii</sup> were created during 2016-2017—including one about accommodation sharing—as well as a refreshed website to house our ongoing “Get it in Writing” campaign. The “Get it in Writing” campaign, launched in March 2015 in partnership with the Canadian Home Builders’ Association, focuses on the demand side of the underground economy and seeks to raise awareness of the non-tax-related risks that homeowners face when they choose not to enter into a written contract for home renovation work.

When individuals and businesses engage in activities to avoid their tax responsibilities—such as when they deliberately take steps to conceal all, or part of, their income—they place an unfair burden on law-abiding Canadians. The CRA is committed to ensuring a level playing field for all Canadian taxpayers and will continue to develop, enhance, expand, and employ whatever strategies and methods could best detect and curtail participation in the underground economy.

## KEY RESULTS

In 2016-2017:

- > We completed 27,417 small and medium enterprise audits
- > We issued 30,222 letters through the Office Audit Letter campaign and Industry Campaign Approach to help taxpayers comply
- > We made 8,581 liaison officer visits to small businesses
- > Our small and medium enterprise audit activities identified \$1.6 billion in fiscal impact

# GST/HST Program

The CRA's goods and services tax / harmonized sales tax (GST/HST) compliance programs are designed to ensure GST/HST registrants comply with reporting requirements and to identify and address non-compliance. To accomplish this, we employ a risk-based, balanced approach involving not only audits, but also education and targeted communication.

Funding from Budget 2016 will have a significant impact on the Agency's ability to ensure compliance with GST/HST requirements. Over the next five years, the CRA will be hiring more auditors, and will also be acquiring and making use of enhanced technology and business intelligence tools, to identify and profile questionable or abusive GST/HST schemes. The use of technology and business intelligence will allow the Agency to develop and enhance its risk assessments. For example, risk assessment models will generate automatic alerts, prompting the CRA to review more carefully both pre-assessments and post-assessments of GST/HST returns and GST/HST rebate claims. This will go a long way to preventing the potential issuing of unwarranted GST/HST refunds. Looking ahead, our use of business intelligence tools will give us the support necessary to respond to emerging abusive GST/HST schemes, allowing us to update and modify risk assessment models and profiles in a timely manner.

## GST/HST non-compliance in the real estate sector

Risks of GST/HST non-compliance in the real estate sector have remained high, especially in the “hot” real estate markets of Vancouver and Toronto, where economic factors increase the risks. The non-compliance risks include:

- > unreported GST/HST on flips or assignment sales of new or substantially renovated property;
- > unwarranted/unqualified GST/HST new housing rebate claims; and
- > unreported GST/HST on the fair market value of new residential rental properties.

In 2016-2017, the Ontario and Pacific regions increased concentration of their audit resources on real property transactions in the Greater Toronto and Vancouver areas. The results of these initiatives have indicated substantial non-compliance within the real estate sector of the economy. Meanwhile, on the following web page the CRA provides updates on the results that it is achieving in combatting real estate non-compliance: <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/does-canada-revenue-agency-address-non-compliance-real-estate-sector.html><sup>viii</sup>.

## KEY RESULTS



From April 2015 to March 2017:

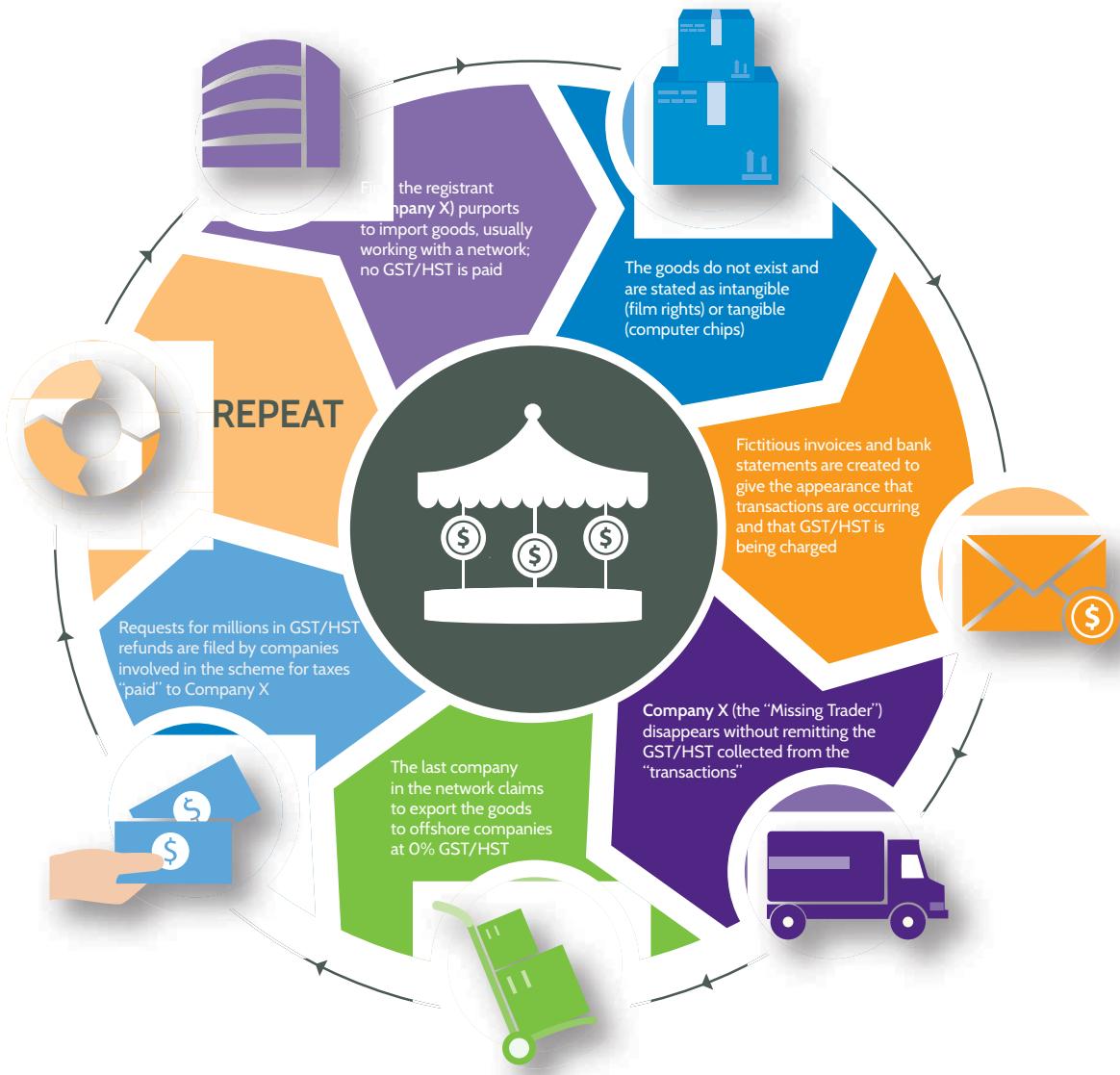
- > The CRA completed over 1,400 GST/HST audits in Ontario and British Columbia related to real estate transactions and, from these audits, assessed over \$84 million in GST/HST owing.

## CAROUSEL / MISSING TRADER SCHEMES

In a **carousel scheme**, a fake supply chain is created by a group of GST/HST registrants who work in collusion. Within the fake supply chain, the same goods are sold over and over among the registrants. At one point during the purchase and sale of goods, at least one of the registrants involved in the scheme collects the GST/HST, but then does not remit the tax to the Government (the so-called “missing trader”).

Carousel / missing trader schemes have been a problem within other value-added tax jurisdictions and have become an issue in Canada in recent years. The CRA continues to improve its processes to detect and prevent these types of GST/HST refund arrangements.

### ONE TYPE OF CAROUSEL SCHEME



## Point-of-sales audits

The Agency has continued to focus its attention on point-of-sales audits to ensure businesses using electronic point-of-sale systems are accurately reporting GST/HST. These audits are also designed to detect electronic sales suppression (ESS), or “zapper”, software, which selectively deletes or modifies sales transactions in point-of-sale systems (for example, electronic cash registers) and business accounting systems, leaving no record of the original transaction. Tax on the revenues earned in those transactions is therefore not reported or remitted to the CRA. The use of ESS software contributes to the underground economy and hurts all those businesses that comply with the law.

On January 1, 2014, new legislation introduced civil penalties for using, possessing, acquiring, manufacturing, developing, selling, possessing for sale, offering for sale, or otherwise making available ESS software. To ensure that all stakeholders knew about the new legislation prior to enforcement of the new monetary penalties, a public awareness campaign was conducted up until August 31, 2014. Since the end of the campaign, the Agency has applied ESS penalties in eight cases and is in the process of proposing these penalties in two more.

In addition to taxes, interest, and penalties assessed, users, manufacturers, and sellers of ESS software may also face criminal prosecution that can lead to court-imposed fines and possibly jail time.

## KEY RESULTS

In 2016-2017:

- > We completed 69,956 GST/HST audits and examinations
- > The additional fiscal impact of our GST/HST audits was over \$2.6 billion
- > We reviewed approximately 242 identity-theft cases and closed 114 GST/HST accounts before any unwarranted GST/HST credit returns were filed
- > We reviewed 39 GST/HST accounts involved in carousel / missing trader schemes and were able to assess \$56 million, an amount that also includes gross negligence penalties

# Scientific research and experimental development

The CRA provides tax assistance and investment tax credits to Canadian businesses as an incentive to conduct qualifying industrial research and development activities and film or video production activities in Canada. Of note is the fact that the Agency's Scientific Research and Experimental Development (SR&ED) Program is one of the largest government programs to support research and development in Canada, significantly advancing one of the Government's key strategic priorities. Through the SR&ED Program (and the Film and Media Tax Credits Program), the CRA ensures that all claims comply with applicable legislative requirements and government policies. The Agency also ensures that applicants have the information and timely services they need to access investment tax credits and that the tax credits or cash refunds are delivered in a prompt, consistent, and predictable manner.

We process approximately 21,000 claims every year under the SR&ED program. Meanwhile, approximately 6,500 claims are processed each year for the Film and Media Tax Credits Program.

In 2016, the Agency launched two services to give businesses, especially small and medium-sized enterprises, a degree of certainty about their eligibility for SR&ED tax incentives before filing a claim.

- > A pre-claim consultation service began in June 2016 and provides potential SR&ED tax credit claimants with an evaluation of whether their research and development work would generally qualify as scientific research or experimental development under the Income Tax Act. The service is provided only at the request of the potential claimant and is based on the information that the claimant provides.
- > In August 2016, a pre-claim review process was launched. This service gives claimants, on request and before a claim is filed, a determination of how much research and development work undertaken by the claimant would be eligible under the SR&ED program, and what specific expenditures would qualify for the SR&ED tax credits. Unlike the pre-claim consultation service, the pre-claim review involves an analysis of the extent of the work conducted by the potential claimant.

Over the course of the year, the Agency was involved in outreach activities with other government organizations and key industry associations to increase awareness of the SR&ED program. With respect to other government organizations, a strategy was developed to identify and engage those who serve a client base that might be eligible for, and benefit from, the SR&ED tax incentives. In this regard, engagement and partnerships were advanced with Export Development Canada, the Canadian Intellectual Property Office, the Natural Sciences and Engineering Research Council of Canada, and the Industrial Research Assistance Program of the National Research Council (NRC). The strengthened partnership with the NRC's Industrial Research Assistance Program resulted in joint CRA-NRC presentations that provided participants with clear and detailed information about what the SR&ED program offers.

The CRA considers large SR&ED claims to be those where the expenditures claimed are greater than \$10 million. Each year, large claims make-up less than 1% of all SR&ED submissions, yet they account for more than 50% of all expenditures claimed program-wide. As large claims represent a significant proportion of spending on SR&ED in Canada, the CRA has now developed additional claim review procedures to improve the review process for this important segment of the program. These changes will help ensure that the review of these more complex files is done in a timely, consistent, and predictable manner.

## KEY RESULTS

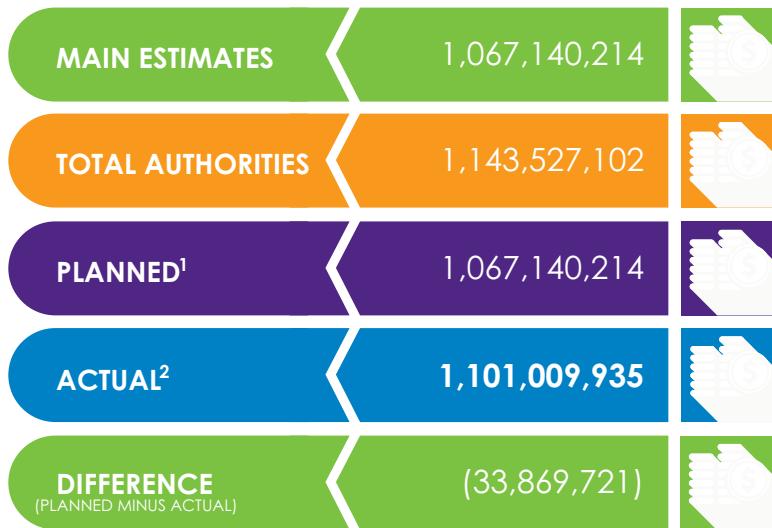


In 2016-2017:

- > Our SR&ED program provided more than \$2.7 billion in investment tax credits in support of industrial research and development
- > Total dollar fiscal impact for SR&ED was \$349 million

# Reporting compliance

## BUDGETARY FINANCIAL RESOURCES (dollars)



## HUMAN RESOURCES (FTEs)



- 
1. Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2015-2016 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in total authorities and actual spending.
  2. Modified cash basis, based on Parliamentary appropriations used. See pages 127 and 128 of the Departmental Results Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

# Collections, compliance, and verification

The Collections, Compliance, and Verification program identifies, addresses, and prevents non-compliance to make sure tax debt is resolved promptly. The CRA takes a progressive approach to compliance and debt collection, starting with education and outreach activities to remind taxpayers of their compliance obligations. The CRA works with individuals and businesses that have outstanding tax returns or remittances or that owe money to help them meet their tax obligations and pay what they owe. When needed, the CRA takes action to address non-compliance through a range of activities to make sure Canada's tax laws for registration, filing, withholding, and debt payment are followed.

## Performance results

EXPECTED RESULT	INDICATOR	TARGET	2014-15 RESULTS	2015-16 RESULTS	2016-17 RESULTS
Ensure compliance with payment obligations	Percentage of tax debt resolved compared to planned <sup>1</sup>	100%	106.5%	113.6%	100.2%
	Percentage of government programs debt resolved compared to planned <sup>2</sup>	100%	96.7%	103.5%	109.5%
EXPECTED RESULT	INDICATOR	TARGET	2014-15 RESULTS	2015-16 RESULTS	2016-17 RESULTS
Ensure compliance with registering, filing and remitting requirements	Percentage of cases resolved, returns obtained, and accounts registered compared to forecast <sup>3</sup>	100%	103.3%	102.8%	97%

- 
1. The fluctuations in results from year-to-year are due to the difficulty in predicting and estimating the number and value of large dollar files received each year.
  2. The increase in collection for Government Programs from 2014-15 to 2016-17 is directly related to the increase of the Employment Insurance intake during the years in question.
  3. Results have fluctuated from year to year as a result of a number of factors, including adjustments to file selection, changes to internal procedures affecting workflow, and budget allocations.

# Compliance and verification

The CRA's compliance and verification function applies across virtually all of the domestic program activities of the Agency. We employ a wide range of measures to ensure that individuals and businesses fully comply with Canada's tax laws, and we verify and validate taxes reported and remitted, or benefits claimed. The work we do encompasses not only individual and corporation income tax, but payroll source deductions, non-resident source deductions, and goods and services tax/harmonized sales tax (GST/HST) as well.

To encourage and ensure compliance, the CRA continues to use cost-effective, educational, and proactive methods. One of the more effective ways in which the CRA has provided taxpayers with information pertinent to their situation has been through the Agency's interactive webinars offered on the CRA website. During 2016-2017, the CRA continued to deliver webinars to educate employers and taxpayers of their tax responsibilities. These webinars reached some 41,000 participants, most of whom were small and medium businesses with only a beginner's knowledge of tax obligations for employers. Most of the topics covered by the webinars during the year related to payroll issues, such as how to deduct, remit, and report payroll source deductions, but there was also a webinar on how to complete a GST/HST return, and another on automobile and motor vehicle benefits and allowances.

On January 25, 2017, the CRA launched its first-ever podcast series. The initial series, comprising four podcasts, focuses on taxable benefits and is available not only on the CRA's website, but through iTunes and GooglePlay as well. This new outreach tool provides in-depth information to employers who require information on more complex payroll topics.

In taking concrete steps to facilitate compliance, the Agency must also address the issue of non-compliance. The CRA pursued a number of initiatives in 2016-2017 to deal with non-compliance, particularly in specific areas such as GST/HST requirements. These initiatives included:

- > identifying business owners who reported business income above the threshold that would require GST/HST registration, but who were not registered
- > registering businesses for the GST/HST where unreported income was discovered
- > identifying businesses that were charging GST/HST, but which were identified through an audit as being unregistered for GST/HST purposes

Targeted compliance projects aimed at the underground economy continued throughout the reporting period. In particular, we were able to assess 33,283 returns from the beginning of July 2016 to the end of March 2017 through our initiatives designed to identify non-filers. As a result, the CRA secured an additional \$238 million in federal and provincial taxes assessed that would have otherwise been lost.

## KEY RESULTS



In 2016-2017:

- > We reviewed over 750,000 payroll accounts
- > We completed 807 employer compliance audits
- > We reviewed 11,582 GST/HST registrations and resolved over 980,000 delinquent GST/HST files
- > We verified over 4 million individual and business accounts, with a corresponding fiscal impact of \$2 billion
- > We identified over \$4.3 billion in non-compliance, including source deductions
- > We received over 647,857 income tax and information returns as a result of our actions to prompt compliance by non-filers
- > We identified over \$2.6 billion in non-compliance in the non-filer segment
- > 91% of individuals filed their tax returns and paid their taxes on time
- > 84% of corporations filed their tax returns and paid their taxes on time

# Collections – tax and government programs

The CRA collects tax debts on behalf of the federal, provincial, and territorial governments, as well as on behalf of other government departments and agencies. It also collects non-tax debts, including social program overpayments and defaulted Canada Student Loan debt on behalf of various government programs that have transferred collection responsibilities to the CRA.

The Agency continues to evaluate and adopt strategic, horizontal, and often innovative approaches in its effort to strengthen tax-collection activities. To this end, improvements in information technology and data analysis have allowed the CRA to take a very targeted and risk-based approach to collecting tax debt.

With Budget 2016 funding, the ability of the Agency to collect outstanding tax debts was significantly strengthened. As a measure of the Agency's success in 2016-2017, the Enhanced Collections Initiative met its first-year target of collecting an additional \$400 million and the initiative is on track to meet its five-year target of \$7 billion. Meanwhile, a High-Risk Collections initiative was implemented during the reporting period. It also met its first-year target of \$69.8 million and is on track to meet the five-year target of \$349 million.

The CRA continues to make strategic use of business intelligence to ensure that the most appropriate collection action is employed, and employed at the right time, in relation to a taxpayer's particular circumstances. We strive to be as efficient and effective as possible through our use of tools and methods to resolve a taxpayer's debt, as well as to prevent the debt from aging. The Agency's collections strategy involves a graduated approach, with measures appropriate to the level of delinquency and non-compliance, as illustrated by the following actions used by the Agency:

- > allowing taxpayers, who are generally compliant and considered low-risk, an appropriate length of time to resolve their debt on their own without any intervention by the CRA
- > sending letters to influence behaviour and encourage timely debt resolution
- > having an official from one of the Agency's call centres contact the taxpayer
- > referring the account directly to a tax services office for enforcement activity

Targeting low-risk taxpayers generally entails using a variety of communication techniques. During 2016-2017, the Agency employed a number of innovative communication initiatives involving the use of social media. For example, the Agency launched its second collections-themed business video on the CRA's YouTube channel, in addition to posting it on the Agency's website. The video targeted small to medium businesses, informing them of the importance of remaining current with their tax obligations, advising them of what to do if they are experiencing difficulties in remitting their taxes, and informing them of the consequences of not complying. In collaboration with the Efile Association of Canada (EAC), the CRA released an education series called "2 minutes 2 know" on the EAC website. The series focused on the information and options efilers can provide their clients when the clients owe money to the CRA. The Agency used Facebook as well to promote its Collections webpage and Collections videos and, through the CRA's Twitter account, the Agency tweeted various collection and "nudge" messages to make taxpayers aware of their tax obligations and to influence their behaviour towards meeting those obligations.



Regarding “nudge” messages, this represents another example of where the Agency has been expanding and enhancing its use of innovative communication techniques to deter non-compliance and improve the collection of taxes owing. Nudging involves sending soft messages to taxpayers in order to encourage them to resolve their debt in a timely manner, and encourage them as well to avoid tax debt altogether. In February 2017, the CRA added a nudge message to the collections letters it sent to individual taxpayers in the early stages of the collections process. The nudge message read “Only 1 out of 10 individuals who owe tax do not pay on time.” The Agency has found the use of the nudging concept to be a very low-cost and effective approach to influence taxpayer behaviour, and it can result in more taxpayers resolving their debt with the CRA on their own. We currently issue over 800,000 of these messages annually.



The Agency also ran nudge experiments during 2016-2017 using an automated dialing announcement device to promote filing and payment compliance. Calls were placed to remind taxpayers that it was time to file their return or make their instalment payment. In addition, using both nudge letters and the automated dialing announcement device, we also achieved some success in improving responsiveness to our business compliance interventions by delivering reminders about businesses’ tax obligations.



Meanwhile, under the Enhanced Collections Strategies, the Agency made use of information technology resources to design, develop, and run seven new data-mining models related to the collection of individual income tax. These models will make use of the most recent business intelligence to provide us with data that we can analyze with a view to assigning our collections resources to take action where it is most needed. By March 31, 2017, two of our data-mining models had been finalized and were in use to enhance and facilitate debt collection.

The Agency developed an online payment calculator during 2016-2017 that calculates different payment proposals by factoring in individuals’ current financial information and accumulated interest in order to customize a payment arrangement that the taxpayer can maintain for a selected period. Our work on the tool was completed in February 2017, meaning the calculator will be available to taxpayers via the CRA website soon.

In 2016-2017, the Agency began exploring various solutions to allow digital communication between the Agency and third parties to improve requirements for information and requirements to pay processes, as well as insolvency practices. As part of our commitment to modernize our communications with taxpayers and third parties, we met with several financial institutions over the past fiscal year. We finalized an agreement with one of these institutions to respond, beginning in 2017, to requirements for information through our Secure File Transfer Protocol Pilot.

## KEY RESULTS

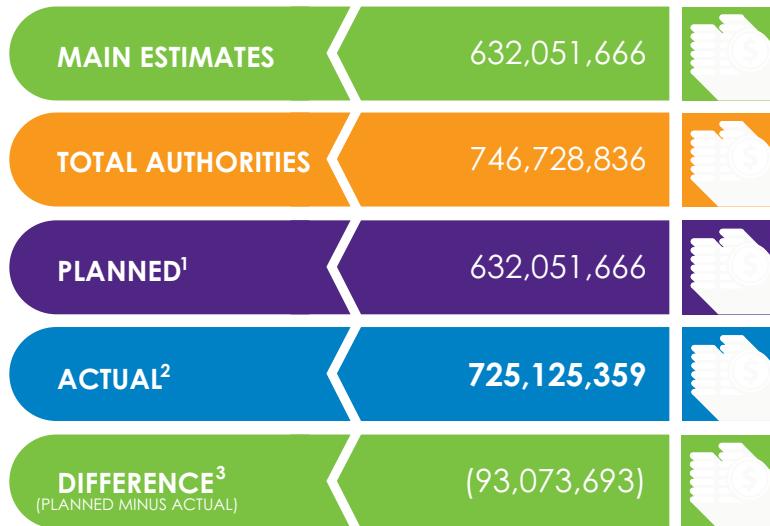


In 2016-2017:

- > We resolved over \$52 billion in outstanding tax debt
- > We resolved 96.3% of the dollar value of debt our tax services offices received

# Collections, compliance, and verification

## BUDGETARY FINANCIAL RESOURCES (dollars)



## HUMAN RESOURCES (FTEs)<sup>4</sup>



1. Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2015-2016 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in total authorities and actual spending.
2. Modified cash basis, based on Parliamentary appropriations used. See pages 127 and 128 of the Departmental Results Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.
3. Increase primarily due to collective bargaining adjustments as well as spending to implement and administer various enhanced collection, service, and tax evasion measures announced as part of Budget 2016 and legislative and enhanced compliance measures announced as part of Budget 2015.
4. Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.

# Appeals

The Appeals program offers a timely and objective redress process to resolve disputes resulting from decisions the CRA made. The program also reviews requests for taxpayer relief and resolves service complaints.

## Performance results

EXPECTED RESULT	INDICATOR	TARGET	2014-15 RESULTS	2015-16 RESULTS	2016-17 RESULTS
Taxpayers receive a timely review of contested decisions made under legislation administered by the CRA, service complaints, and requests for interest and/or penalty relief	Percentage of service standard targets that are met or mostly met relating to timeliness for acknowledging Income Tax and Commodity Tax objections, CPP/EI appeals to the Minister, Service Complaints, and requests to the Taxpayer Relief Program for interest and/or penalty relief	80%	100% <sup>1</sup>	100% <sup>1</sup>	75% <sup>1</sup>
	First contact letter for disputes (target: within 30 calendar days, 85% of the time)		91.5%	87.2%	92.6%
	Service Complaints – two-day acknowledgement (target 80%)		98.3%	98.5%	54.1% <sup>2</sup>
	Service Complaints – 30 day resolution (target 80%)		95.9%	91.8%	83.6%
	Taxpayer relief requests – 30 day acknowledgment (target 85%)		N/A <sup>3</sup>	N/A <sup>3</sup>	85.7%
EXPECTED RESULT		TARGET	2014-15 RESULTS	2015-16 RESULTS	2016-17 RESULTS
Taxpayers receive an objective review of contested decisions made under the legislation administered by the CRA and a consistent review of requests for interest and/or penalty relief	Percentage of decisions on disputes filed under the legislation administered by the CRA and requests for interest and/or penalty relief which meet or exceed quality assurance standards	90%	N/A <sup>3</sup>	N/A <sup>3</sup>	N/A <sup>4</sup>

1. The percentage of the indicators listed below that have met or mostly met their targets during the fiscal year.
2. In October 2015, the Program began accepting service complaints electronically which may also have contributed to a progressive increase in the number of complaints received over time as taxpayers become more familiar with the digital service.
3. The indicator was introduced in 2016-17, therefore no prior-year results are available.
4. The data for Taxpayer relief quality assurance is not available for the 2016-2017 year due to a re-organization of the function. The function is currently revising their quality assurance methodology and measurement guidelines, and data may not be available for the 2017-18 year.

The 2016 Fall Report of the Auditor General (AG) included the results of an audit on the CRA's Income Tax Objections program. Specifically, the AG examined how efficiently we manage income tax objections in terms of the timeliness of decisions, and found that the Agency "took too long to process income tax objections, which contributed to a backlog of the inventory of objections". The audit also examined whether performance indicators regarding the redress process were developed and reported, and reviewed whether or not the Agency studied and analyzed objections and appeals decisions, and shared such analyses internally. This audit was important because taxpayers who are not satisfied with their income tax assessments have the right to impartial and timely reviews of their tax returns. Taxpayers and the Agency may incur significant costs in time and resources as a result of undue delays.

The Auditor General's Report – available at [http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_201611\\_02\\_e\\_41831.html<sup>ix</sup>](http://www.oag-bvg.gc.ca/internet/English/parl_oag_201611_02_e_41831.html) – provided 8 recommendations to the CRA:

- > develop and implement an action plan to reduce the inventory of outstanding objections
- > improve its communication with taxpayers regarding the appeals process including the time frames in which it expects to resolve their objections
- > undertake a comprehensive process review
- > create and publicize more performance indicators
- > review and analyse why objections are allowed
- > ensure that decisions on objections and appeals are shared within the Agency in such a way that those performing assessments can use that information to improve future assessments
- > add appropriate controls to its objection process and its information systems to ensure the integrity of its data
- > define what it considers the timely resolution of an objection and examine other comparable organizations to help it determine what is reasonable

The Agency accepted the recommendations made by the OAG and developed a multi-year action plan with long-term strategies plus short-term goals and targets. During 2016-2017, we took the following steps as part of our action plan.

- > We published information on our website to help Canadians better understand the objections processes, the different complexity levels assigned to objections, and the estimated processing times related to redress mechanisms.
- > We initiated a review of how we process objections.
- > We strengthened collaboration between the CRA's various assessment and audit branches, as well as the Agency's regional offices, with respect to the analysis of the results of objections and appeals to identify where our redress processes and related taxpayer services need further enhancement.
- > We contacted our domestic and international counterparts and other stakeholders to identify best practices used in the redress processes of comparable tax administrations.

Our response to the Auditor General's recommendations will help the Agency further improve the manner in which objections are managed and inform redress processes that are more responsive and effective. These improvements will foster greater trust in the integrity of the Agency and promote voluntary compliance with Canada's tax laws.

## Income tax/commodity tax objections and appeals to the courts

Every taxpayer who disagrees with a CRA decision about an assessment or determination made under the Income Tax Act or the Excise Tax Act has access to the CRA's dispute resolution process. The Agency receives approximately 85,000 objections each year. In 2016-2017, we received 85,418 income and commodity tax disputes. We ensure each objection is treated impartially and in accordance with applicable laws. To process objections in a timely, impartial, and consistent manner, the CRA segments them by level of complexity and whether they are individual or group objections.

As of March 31, 2017, the CRA had processed 65,701 low- and medium-complexity objections, exceeding the planned target of 59,068 for 2016-2017 by 11%. The Agency's success in resolving a greater number of objections than anticipated was the result of a number of factors, including funding from Budget 2016, workload realignment, and improved internal processes.

The CRA achieved the following outcomes during the year, broken down by type of workload and workload complexity:

### Low-complexity income tax workload

- > The CRA processed 35,518 low-complexity income tax objections and resolved 65% of them within the target of 180 days<sup>1</sup>
- > To further reduce the inventory of low-complexity objections, we put in place a pilot screening system to help improve the timeliness of resolving the objections

### Medium-complexity income tax workload

- > The CRA processed 30,183 medium-complexity income tax objections within an average of 86 days of being assigned

### Group objections inventory

- > We processed 20,949 group objections during 2016-2017
- > We held 53,723 group objections in abeyance pending court decisions or reassessment at year-end

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1. Progress continues to be made in reducing the CRA's inventory of low-complexity objections. Meanwhile, a pilot has been implemented to improve the timeliness of the objection process and increase the percentage of low-complexity objections resolved within the 180-day target.

## Commodity tax objections

- > During the reporting period, the CRA received 8,811 commodity tax objections, which were added to the opening inventory on April 1, 2016, of 6,931
- > Over the course of 2016-2017, the inventory of commodity tax objections was significantly reduced as the CRA processed 9,833 objections, which is 1,022 more than it received during the year

## Innovations



Throughout 2016-2017, the CRA implemented a number of innovative measures to help process all objections more quickly. These included:

- > Developing a suite of electronic reports to manage the workload more efficiently
- > Automated screening of objections at the intake phase

In addition, we conducted a review of external forms and publications related to the redress process to improve the clarity of language in the documents and promote electronic service delivery. This exercise led to:

- > Updates to the CRA website to make information on redress options clearer, to help taxpayers understand the complexity levels of objections, and to provide estimates as to the processing time for objections based on level of complexity
- > Revised Notices of Assessment, and other notices to taxpayers, to provide them with greater clarity and detail about where their concerns can best be addressed

## KEY RESULTS



In 2016-2017:

- > We resolved 97,853 income and commodity tax disputes, compared to 96,098 resolved the previous fiscal year
- > 5,289 appeals were filed before the Tax Court of Canada

# Canada Pension Plan/employment insurance appeals to the Minister and appeals to the courts

Thousands of Canadians rely on payments through the Canada Pension Plan (CPP) or employment insurance (EI) as their main source of income. Prolonged disputes about eligibility for payments or the insurability of earnings can potentially cause financial hardship for them. During the year, the Agency received 2,386 CPP/EI appeals to the Minister, which were added to an opening inventory of 867. In 2016, the CRA centralized its intake of all CPP/EI appeals to the Minister at the Workload Distribution Centre in the London-Windsor Tax Services Office. This centralization has enabled the Agency to improve how it manages the CPP/EI appeals workload; as a result, processing times for handling the CPP/EI appeals to the Minister were reduced by 34.9% from 2015-2016 to 2016-2017, from an average of 191 days to 125.

## KEY RESULTS

In 2016-2017:

- > During the year, 2,767 appeals were resolved, compared to 2,695 resolved the previous fiscal year
- > 253 appeals were filed before the Tax Court of Canada

# Service complaints

The CRA offers taxpayers a process to resolve complaints about the service, quality, or timeliness of our work, as well as complaints related to the Taxpayer Bill of Rights.

The CRA recognizes that service issues raised by taxpayers provide valuable insight and feedback and can help identify areas where service can be improved for all Canadians. To this end, the CRA has begun sending out acknowledgement letters upon receipt of a service complaint. This helps to assure taxpayers that their concerns are taken seriously and that action will be taken as appropriate.

The following two cases are examples of feedback collected through service complaints in 2016-2017 and that led to service enhancements for taxpayers:

- > Letters sent to third parties (for example, accountants or lawyers) pertaining to a specific taxpayer are often shared by the third party with the taxpayer. A service complaint was raised in 2016-2017 because correspondence that was sent to the third party was not sent in the taxpayer's language of choice. To address this issue, CRA procedures were updated to recommend that letters sent to third parties be in the taxpayer's language of choice, regardless of the preferred language of the third party.
- > Taxpayers voiced their concerns about submitting supporting documents more than once during the review of their individual income tax and benefit returns. We reminded CRA employees that, when conducting a review of a return, they must verify if the taxpayer already sent in supporting documents before sending a letter to ask for them again.

## KEY RESULTS



In 2016-2017:

- > We resolved 4,480 service complaints, compared to 3,336 resolved the previous fiscal year
- > We resolved 83.6% of service complaints within 30 business days

# Taxpayer relief

The CRA administers the process under which the Minister of National Revenue may cancel or waive penalties and interest under legislative taxpayer relief provisions. In 2016-2017, the implementation of a number of enhancements to the taxpayer relief process helped improve service to taxpayers:

- > A new service standard was developed to help ensure that taxpayers' requests for relief are resolved quickly. The new standard, which became effective on April 1, 2017, states that requests for relief will be resolved within 180 calendar days 85% of the time.
- > Electronic reporting and program monitoring were improved. Processes were also improved and included developing new procedures for bulk requests and project-related relief requests. Management of the Taxpayer Relief subprogram is also being improved through a process, currently manual, that is in place to ensure relief requests are treated consistently across Canada regardless of where the initial request was submitted.

## KEY RESULTS

In 2016-2017:

- > We cancelled and waived \$671 million in penalties and interest for 413,474 requests (taxpayer-requested and automated)<sup>1</sup>

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1. The Departmental Performance Report 2015-16 had reported the total number of Taxpayer Relief requests was 51,505. The total number has been corrected to 425,127.

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## MAY 2016 CRA RESPONSE TO ALBERTA WILDFIRES

When wildfires broke out in May 2016 in Alberta, especially in the community of Fort McMurray, the CRA responded swiftly and proactively to ease the tax burden of those affected by the natural disaster.

The Agency's disaster relief response included:

- > working with Canada Post to provide secure access to mail for people who were expecting a benefit payment or tax refund, but had to evacuate their community
  - > encouraging individuals, business, and first responders who found themselves unable to file or pay taxes on time to make a request for taxpayer relief
  - > making designated telephone agents available to answer questions, send taxpayer relief requests, arrange direct-deposit payments, and provide advice relating to lost, destroyed, or damaged records
  - > cancelling all penalties/interest for affected individuals who could not file their tax return or pay amounts owing
  - > temporarily ceasing all collections, audit-related activities, and administrative correspondence in the affected area
  - > helping registered charities affected by, or providing relief from, this disaster and providing information to donors who wanted to help the charities
-

# Appeals

## BUDGETARY FINANCIAL RESOURCES (dollars)



## HUMAN RESOURCES (FTEs)<sup>4</sup>



- 
1. Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2015-2016 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in total authorities and actual spending.
  2. Modified cash basis, based on Parliamentary appropriations used. See pages 127 and 128 of the Departmental Results Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.
  3. Increase primarily due to collective bargaining adjustments as well as spending to implement and administer service measures announced as part of Budget 2016.
  4. Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.
  5. Increase primarily due to new funding for service measures announced as part of Budget 2016 and changes in workload associated with the administration of the CPP and EI.

# Internal services

Internal Services are groups of related activities and resources that the federal government considers to be services in support of programs or that are needed to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the ten distinct service categories that support program delivery in the organization, regardless of the Internal Services delivery model in a department. The ten service categories are: Management and Oversight Services, Communications Services, Legal Services, Human Resources Management Services, Financial Management Services, Information Management Services, Information Technology Services, Real Property Services, Materiel Services, and Acquisition Services.



# Human resources

The success of the CRA as a trusted tax and benefit administration—and as an employer—relies significantly on its people. It is our highly-skilled and experienced workforce of more than 40,000 people in communities from coast to coast to coast that contributes to effective tax administration and the successful delivery of benefits to Canadians.

The Agency recognizes its need to develop employees for managerial roles and has demonstrated this by promoting learning and developmental opportunities at the CRA, such as the improved Agency Leadership Development Program, and our Take me with you initiative. The following chart illustrates the success the Agency achieved during the year in exceeding the employment equity representation levels beyond those based on general labour market availability.

	Total	Aboriginal Peoples		Persons with Disabilities		Visible Minorities		Women	
	N <sup>br</sup>	N <sup>br</sup>	%	N <sup>br</sup>	%	N <sup>br</sup>	%	N <sup>br</sup>	%
<b>Internal Representation<sup>1</sup></b>	40,809	1,315	3.2%	2,917	7.1%	10,564	25.9%	24,627	60.3%
<b>Labour Market Availability</b>		3.0%		4.6%		19.5%		59.0%	

<sup>1</sup> Source: Data from Corporate Administrative System, as of March 31, 2017.

Workplace well-being is a key Government of Canada priority, emphasized by the Clerk of the Privy Council. In support of this important government-wide priority, the CRA put in place its Respectful Workplace and Well-Being Strategy. As part of this strategy, the Agency launched its Discrimination and Harassment Centre of Expertise; an e-learning product on workplace discrimination and harassment; and a lesbian, gay, bi-sexual, transgender, queer + (LGBTQ+) network.

Overall, the CRA has made significant achievements in the field of human resources in 2016-2017.

- > The CRA successfully launched its “Cracking Down” recruitment campaign with the goal of recruiting specialists—like lawyers, accountants or auditors with expertise in fields such as financial markets, tax planning, tax advisory services, litigation and wealth management—to help with the Agency’s efforts to crack down on tax evaders and combat tax avoidance.
- > 51 student ambassadors were trained to represent and promote the CRA on 36 post-secondary campuses across the country
- > We launched the Respectful Workplace and Well-Being Strategy, featuring a webpage with content that supports well-being in the workplace

- > In February 2017, the CRA held a National Suicide Prevention event, attended on site by over 373 and a further 1,967 through webcast
- >  In November 2016, the CRA launched the Indigenous Mentorship Initiative; in March 2017, an Indigenous-specific recruitment campaign and website; and introduced an Indigenous recruitment, retention, and promotion strategy
- > The CRA was named a top employer in the National Capital Region and one of Canada's top employers for young people

## Gender-based Analysis Plus

The CRA has been engaged in the Government of Canada's commitment to gender equality through the Gender-based Analysis Plus (GBA+) tool. This tool ensures that government policies, programs, and services are sensitive to the different impacts their decisions can have on diverse groups of men and women. It assesses the effects of government initiatives on these groups through the lens of gender and other identity factors such as age, income, language, and geography. We support the Government of Canada's commitment by using this approach in developing policies, procedures, and programs and by ensuring all Treasury Board submissions, Memoranda to Cabinet, and significant changes to the design and implementation of national programs and services include gender and other considerations.

In 2016-2017, the CRA responded to the Government of Canada 2016-2020 Action Plan to ensure government-wide implementation. We developed and implemented our own action plan to improve the application of GBA+ in assessing our programs, policies, and services. To date, we have successfully:

- > implemented our own GBA+ policy framework and developed a mechanism to report progress
- > established a Centre of responsibility to ensure consistent application
- > maintained oversight and governance through an Executive Champion and reporting to management committees
- > developed tools, data and information resources, and training products to help employees integrate GBA+ into their initiatives
- > created a virtual network to promote GBA+ awareness across the CRA
- > applied the GBA+ lens to thirty CRA initiatives in support of inclusive program and service delivery

# Integrity and security

Canadians rely on the CRA to exercise the highest levels of integrity and security to protect their personal information and they have every right to expect Agency employees will perform their duties fairly and honestly. To this end, the CRA strives to earn the trust of Canadians by incorporating integrity and security considerations into every aspect of its strategic decision-making and daily operations. Through various mechanisms, such as monitoring electronic transactions and using identity and access management tools, the CRA is well equipped to prevent, detect, and mitigate unauthorized access to its systems, as well as to manage employee access to information.

The CRA's Chief Privacy Officer oversees decisions related to privacy and monitors and champions personal privacy rights, including managing internal privacy breaches and completing privacy impact assessments. In 2016-2017, we completed 22 privacy impact assessments—the most in our history and over five times more than the previous fiscal year.

Integrity and security remained one of the CRA's most important priorities in 2016-2017, as evidenced by its advancement of the following initiatives:

- > Data Security Initiative
- > Identity and Access Management project
- > National Audit Trail System (NATS) Modernization project

All of these projects aim to protect taxpayer data from unauthorized access. Particularly in regard to the NATS project, the CRA has strengthened the security and confidentiality of taxpayer information by automating its processes to proactively detect, identify, and investigate questionable user transactions using advanced fraud monitoring and detection capabilities.



# Information management

The CRA meets its legislative and regulatory obligations, supports decision-making, and fulfils the operational needs of the programs it administers by applying sound information management principles. This also helps the CRA derive value from its information and deliver its programs and services efficiently and effectively.

As the CRA increasingly relies on technology to deliver programs and services, integrating information management requirements into planning becomes even more important in order to ensure the long-term integrity of the CRA's information, regardless of changes in the organization, movement of employees, changing technology, or changes in the law.

Over the 2016-2017 fiscal year, the CRA's suite of information management policy instruments was redesigned to better reflect our information management environment. It streamlines information management rules for employees and managers, reducing policy instruments from 22 to eight, and ensures alignment with Government of Canada policy renewal activities, Agency policy simplification efforts, and the current information management strategy.

The CRA set the stage for the launch of the new information management policy and its four new directives to be put into force in April 2017. This new suite allows employees to locate the guidance they need faster and to better understand their roles and responsibilities. It also helps to reduce legal and operational risks to the Agency.

During the CRA's 2016 Information Management Awareness Week Campaign, we launched a simple tool called the IM Assistant Renaming Tool. It helps employees manage their information by renaming and moving multiple files in one step, in accordance with the CRA's file naming conventions.

The CRA implemented significant digital services in 2016-2017.

- > We prepared for the April 2017 launch of our new information management policy.
- > We launched our IM Assistant Renaming Tool, which was downloaded 10,000 times, including by over 7,500 employees during our awareness campaign.

# Finance and administration

Sound financial management remains a priority for the CRA. The Agency uses a robust system of financial controls to ensure the integrity and effective management of the funds it receives and disburses. The Commissioner and the Chief Financial Officer have put these measures in place; they are regularly reviewed internally and externally and improved for efficiency and effectiveness.

The Treasury Board of Canada Secretariat and the CRA's Board of Management oversee the Agency's activities; the Office of the Auditor General audits the Agency's financial statements.



In 2016-2017, the CRA continued to advance its Chief Financial Officer Model, a government-wide best practice to formalize the role of the Chief Financial Officer as the lead senior executive for all aspects of financial management, program financing, and financial reporting and disclosure. To this end, in April 2016, the Agency created a new direct reporting relationship with Finance and Administration regional directors—who now report to the Chief Financial Officer—with the goal of standardizing, streamlining, and strengthening financial services across the CRA.

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**The Agency successfully** converted approximately 31,000 rentable square metres of previously realized space savings into \$10.2 million of operational budget dollars. This allowed us to use existing space efficiently and minimize the use of public resources during 2016-2017.

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# Information technology

Service to Canadians and innovation were two of the Agency's key strategic priorities throughout 2016-2017. The CRA's information technology expertise has been crucial to the Agency's ability to deliver on those priorities; to be a world-class tax and benefit administration; and to fully prepare its applications to successfully process the anticipated volume of work at our busiest time of the year.

In 2016-2017, the CRA advanced digital delivery of external correspondence to include redesigned notices made available through its Online mail service. Information technology continues to provide the Agency with the capacity, availability, and performance it needs to sustain both current and emerging business needs, and to help the Government of Canada meet its commitment to provide fair, helpful, and easy-to-use service.

## Awards and partnerships

The CRA is committed to establishing and maintaining collaborations with both internal and external partners.

In November 2016, the CRA earned two Distinction Awards at the Government Technology Exhibition and Conference. These awards recognized the CRA's efforts in modernizing staffing processes, and assisting developing countries through the online cloud-based Knowledge Sharing Platform to develop and sustain an effective tax system and analyze potential non-compliance. These awards are proof that the CRA is maturing into a world-class tax and benefit administration.

Over the course of 2016-2017, the CRA successfully collaborated with several partners:

- > Employment and Social Development Canada, to make it easier for users of the CRA's My Account and Employment and Social Development Canada's My Service Canada Account to link between the two and access online services without the need to login or validate their identity with each department
- > Shared Services Canada, in an effort to support the Agency's business needs while improving underlying information technology infrastructure
- > Public Services and Procurement Canada, to prepare for the April 2017 launch of the CRA's first Shared Case Management System, fulfilling the needs of the Office of the Taxpayer's Ombudsman

# Internal services<sup>1</sup>

## BUDGETARY FINANCIAL RESOURCES (dollars)



## HUMAN RESOURCES (FTEs)<sup>5</sup>



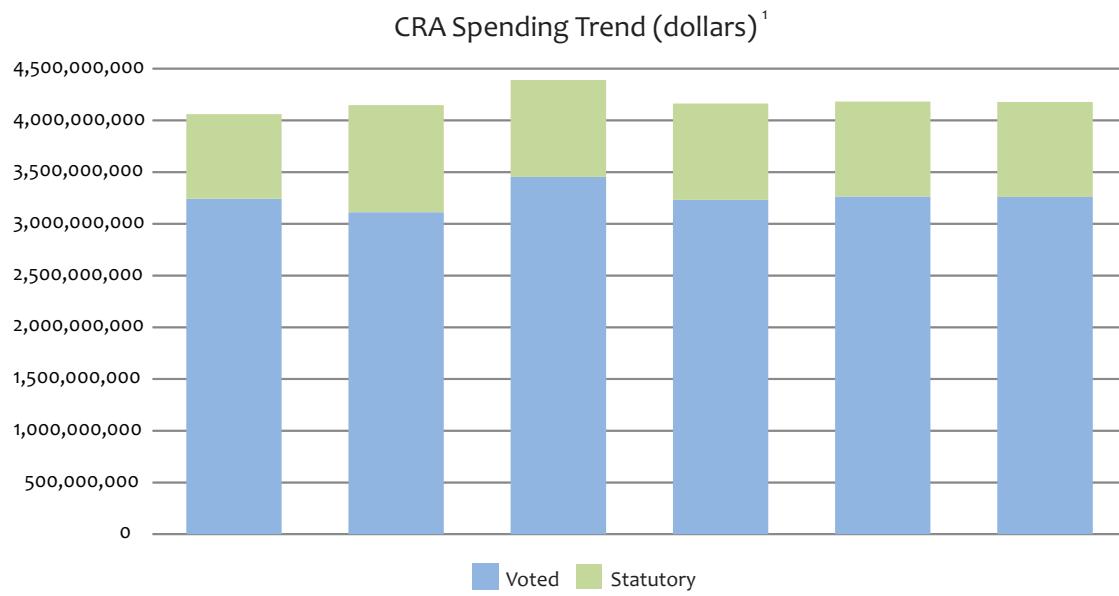
- 
1. A significant portion of the expenditures and FTEs reported under Internal Services are associated with Information Technology work and includes activities carried out on behalf of the programs to ensure the continued sustainability of CRA systems.
  2. Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2015-2016 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in total authorities and actual spending.
  3. Modified cash basis, based on Parliamentary appropriations used. See pages 127 and 128 of the Departmental Results Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.
  4. Increase primarily due to spending on major investment projects, workload transfers from other programs for information technology work and the consolidation of the financial management advisory team, as well as initiatives announced as part of the Budget 2016.
  5. Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.
  6. Increase primarily due to spending on major investment projects, workload transfers from other programs for information technology work and the consolidation of the financial management advisory team, as well as initiatives announced as part of the Budget 2016.



# Analysis of trends in spending and human resources

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# Actual expenditures



<sup>1</sup> The planned spending trend figure shows all parliamentary appropriations (Main Estimates and Supplementary Estimates) and revenue sources provided to the CRA for: policy and operational initiatives arising from various federal budgets and economic statements, transfers from the Department of Public Services and Procurement Canada for accommodations and real property services, disbursements under the Softwood Lumber agreement, the children's special allowance payments, as well as the implementation of initiatives to improve efficiency.

<sup>2</sup> Actual spending for fiscal years 2014-2015 to 2016-2017 also includes technical adjustments such as the CRA's carry-forward from the previous year and funding for severance payments, parental benefits, and vacation credits. The 2014-2015 fiscal year also includes expenditures associated with the one-time transition payment for implementing pay in arrears.

The actual spending for fiscal year 2016-2017 reflects a significant increase as a result of retroactive payments associated with collective bargaining increases for employees represented by the Public Service Alliance of Canada bargaining unit.

Over the period 2014-2015 to 2019-2020, the CRA's expenditures/appropriations show an increase primarily as a result of funding received to implement and administer various measures announced in the federal budgets, transfers from Public Services and Procurement Canada for accommodation and real property services, wage settlements, as well as increases in the CRA's Statutory Authorities for children's special allowance payments. These increases have been partially offset by known or planned reductions in funding for the upgrade of the individual income tax processing system and the administration of the Softwood Lumber Agreement, 2006, as well as other miscellaneous items such as decreases in Government advertising programs, the transfer of CRA training programs to the Canada School of Public Service, and changes in employee benefit plan rates.

# Budgetary performance summary for programs and internal services (dollars)<sup>1</sup>

Programs and Internal Services (Program Alignment Architecture)	2014-15 Actual	2015-16 Actual	2016-17 Main Estimates	2016-17 Total authorities <sup>2</sup>	2016-17 Planned <sup>3</sup>	2016-17 Actual <sup>4</sup>	2017-18 Planned <sup>5</sup>	2018-19 Planned <sup>5</sup>	Programs and Internal Services (Departmental Results Framework)
Taxpayer and business assistance <sup>6</sup>	292,809,925	418,438,658	412,286,804	355,845,141	412,286,804	<b>346,045,382</b>			
Assessment of returns and payment processing <sup>7</sup>	640,377,518	606,377,627	503,182,149	559,488,174	503,182,149	<b>546,965,711</b>			
Reporting compliance	1,108,667,741	1,076,656,765	1,067,140,214	1,143,527,102	1,067,140,214	<b>1,101,009,935</b>			
Collections, compliance, and verification	519,837,234	495,342,255	632,051,666	746,728,836	632,051,666	<b>725,125,359</b>			
Appeals	204,406,362	181,214,477	185,568,739	211,148,563	185,568,739	<b>200,449,698</b>			
Benefit programs <sup>8</sup>	351,409,527	449,400,252	434,832,503	482,883,861	434,832,503	<b>475,216,775</b>	487,819,400	498,060,088	Benefits <sup>8</sup>
Taxpayers' ombudsman	2,614,097	2,047,159	3,235,854	3,135,391	3,235,854	<b>2,894,786</b>	3,183,760	3,203,422	Taxpayers' Ombudsman
<b>Subtotal</b>	<b>3,120,122,404</b>	<b>3,229,477,193</b>	<b>3,238,297,929</b>	<b>3,502,757,068</b>	<b>3,238,297,929</b>	<b>3,397,707,646</b>	<b>3,228,081,567</b>	<b>3,249,666,116</b>	<b>Subtotal</b>
Internal services	940,711,586	917,510,101	847,420,254	1,119,312,641	847,420,254	<b>992,240,117</b>	934,818,007	932,636,383	Internal Services
<b>Total</b>	<b>4,060,833,990</b>	<b>4,146,987,294</b>	<b>4,085,718,183</b>	<b>4,622,069,709</b>	<b>4,085,718,183</b>	<b>4,389,947,763</b>	<b>4,162,899,574</b>	<b>4,182,302,499</b>	<b>Total</b>
Less: Respondable Non-Tax Revenue under Section 60 of the Canada Revenue Agency Act	(166,085,289)	(169,032,577)	(166,604,106)	(163,733,679)	(166,604,106)	<b>(163,733,679)</b>	(165,720,262)	(147,517,192)	Less: Respondable Non-Tax Revenue under Section 60 of the Canada Revenue Agency Act
Plus: Cost of services received without charge	457,024,404	463,246,580	N/A	N/A	452,470,955	<b>512,443,686</b>	466,944,402	467,291,590	Plus: Cost of services received without charge
<b>Net Cost</b>	<b>4,351,773,105</b>	<b>4,441,201,297</b>	<b>N/A</b>	<b>N/A</b>	<b>4,371,585,032</b>	<b>4,738,657,770</b>	<b>4,464,123,714</b>	<b>4,502,076,897</b>	<b>Net Cost</b>

<sup>1</sup> Budgetary financial information displayed in this document represents authorities approved by Parliament, and excludes amounts recovered by the CRA for the provision of services to Employment and Social Development Canada for the administration of the Canada Pension Plan and the Employment Insurance Act.

<sup>2</sup> The CRA's total authorities increased by \$536.4 million, or 13.1% over the planned spending identified in the Report on Plans and Priorities. This is mainly due to increases associated with the carry-forward of funds from 2015-2016, severance payments, parental benefits, vacation credits, funding to implement and administer various measures announced in the 2015 and 2016 federal budgets, children's special allowance payments, funding for the administration of the goods and services tax, and funding for collective bargaining increases.

<sup>3</sup> Planned spending excludes severance payments, parental benefits, vacation credits and the carry-forward of unused funds from 2015-2016 where, pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize parliamentary appropriations once approved. This funding is received during the fiscal year and is included only in total authorities and actual spending.

<sup>4</sup> Modified cash basis, based on Parliamentary appropriations used. See pages 127 and 128 of the Departmental Results Report for an explanation of how actual spending relates to results in the CRA Financial Statements – Agency Activities.

<sup>5</sup> Reflects the transition between the Program Alignment Architecture and the Departmental Results Framework. For additional information, please refer to page 191.

<sup>6</sup> Includes the disbursements to the provinces under the Softwood Lumber Products Export Charge Act, 2006 (planned spending: \$128 million in 2016-2017; and \$0 in 2017-2018 and 2018-2019); (actual spending: -\$0.1 million in 2016-2017; \$121.5 million in 2015-2016; and -\$15.1 million in 2014-2015).

<sup>7</sup> Includes payments to Revenue Québec for administering the goods and services tax in the province (actual spending: \$141.8 million in 2016-2017; \$142.3 million in 2015-2016; and \$142.1 million in 2014-2015).

<sup>8</sup> Includes statutory children's special allowance payments (planned spending: \$289 million in 2016-2017; \$340 million in 2017-2018; and \$346 million in 2018-2019); (actual spending: \$319.7 million in 2016-2017; \$309.2 million in 2015-2016; and \$214.8 million in 2014-2015).

Actual spending in the 2016-2017 fiscal year includes a significant increase as a result of new funding for measures announced in the 2016 Federal Budget as well as retroactive payments associated with collective bargaining increases for employees represented by the Public Service Alliance of Canada bargaining unit.

Over the planning period (from \$4.163 billion in 2017-2018 to \$4.182 billion in 2018-2019), the CRA's appropriations show an increase primarily as a result of funding received to implement and administer various measures announced in the federal budgets, adjustments for accommodation and real property services, as well as increases in the CRA's statutory authorities for children's special allowance payments. These increases have been partially offset by decreases in spending of revenues received through the conduct of the CRA's operations for initiatives administered on behalf of the Canada Border Services Agency and the Province of Ontario, as well as reductions in funding for the upgrade of the individual income tax processing system.

## Actual human resources

Human resources summary for programs and internal services (full time equivalents)

Programs and Internal Services (Program Alignment Architecture)	2014-15 Actual	2015-16 Actual	2016-17 Planned	2016-17 Actual	2017-18 Planned <sup>1</sup>	2018-19 Planned <sup>1</sup>	Programs and Internal Services (Departmental Results Framework)
Taxpayer and business assistance <sup>2</sup>	3,948	3,924	3,665	<b>4,160</b>	30,104	29,934	Tax
Assessment of returns and payment processing <sup>2</sup>	6,209	5,967	4,519	<b>4,330</b>			
Reporting compliance	9,790	9,766	9,663	<b>9,632</b>			
Collections, compliance, and verification <sup>2</sup>	7,705	7,653	9,461	<b>9,659</b>			
Appeals <sup>2</sup>	1,868	1,671	1,646	<b>1,748</b>			
Benefit programs <sup>2</sup>	1,253	1,287	1,545	<b>1,299</b>	1,592	1,586	Benefits
Taxpayers' ombudsman	23	21	31	<b>25</b>	31	31	Taxpayers' Ombudsman
<b>Subtotal</b>	<b>30,796</b>	<b>30,289</b>	<b>30,530</b>	<b>30,853</b>	<b>31,727</b>	<b>31,551</b>	<b>Subtotal</b>
Internal services <sup>2</sup>	7,765	7,688	7,348	<b>7,875</b>	7,665	7,444	Internal Services
<b>Total</b>	<b>38,561</b>	<b>37,977</b>	<b>37,878</b>	<b>38,728</b>	<b>39,392</b>	<b>38,995</b>	<b>Total</b>

<sup>1</sup> Reflects the transition between the Program Alignment Architecture and the Departmental Results Framework. For additional information, please refer to page 191.

<sup>2</sup> Includes FTEs associated with fulfilling the CRA's administrative responsibilities in support of Canada Pension Plan and Employment Insurance legislation.

The increase of actual FTEs in 2016-2017 over planned is primarily attributable to the implementation and administration of various measures announced in the 2016 Federal Budget.

The reduction in FTEs over the planning period (from 39,392 in 2017-2018 to 38,995 in 2018-2019) is primarily attributable to decreases in spending of revenues received through the conduct of the CRA's operations for initiatives administered on behalf of the Canada Border Services Agency and the Province of Ontario as well as reductions in FTEs associated with planned investment projects. These decreases have been partially offset by an increase in FTEs associated with various measures announced in the federal budgets.

## Expenditure by votes

For information on the CRA's organizational voted and statutory expenditures, consult the [Public Accounts of Canada 2017<sup>x</sup>](#).

## Alignment of spending with the whole-of-government framework

Alignment of 2016-17 actual spending with the whole-of-government framework (dollars)

Program	Spending area	Government of Canada activity	2016-17 actual spending
Taxpayer and business assistance	Government affairs	Transparency and accountability	346,045,382
Assessment of returns and payment processing	Government affairs	Government operations	546,965,711
Benefit programs	Economic affairs	Employment and income security	475,216,775
Reporting compliance	Government affairs	Government operations	1,101,009,935
Collections, compliance, and verification	Government affairs	Government operations	725,125,359
Appeals	Government affairs	Transparency and accountability	200,449,698
Taxpayers' ombudsman	Government affairs	Transparency and accountability	2,894,786

## Total spending by spending area (dollars)

Spending area	Total planned spending	Total actual spending
Economic affairs	434,832,503	475,216,775
Social affairs	-	-
International affairs	-	-
Government affairs	2,803,465,426	2,922,490,871

## Authorities approved after Main Estimates (dollars)

2016-17 Main Estimates	4,085,718,183
Planned Spending (as reported in the 2016-17 Report on Plans and Priorities)	4,085,718,183
Carry-forward from 2015-2016	277,426,056
Funding for the implementation and administration of various measures announced in the 2016 Federal Budget	144,756,834
Collective bargaining increases	98,362,002
Severance payments, parental benefits, and vacation credits	65,581,901
Funding for the administration of the goods and services tax	30,000,000
Transfer from Public Services and Procurement Canada as a result of a reduction in accommodation requirements	10,200,000
Funding for the implementation and administration of various measures announced in the 2015 Federal Budget	7,541,870
Government advertising programs	1,800,000
Adjustment to the statutory forecast for disbursements to the provinces under the Softwood Lumber Products Export Charge Act, 2006	(125,600,000)
Year-end adjustments to statutory authorities:	
• increase in payments under the Children's Special Allowance Act for eligible children in the care of agencies and foster parents	30,659,267
• court awards	530,013
• contribution to employee benefit plans	306,044
• Crown assets disposals	160,629
• decrease in the spending of revenues received through the conduct of the CRA's operations	(2,870,427)
• decrease in disbursements to provinces under the Softwood Lumber Products Export Charge Act, 2006	(2,509,802)
• other minor adjustments	7,139
<b>Total authorities at year-end</b>	<b>4,622,069,709</b>

# Financial statements highlights

Condensed statement of operations (unaudited) for the year ended

Financial information	2016-17 planned results	2016-17 actual	2015-16 actual	Difference (2016-17 actual minus 2016-17 planned)	Difference (2016-17 actual minus 2015-16 actual)
Total expenses	4,605,593,000	4,918,113,681	4,539,293,649	312,520,681	378,820,032
Total non-tax revenues	473,097,000	533,965,158	489,925,033	60,868,158	44,040,125
Net cost of operations before government funding and transfers	4,132,496,000	4,384,148,523	4,049,368,616	251,652,523	334,779,907

The CRA's 2016-17 net cost of operations before government funding and transfers amounted to \$4,384.1 million, an increase of \$334.8 million from the \$4,049.4 million net cost of operations before government funding and transfers in 2015-16.

Personnel expenses (salaries, other allowances and benefits) represent 75% of total expenses and are the CRA's primary costs. The remaining 25% of expenses are comprised of other costs such as information technology (IT) and accommodation expenses.

Personnel costs have increased by \$299.7 million or 9% in 2016-17. The CRA has slightly increased its workforce in order to implement the new initiatives announced in Budget 2016, which partly explains the increase in personnel costs. Additionally, the approval of the PSAC collective agreement in October 2016 contributed to the increase with an additional one-time vacation week, a signing bonus and retroactive salary payments that were issued to the represented employees. Increases in salary expenses impacted in turn the cost of health and dental employee benefits, that cost being also subjected to a greater insurance contribution rate in 2016-17.

Non-personnel expenses have increased by \$79.2 million or 7% in 2016-17. This variance mainly results from an increase in fit-up cost as part of the workplace renewal strategy (\$40.4 million) as well as an increase in IT services provided by Shared Services Canada (SSC) (\$24.3 million).

Non-tax revenues increased by \$44.0 million from the prior year, which is mostly attributable to the invoicing of the retroactive salary payments applicable to the administration of the Canada Pension Plan and the Employment Insurance Act.

Condensed statement of financial position (unaudited) as at  
March 31, 2017 (dollars)

Financial information	2016-17	2015-16	Difference (2016-17 minus 2015-16)
Total net liabilities	1,479,204,021	1,463,915,583	15,288,438
Total net financial assets	329,741,215	276,524,222	53,216,993
CRA net debt	1,149,462,806	1,187,391,561	(37,928,755)
Total non-financial assets	411,843,222	414,775,828	(2,932,606)
CRA net financial position	737,619,584	772,615,733	(34,996,149)

Liabilities have increased by \$15.3 million in 2016-17. This was attributable in part to an increase in vacation liability due to the new one-time vacation leave introduced in the agreement reached with the PSAC ratified in October 2016. Also attributable to the increase are the provisions for salary increases for expired collective agreements and an increase in accounts payable at year-end for IT services rendered by SSC. This was offset in part, by a decrease in employee severance benefits explained by the termination of the accumulation of accrued severance benefits for the employees under the new PSAC collective agreement.

The increase in financial assets is correlated to specific increases in liabilities, as an account receivable is created for liabilities that are not settled at year-end, but for which appropriations were used. This account receivable, the Due from the Consolidated Revenue Fund (CRF), represents the net amount of cash that the CRA is entitled to draw from the CRF that is administered by the Receiver General for Canada without using further appropriations to discharge its liabilities. It increased by \$42.5 million in 2016-17. Salary advances and overpayments arising from the transition to the Phoenix pay system also contributed to the increase in financial assets.

# Supplementary information

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# Corporate information

## Organizational profile

**Appropriate Minister:** The Honourable Diane Lebouthillier, P.C., M.P.

**Institutional head:** Bob Hamilton

**Chair of Board of Management:** Suzanne Gouin

**Ministerial portfolio:** National Revenue

**Enabling instrument:** Canada Revenue Agency Act

[www.laws-lois.justice.gc.ca/eng/acts/C-10.11/](http://www.laws-lois.justice.gc.ca/eng/acts/C-10.11/)<sup>xi</sup>

**Year of commencement:** 1999

## Reporting framework

The CRA's strategic outcomes and program alignment architecture of record for 2016-17 are shown below.

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

Program	Subprogram
Taxpayer and Business Assistance	<ul style="list-style-type: none"><li>• Tax Information Services and Assistance</li><li>• Registered Plans</li><li>• Charities – Public Safety and Anti-Terrorism</li><li>• Policy, Rulings, and Interpretations</li><li>• Charities</li></ul>
Assessment of Returns and Payment Processing	<ul style="list-style-type: none"><li>• Individual Returns</li><li>• Business Returns</li><li>• Payments</li><li>• Goods and Services Tax Administration in Quebec</li><li>• Voluntary Disclosures Program</li></ul>
Reporting Compliance	<ul style="list-style-type: none"><li>• International and Large Business</li><li>• Small and Medium Enterprises</li><li>• Scientific Research and Experimental Development</li><li>• Criminal Investigations Program</li><li>• GST/HST</li></ul>
Collections, Compliance and Verification	<ul style="list-style-type: none"><li>• Compliance and Verification</li><li>• Collections – Tax and Government Programs</li></ul>
Appeals	<ul style="list-style-type: none"><li>• Income Tax Objections and Appeals to the Courts</li><li>• Commodity Taxes Objections and Appeals to the Courts</li><li>• Canada Pension Plan/Employment Insurance Appeals to the Minister and Appeals to the Courts</li><li>• Service Complaints</li><li>• Taxpayer Relief</li></ul>

Strategic outcome: Eligible families and individuals receive timely and accurate benefit payments

Program	Subprogram
Benefit Programs	<ul style="list-style-type: none"><li>• Statutory Children's Special Allowance Payments</li><li>• Benefit Enquiries</li><li>• Benefit Programs Administration</li></ul>

Strategic outcome: Taxpayers and benefit recipients receive an independent and impartial review of their service-related complaints

Program	Subprogram
Taxpayers' Ombudsman <sup>1</sup>	<ul style="list-style-type: none"><li>• N/A</li></ul>

<sup>1</sup> For more information on the Taxpayers' Ombudsman Annual Report, see <https://www.canada.ca/en/taxpayers-ombudsman/programs/reports-publications/annual-reports.html><sup>xii</sup>.

Internal services

## Supporting information on lower-level programs

Supporting information on results, financial and human resources relating to CRA lower-level programs is available on InfoBase.

## Supplementary information tables

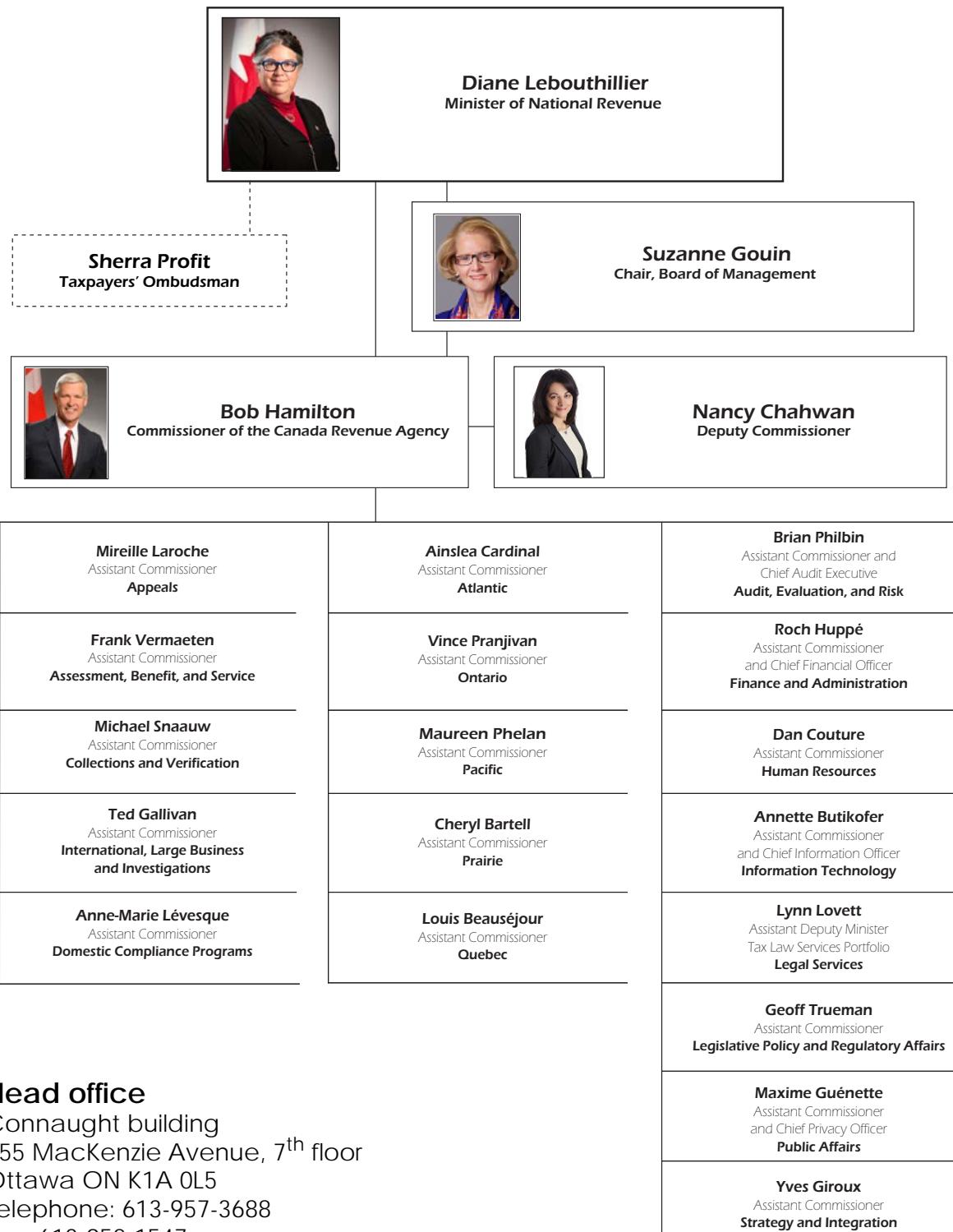
The following supplementary information tables are available on the [CRA's website](#)<sup>xiii</sup>.

- > CRA Sustainable Development Strategy
- > Details on Transfer Payment Programs of \$5 Million or More
- > Internal Audits and Evaluations
- > Project Spending
- > Response to Parliamentary Committees and External Audits
- > Supporting Information on Lower-Level Programs
- > User Fees, Regulatory Charges and External Fees

## Federal tax expenditures

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures each year in the [Report on Federal Tax Expenditures](#)<sup>xiv</sup>. This report also provides detailed background information on tax expenditures, including descriptions, objectives, historical information and references to related federal spending programs. The tax measures presented in this report are the responsibility of the Minister of Finance.

# Organizational contact information



As of August 2017

# Appendices

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# Agency governance and the Board of Management

Board of Management members are appointed by the Governor in Council; the Board's mandate is set out in the Canada Revenue Agency Act.

The Board of Management of the Canada Revenue Agency (CRA) consists of 15 members appointed by the Governor in Council. They include the Chair, the Commissioner and Chief Executive Officer, a director nominated by each province, one director nominated by the three territories in turn, and two directors nominated by the federal government. Members of the Board bring a diverse business and community perspective from the private, public, and not-for-profit sectors to the work of the CRA.

The Canada Revenue Agency Act states that the Board is responsible for overseeing the organization and administration of the CRA and the management of its resources, services, property, personnel, and contracts. It undertakes its oversight role in cooperation with CRA management to ensure the CRA fosters sound management and service delivery to Canadians.

## Board priorities and accomplishments for 2016-2017

The Board fulfilled its statutory role and accomplished its objectives in priority areas for 2016-2017, as stated in the Corporate Business Plan 2016-2017 to 2018-2019.

In support of the CRA during this reporting period, the Board continued to provide oversight in all areas of its statutory responsibilities, in line with the Board priorities in the Corporate Business Plan 2016-2017 to 2018-2019. Details of the Board's accomplishments in priority areas are provided below. (Note: the 2016-2017 fourth quarter meeting was held in April 2017.)

In 2016-2017, the Board saw several members leave and welcomed their replacements. The Commissioner of Revenue, Mr. Andrew Treusch, who was both an ex officio member of the Board and the principal representative of the CRA on the Board, retired from the public service in June 2016. The new Commissioner of Revenue, Mr. Bob Hamilton, was appointed on August 1, 2016. Turnover was high for independent Board members: Mr. Todd McCarthy (Ontario) resigned April 7, 2016, and Ms. Fauzia Lalani (federal appointee), Mr. Robert Manning (New Brunswick), and Mr. Richard Daw (Newfoundland and Labrador) left after years of outstanding service. New members were appointed, and as of April 2017, the Board had a full complement. The following new members joined, in this order: Ms. Mireille Saulnier (New Brunswick), Ms. France-Élaine Duranceau (federal appointee), Ms. Kathryn Bouey (Ontario), and Ms. Dawn Dalley (Newfoundland and Labrador).

# Strategic direction

The Board priorities in the Corporate Business Plan 2016-2017 to 2018-2019 provided continuity with previous corporate business plans and largely aligned with the CRA's overall priorities for the planning period. As in previous years, service to Canadians, integrity and security, people management, and resource optimization remained strategic goals. Innovation was added to the Board priorities.

The Board is committed to monitoring how the CRA implements the Minister's mandate, as well as how it achieves the Budget 2016 goals outlined at the time of the Corporate Business Plan. Budget 2016 allocated considerable resources for improving service to Canadians, increasing debt collections, and combatting tax evasion and avoidance. Throughout the year, the Board concentrated its energies on measuring results from these investments, in line with the emphasis on delivery promoted by the Government. The Board continued to refine how it measures performance, using its quarterly Board dashboard to ensure timely progress towards the CRA's goals.

Independent members of the Board worked in collaboration with two Commissioners in 2016-2017, as well as with the CRA's senior management team. The Board continues to encourage director development sessions with CRA management. The Board also invited teams to celebrate their accomplishments, and this year recognized employees involved in Phase I of the CRA's plain language initiative for external administrative correspondence.

The Board guided the development of the Corporate Business Plan 2017-2018 to 2019-2020, discussing main themes as early as June 2016 and providing detailed advice for the first strategic chapter, as well as the Board's strategic goals. These will remain closely aligned with the CRA's overall priorities and with government objectives. The Board considered and welcomed the new, more user friendly structure of the document.

# Service to Canadians

The Board continued to support the CRA's efforts to improve service to Canadians. To this end, the Board carefully monitored the use of funds allocated in Budget 2016 to increase the Agency's focus on Canadians and Canadian businesses. The Board also closely followed the Serving You Better consultations with small and medium enterprises across Canada. Members especially appreciated hearing about the participation of major stakeholders and frontline CRA staff.

The Board ensured the Minister's mandate was followed for CRA service initiatives such as: communications with Canadians eligible for benefits and credits which they may not be receiving; greater outreach to Indigenous Peoples (with Employment and Social Development Canada); and the expansion of the Community Volunteer Income Tax program.

The Board encouraged and welcomed the continued increase in digital service offerings, including more information slips for Auto-fill my return, and additional features for the My Benefits mobile app. As mentioned previously, the Board also celebrated completing Phase I of the external administrative correspondence project to simplify correspondence to Canadians. The Board is satisfied with the continued increase in digital filing. The 2016 T1 online filing rate was 86.1%. This translates to 24.4 million out of 28.3 million returns being filed online, up from 84% in 2015. The online filing rate for corporation income tax returns was 89%, exceeding the 85% target. This translates to over 2.1 million out of almost 2.4 million returns being filed online. And, lastly, payments online were at 80%, exceeding the CRA's 78% forecast. This translates to over 31 million out of almost 39 million payments being made online.

Members reviewed the initial Appeals Comprehensive Business Plan. The plan set ambitious goals in response to the Office of the Auditor General's audit of the objections program. The Board has indicated its interest in quarterly updates to ensure taxpayer objections are handled in a timely manner. Another topic the Board considered in depth is Canadians' perception of the fairness of the tax system and of the service they receive from the CRA. Over the last year, the Board started a discussion about defining "fairness," including descriptions of fairness by the Taxpayers' Ombudsman, and encouraged public opinion research on fairness in developing a client-centric service culture.

Once again, the focus of the annual Board Planning Meeting in June 2016 was on service to Canadians. Members welcomed the Clerk of the Privy Council, who spoke at the Board dinner about achieving results and delivering on plans, as well as about culture change in a high-performing public service.

# Integrity and security

The Board receives regular updates on the CRA's Security Program, notably on information security, personal security, internal investigations, physical security, emergency management and identity access management. It is also informed about employees' awareness of the Agency's security policy. The CRA Identity Access Management initiative is progressing well and the Board is continuing its oversight of this major project. The Board is also briefed regularly on IT security and the relationship between the CRA and Shared Services Canada. Topics covered by these briefings include the prioritization, timeliness, and delivery of CRA projects. Members asked for greater information on cyber-security, and were pleased when Government of Canada experts told them that the measures taken by the CRA were in line with the highest standards of the industry. The Board also approved the CRA IT Strategic Plan 2016-2017 to 2018-2019, underlining the quality of the document presented.

The Board received the latest version of the CRA Integrity Framework in 2016-2017, and continues to focus on values and ethics regarding CRA employees. An area of particular interest to the Board is the issue of post-employment, which it studied in detail, recommending and approving updates to policy instruments and practices in the CRA.

# People management

As foreseen in the Corporate Business Plan 2016-2017 to 2018-2019, the Board again reviewed and approved a three-year Agency Workforce Plan for the CRA, as well as reviewing human resources performance through the annual human resources report. The Board received quarterly thematic updates on people management: on the CRA workforce; features of the CRA workplace; succession planning and recruitment in the Agency; and human resources modernization initiatives.

The Board continues to support recruitment efforts to ensure the CRA has the workforce it needs to deliver timely client-centered service. These efforts are particularly important in light of the staff increases budgeted in 2016 for specialists (such as behavioural economists, data analysts, forensic accountants, project managers, and auditors) to crack down on tax evasion and tax avoidance and to improve collections. The Board has also closely followed the progress of the Service Renewal Initiative. This initiative consolidated processing in National Verification and Collections Centres to modernize compliance, collections, and verification.

On behalf of the Board, the Human Resources Committee recommended two revised collective bargaining mandates with the Professional Institute of the Public Service of Canada - Audit, Financial and Scientific for approval by the President of the Treasury Board.

The Board also monitored emerging issues in people management, most notably the resolution of employee concerns about the Phoenix pay system. The Board was active in directing the CRA to address issues fairly and communicate actions taken to personnel in a timely manner.

# Innovation

The Board follows progress on innovation in the Agency with great interest. This year, members received an update on the Accelerated Business Solutions Lab focusing on “nudge” initiatives. The Lab led these initiatives in collaboration with different branches of the CRA. They involved using different techniques to communicate with individual and corporate taxpayers, and therefore influence behaviour, deter non-compliance, and decrease participation in the underground economy. Best practices are evolving from other nudge exercises as well, such as one encouraging taxpayers to use My Account.

# Resource optimization

The Board continues to provide fiscal oversight as a major fiduciary responsibility. When the Minister visited the Board (during the Audit Committee meeting on December 15, 2016), she underlined the importance of this aspect of the Board’s role. Members examined the year’s Strategic Investment Plan, which was very well received. They also examined quarterly dashboards on all major projects over \$20 million, quarterly resource management reports on the Agency’s financial position, and the CRA’s annual financial statements. The Board considers resource management to be one of the CRA’s areas of strength.

As part of its fiduciary responsibilities, the Board also considered the Corporate Risk Profile risk action plan in June 2016, as well as a new Corporate Risk Profile for the new fiscal year in April 2017. The Board’s Audit Committee regularly reviewed internal audits and evaluations, and focused on the external audit of the CRA’s internal audit program, which happens every five years: the CRA obtained the highest possible rating.

# Conclusion

The Board accomplished its strategic objectives for 2016-2017. The Board is committed to fulfilling its fiduciary oversight responsibilities as well as providing strategic advice and guidance to the Agency’s senior management. The Board thanks Mr. Andrew Treusch for his public service, and already enjoys a constructive collaboration with Mr. Hamilton. As always, the Board is grateful for the excellent cooperation and support received from senior management and employees of the CRA.

# Board membership

The following are the Board members as of September 1, 2017.



**Chair, Board of Management**  
**Hampstead, Quebec**  
**(Appointed August 2017 for 4 years)**

Nominated by the federal government, Suzanne Gouin is an accomplished media and telecommunications senior executive. From 2002 to 2015, she served as President and Chief Executive Officer of TV5 Québec Canada (TV5), a Canadian broadcaster responsible for operating TV5's signal in Canada, and possesses a range of expertise in the implementation of digital processes and solutions. She represented the company on regulatory issues and government relations, both in Canada and internationally. Prior to her position at TV5, she was the Vice President, Business Publications, at Transcontinental Media, and Director General for the Montreal television station CJNT, a division of CF Television Inc.

Ms. Gouin is currently the Chair of the Board of Le Printemps numérique (Montreal Digital Spring), a not-for-profit organization with a mission to promote creativity of the digital industry in Montreal. She has been a member of the Board of Fonds numérique Bell (Bell Fund) since 2015, and is currently the Chair of its Human Resources and Governance Committee. She has served on the Board of Hydro Québec since 2008, and is currently a member of its Human Resources Committee, Governance Committee, and Pension Plan Financial Management Committee.

A graduate in Political Science from Concordia University, Ms. Gouin holds an MBA from the Richard Ivey School of Business at the University of Western Ontario. She is a graduate of the Institute of Corporate Directors' (ICD) Directors Education Program, and holds the ICD.D Designation, reflecting a lifelong commitment to boardroom excellence.

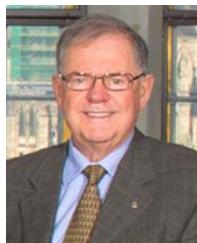


**Toronto, Ontario**  
**(Appointed: December 2016 for 3 years)**

Nominated by the Province of Ontario, Kathryn Bouey is the Founding President of TBG Strategic Services, a boutique management consulting firm providing a variety of services to support public sector executives and boards. Having worked for the federal and Ontario governments for many years she has a deep understanding of the public sector environment. In particular, she served as Deputy Minister of Ontario's Management Board Secretariat where she advised the Management Board of Cabinet on all ministries' business plans along with their risk, expense and performance measurement issues.

Previously, she served on the Board of Hydro One, where she chaired the Business Transformation Committee, and the Boards of St. Joseph's Health Centre (Toronto), Sheridan College, Ontario Power Generation, Ontario Pension Board, and the Canadian Comprehensive Auditing Foundation. She is currently on the Board of SPRINT Senior Care in Toronto where she chairs the Quality and Program Evaluation Committee.

Ms. Bouey holds a Master of Arts degree in Economics, as well as an Honours Bachelor of Arts in Mathematics with an Economics minor, both from Carleton University. She is a graduate of the Institute of Corporate Directors (ICD) Directors Education Program, and has been an Institute-Certified Director since 2006. Additionally, she is a Certified Management Consultant (CMC) and a member of the Institute of Public Administration of Canada.



**Lethbridge, Alberta**  
**(Re-appointed October 2012 for 3 years)**

Nominated by the Province of Alberta, Myles Bourke is a chartered accountant who worked for KPMG and predecessor firms for over 30 years before his retirement in 2001. Mr. Bourke's experience spans a range of functional areas within the assurance field, including audit and review engagements, training and program development, special provider to larger institutions, and confidant and advisor to owner-managers. He served as a member of the Not-for-Profit Organizations Advisory Committee of the Canadian Institute of Chartered Accountants. From 2004 to 2005, Mr. Bourke held the position of President of the Institute of Chartered Accountants of Alberta. He has been a member of the Board of Governors of the University of Lethbridge, where he has also been a lecturer and a member of the Senate. Mr. Bourke has served as well as President of the Rotary Club of Lethbridge and as a Rotary District Committee Chair. He has also served as a Director of the Lethbridge Chamber of Commerce and as Chair of the City of Lethbridge's Economic Development Committee. Mr. Bourke holds a Bachelor of Commerce degree from the University of Toronto, as well as his Chartered Accountant and FCA designations.



**Winnipeg, Manitoba**  
**(Appointed December 2014 for 3 years)**

Nominated by the Province of Manitoba, Rossana Buonpensiere is Vice President of organizational development at Wawanesa Insurance, with a portfolio consisting of learning and development, organizational change management, organization design, succession planning and employee engagement. Prior to her current role, Ms. Buonpensiere was a partner in MNP's national consulting services practice responsible for leading all aspects of the firm's organization and people services practice in the Manitoba region. Ms. Buonpensiere has extensive experience working with clients to improve organizational efficiency and effectiveness in the areas of human resources, organizational development, performance, strategy and managing change.

Ms. Buonpensiere has worked with a broad range of clients, with a strong emphasis on crown corporations and the public sector, and has a proven track record of delivering high quality professional services. She has also worked with public sector clients on many planning and human resource management initiatives that have included developing an executive development program and talent pool assessment process for senior level positions.

Ms. Buonpensiere is certified in the Prosci Change Management methodology, which provides her with a wide range of tools for assessing change readiness and promoting effective staff transition and leadership engagement during significant workplace changes. Ms. Buonpensiere is a Certified Management Consultant (CMC), a Chartered Professional in Human Resources (CPHR), and holds a Bachelor of Law degree from the University of Manitoba and a Bachelor of Arts degree from the University of Winnipeg. Ms. Buonpensiere was called to the Manitoba bar in June of 1998.



**Dawn S. Dalley**

**Conception Bay South, Newfoundland and Labrador**  
**(Appointed April 2017 for 3 years)**

Nominated by the province of Newfoundland and Labrador (NL), Dawn S. Dalley is the Vice President, Regulatory Affairs and Corporate Services, of NL Hydro. She is accountable for a broad range of corporate services including regulatory affairs, customer service, energy efficiency, human resources and labour relations, health and safety, environmental services and corporate communication.

At Nalcor Energy, Ms. Dalley served as Vice-President, Corporate Relations and Customer Service from 2011 to 2016, and Manager, Corporate Communication and Shareholder Relations from 2003 to 2011. While at Nalcor, she was also accountable for corporate reputation and key stakeholder relationships.

Ms. Dalley is currently the Chair of the International Women's Forum, NL Sub-Chapter. She is a member of the Board of Ronald McDonald House in NL, where she serves on the Development/ Communications, Human Resources, and Governance Committees. Previously, she was the Governance and Strategy Chair on the Board of the Manuel's River Heritage Society, and Chair of the Board of the Conservation Corp of NL. Her prior Board experiences include: Board member of Avalon Dragon Boating, North Coast Community Health Council of British Columbia and the Prince Rupert Transition House Society.

A Certified Professional Facilitator, Ms. Dalley holds a Master of Business Administration from Royal Roads University, and a Bachelor of Public Relations from Mount Saint Vincent University. She also has a Certificate in Public Participation from the International Association of Public Participation (IAP2).



**France-Élaine  
Duranceau**  
CPA, CA,  
LL.M.Fisc,  
ICD.D

**Montreal, Quebec**  
**(Appointed: November 2016 for 3 years)**

Nominated by the federal government, France-Élaine Duranceau is an accomplished bilingual professional and entrepreneur with 15 years of taxation experience in an accounting firm and a public corporation in Montreal. Over the course of her career, Ms. Duranceau has acquired a global understanding of financial, accounting, tax and legal issues and risks of a business. As an entrepreneur, she has gained experience and a practical perspective on operational issues and challenges that small and medium-sized enterprises face.

Ms. Duranceau is currently Vice-President, private capital group, at Colliers International (Quebec) Inc., and is co-founder and investor at DIGAMMA, a private commercial real estate development firm.

Ms. Duranceau is a Certified Corporate Director (ICD.D), and holds a CPA, CA designation, and a Masters in Taxation from HEC Montréal. She has been actively involved in the CHU Sainte-Justine Foundation and its Board of Directors for over 15 years.



**Mark S. Dwor**  
B. A., LL.B

**Vancouver, British Columbia**  
**(Appointed May 2015 for 3 years)**

Mr. Mark S. Dwor, from the Province of British Columbia, is a retired member of the Law Society of British Columbia. He is a member and leader of many professional, arts, and other community organizations, with a strong emphasis on charity and not-for-profit governance. Mr. Dwor is the co-founder and chairman of the Canadian Academy of Independent Scholars. He has been a member and sat on the executive of boards including Variety, the Children's Charity, where he was the inaugural Chair of the Board Development Committee; Osteoporosis Canada, where he chaired the investment committee; and the Vancouver Children's Festival.

Mr. Dwor has presented and published papers on varied subjects in the cultural and legal arenas, including art law and franchising and distribution. He holds a Bachelor of Laws Degree from the University of British Columbia, and a Bachelor of Arts Degree from Glendon College, York University.



**Charlottetown, Prince Edward Island**  
**(Re-appointed June 2015 for 3 years)**

Nominated by the Province of Prince Edward Island, Gerard J. Fitzpatrick has more than 30 years of experience in public accounting, primarily specializing in income tax for professionals and owner-managed businesses. He is a past President of the Institute of Chartered Accountants of Prince Edward Island, past Chairperson of the Atlantic School of Chartered Accountancy, and a past Board member of the Canadian Institute of Chartered Accountants. He is currently a member of the Future Directions Committee of the Institute of Chartered Accountants of Prince Edward Island.

Mr. Fitzpatrick began his career as founding partner of a firm of chartered accountants in 1977. In 2008, he established Fitzpatrick & Company, Prince Edward Island's first father and son firm of chartered accountants. Throughout his career, Mr. Fitzpatrick has provided professional services to a diverse clientele and his practice today includes management consulting, business plans and feasibility studies. He is also a regular speaker on farm and other tax matters.

Mr. Fitzpatrick has served on a number of boards as both director and chair. From 2002 to 2008, he was a member of the Board of Directors of the Atlantic Pilotage Authority where he served as both vice-chair of the Board and chair of the Audit Committee. Mr. Fitzpatrick received a Bachelor of Business Administration degree from the University of PEI, and holds designations as a Chartered Accountant, Fellow of the Order of Chartered Accountants and Registered Trust and Estate Practitioner.



**Clavet, Saskatchewan**  
**(Re-appointed December 2014 for 3 years)**

Nominated by the Province of Saskatchewan, Norman G. Halldorson has extensive private sector experience, having retired in 2008 from a 40-year career with KPMG Chartered Accountants, where he held several senior leadership positions. Mr. Halldorson is a member of the Board of a private company, which operates several full service hotels, and chairs their Acquisition Committee. He also served as a member of the Institute of Chartered Accountants of Saskatchewan Council, chaired a number of their committees, and represented the University of Saskatchewan Senate. As well, he chaired the Saskatchewan Chamber of Commerce ABEX Awards, which honour outstanding achievements in business excellence. Mr. Halldorson was a founding director of the Saskatchewan chapter of the Canadian Association of Family Enterprise. Mr. Halldorson holds a Bachelor of Commerce (Honours) degree with Distinction from the University of Saskatchewan and a Chartered Accountant designation. He was awarded a Fellow of the Order of Chartered Accountants designation for distinguished service.



**Halifax, Nova Scotia**  
**(Appointed February 2015 for 3 years)**

Nominated by the Province of Nova Scotia, Susan Hayes is the current Chief Professional Resources Officer at the law firm of Stewart McKelvey, part of the executive team responsible for the overall operations of the firm. Ms. Hayes' community involvement includes being a Professional Development Committee member for the Canadian Bar Association, Nova Scotia Branch, and Board Member of the Halifax Visiting Dispensary. She holds a Bachelor of Laws Degree from the Dalhousie University Law School, and a Bachelor of Arts Degree from Acadia University.

**Susan Hayes**  
LL.B



**Saint-Laurent-de-l'île-d'Orléans, Québec**  
**(Appointed March 2015 for 3 years)**

**Francine  
Martel-  
Vaillancourt**  
FCPA, FCA, ASC

Nominated by the Province of Quebec, Francine Martel-Vaillancourt is currently Chair of Shared Services Canada's Audit and Evaluation Committee. She is also the vice-president of the Board of Directors of Desjardins Financial Security, and teaches at the Collège des administrateurs de sociétés of Université Laval, a leader in governance education. Ms. Martel-Vaillancourt's public service career has been exceptional. She was twice deputy minister at Revenu Québec (from 2000 to 2003, and 2007 to 2011), and chief executive officer and chair of the Board of Directors at the Commission des normes du travail. She was also chief executive officer of Services Québec. Ms. Martel-Vaillancourt has been recognized by her peers. In 1997, she received both the CA Émérite award and the title of Fellow from the Ordre des comptables agréés du Québec. She was also awarded the "Public Service" grand prize at the YWCA Women of Distinction Awards in 2006, the Hermès de carrière 2007-2008 from the Faculty of Administrative Sciences at Université Laval, and the "Prix hommage 2011" from the Institut d'administration publique du Québec. Ms. Martel-Vaillancourt has a bachelor's degree in actuarial sciences and a licence in accounting from Université Laval in Québec. She also completed the "programme de certification universitaire en gouvernance de sociétés" of the Collège des administrateurs de sociétés at Université Laval. She is a Fellow of the Ordre des comptables professionnels agréés du Québec.



**Tracadie-Sheila, New Brunswick**  
**(Appointed June 2016 for 3 years)**

**Mireille A.  
Saulnier**  
B.Ps., LL.B

Nominated by the Province of New Brunswick, Mireille A. Saulnier is the owner of the law firm Mireille A. Saulnier C.P. Inc. Prior to her current role, Ms. Saulnier was a partner with the lawyer-notary firm Lebouthillier Boudreau Saulnier where she began as an articling student before being made partner.

She is an active leader in her community, participating in various initiatives including being a member of the Board of Directors at Service New Brunswick since October 2015. Ms. Saulnier is also the outgoing chairman of the Chambre de Commerce du Grand Tracadie-Sheila, Inc. Since 2010, she has been the regional representative of the Association des juristes d'expression française du Nouveau-Brunswick. Prior to that, she was a student advisor at the Université de Moncton, in the administrative tribunals.

Ms. Saulnier holds a Bachelor of Laws degree from the Faculty of Law and a Bachelor of Psychology degree, both from the Université de Moncton. She was called to the New Brunswick bar in 2008.



**Haliburton, Ontario**  
**(Appointed December 2014 for 3 years)**

**Joyce Sumara**  
B.A.

Nominated by the federal government, Ms. Joyce Sumara is an accomplished information technology (IT) executive with over 30 years of experience in large multi-national organizations. Ms. Sumara has broad experience in systems delivery and IT strategic planning in the automotive, healthcare and telecommunications industries. From 2009 to 2011, Ms. Sumara was the Vice President, IT and Information Security Officer, with Rogers Communications, where she was responsible for the security of corporate information and IT governance. She previously held the positions of Chief Information Officer of GM Canada, and Chief Information Officer of OnStar at General Motors Corporation. Throughout her career, she has occupied various consulting positions, and served on the boards of the Grandview Children's Centre for six years, and Medic-Alert Canada for two years. Ms. Sumara holds a Bachelor of Arts degree in Mathematics from Wayne State University, in Detroit, Michigan, as well as an Industrial Engineering Certificate from General Motors Institute (now Kettering University), in Flint, Michigan. She was recognized as a "Top 100 Most Powerful Women in Canada," both in 2003, and 2004.



**D. Stanley  
Thompson**  
CPA, CA

**Whitehorse, Yukon**  
**(Appointed: August 2017 for 3 years)**

Nominated by the Yukon Territory, Stan is a skilled business leader and change agent with senior executive experience in marketing and resource oriented companies. He is currently the Chief Financial Officer and Vice President, Corporate Services at Northwestel responsible for finance, corporate services, and carrier services. He has previously served in senior Executive roles notably as President of Novartis Consumer Health Canada Inc. from 1998 to 2005, where he was responsible for the manufacturing, marketing, and selling of several top-selling brands in Canada.

Stan is currently a member of Financial Executives International (FEI), a leadership forum for financial executives, Chair of the Whitehorse Chamber of Commerce Board, a Board and audit committee member of the Opimian Society, Canada's largest private wine club and was a former Board member at Novartis Canada.

A designated CPA/CA, Mr. Thompson also holds a Bachelor of Arts degree in Economics from the University of Western Ontario.



**Bob Hamilton**

**Commissioner of Revenue and Chief Executive Officer of the CRA**  
**(Appointed August 2016)**

Bob Hamilton was appointed as the Commissioner of the Canada Revenue Agency (CRA) effective August 1, 2016. Prior to joining the Canada Revenue Agency, Mr. Hamilton served as Deputy Minister of Environment Canada, and Deputy Minister of Natural Resources Canada. Mr. Hamilton was appointed Senior Associate Secretary of the Treasury Board in March 2011 and named by the Prime Minister as the lead Canadian on the Canada-United States Regulatory Cooperation Council. Mr. Hamilton has held many senior positions in the Department of Finance, including Senior Assistant Deputy Minister, Tax Policy, and Assistant Deputy Minister of Financial Sector Policy. He received his Honours BA and Master's degrees in Economics from the University of Western Ontario.

# Committee membership and director participation

The Board of Management is supported by four committees: they undertake much of the detailed review of items brought before the Board for its consideration. The following table shows the membership of each committee as well as directors' committee attendance over the 2016-2017 fiscal year.

Board Members	Board of Management (7 meetings) <sup>1</sup>	Audit Committee (3 meetings) <sup>2</sup>	Governance Committee (3 meetings) <sup>3</sup>	Human Resources Committee (3 meetings)	Resources Committee (3 meetings)
<b>Board members present throughout the fiscal year</b>					
Myles Bourke	5/6	3/3	3/3		3/3
Rossana Buonpensiere	7/7		3/3	3/3	
Mark Dwor	6/6		3/3		3/3
Gerard J. Fitzpatrick	6/6	3/3			3/3
Norman G. Halldorson	7/7	3/3	3/3		
Susan Hayes	6/7	1/1	1/1	3/3	
Francine Martel-Vaillancourt	5/6	3/3		3/3	
Margaret Melhorn	6/6			3/3	3/3
Joyce Sumara	7/7	3/3			3/3
Richard (Rick) Thorpe	7/7	3/3	3/3	3/3	3/3
<b>Board members who joined during the fiscal year</b>					
Bob Hamilton	4/4 <sup>4</sup>		1/1	2/2	2/2
Mireille A. Saulnier	4/4		2/2	1/1	
France-Élaine Duranceau	1/1	0/0 <sup>5</sup>	1/1		
Kathryn A. Bouey	1/1			1/1	1/1
<b>Board members who left during the fiscal year</b>					
Andrew Treusch	2/2			1/1	1/1
Fauzia Lalani	4/4		1/1		1/1
Richard J. Daw	6/6	3/3		3/3	
<b>Average attendance per meeting</b>	<b>84/87=96%</b>	<b>22/22=100%</b>	<b>21/21=100%</b>	<b>23/23=100%</b>	<b>23/23=100%</b>

<sup>1</sup> The total includes all Board meetings and teleconferences, and the annual Board Planning Meeting. This also includes the November and January CBP meetings. At the November teleconference, the full Board was invited. For the January teleconference, only the chair, commissioner, and committee chairs were invited to finalize the report.

<sup>2</sup> The financial statements teleconference was attended by the full Board; therefore counted as one full Board meeting.

<sup>3</sup> The total includes one teleconference to discuss the CEO Performance Assessment/Expectations.

<sup>4</sup> The Deputy Commissioner attended the September meetings on behalf of the Commissioner.

<sup>5</sup> Represents the Board meetings in April 2017, which will be accounted for in the 2017-2018 report.

### Governor in Council Rates of Pay<sup>1</sup>

Member Capacity	Per Annum Retainer	Per Diem
Board chair	\$14,500 - \$17,100	\$565 - \$665
Committee chair	\$11,100 - \$13,000	\$565 - \$665
Director	\$7,300 - \$8,600	\$475 - \$550

<sup>1</sup> Source: [www.appointments-nominations.gc.ca](http://www.appointments-nominations.gc.ca)<sup>xv</sup>

# Financial statements

## Statement of Management Responsibility Including Internal Control Over Financial Reporting

We have prepared the accompanying financial statements of the Canada Revenue Agency (CRA) according to accounting principles consistent with those applied in preparing the financial statements of the Government of Canada. Significant accounting policies are set out in Note 2 to the financial statements. Some of the information included in the financial statements, such as accruals and the allowance for doubtful accounts, is based on management's best estimates and judgment, with due consideration to materiality. The CRA's management is responsible for the integrity and objectivity of data in these financial statements. Financial information submitted to the Public Accounts of Canada, and included in the CRA's *Departmental Results Report*, is consistent with these financial statements.

To fulfill its accounting and reporting responsibilities, management maintains sets of accounts which provide records of the CRA's financial transactions. Management also maintains an effective system of internal control over financial reporting (ICFR) that takes into account costs, benefits and risks. It is designed to provide reasonable assurance that transactions are within the authorities provided by Parliament, and by others such as provinces and territories, are executed in accordance with prescribed regulations and the *Financial Administration Act*, and are properly recorded to maintain the accountability of funds and safeguarding of assets.

Financial management and the internal control system are reinforced by the maintenance of internal audit programs. The CRA also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training, and development of qualified staff; by organizational arrangements that provide appropriate divisions of responsibility; by communication programs aimed at ensuring that its regulations, policies, standards, and managerial authorities are understood throughout the organization; and by conducting an annual assessment of the effectiveness of its system of ICFR. An assessment for the year ended March 31, 2017 was completed in accordance with the Treasury Board Policy on Internal Control and the results and action plans are summarized in the Annex.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments. The effectiveness and adequacy of the CRA's financial management and its system of internal control are reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the CRA's operations, and by the Board of Management which is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board of Management. To assure objectivity and freedom from bias, these financial statements have been reviewed by the Audit Committee and approved by the Board of Management. The Audit Committee is independent of management and meets with management, the internal auditors, and the Auditor General of Canada on a regular basis. The auditors have full and free access to the Audit Committee.

The Auditor General of Canada conducts independent audits and expresses separate opinions on the accompanying financial statements which do not include an audit opinion on the annual assessment of the effectiveness of the CRA's internal controls over financial reporting.

Approved by:

Bob Hamilton  
Commissioner of Revenue and  
Chief Executive Officer of the Canada Revenue  
Agency  
Ottawa, Ontario  
August 28, 2017

Roch Huppé  
Chief Financial Officer and Assistant  
Commissioner, Finance and Administration  
Branch

# Canada Revenue Agency Financial Statements – Agency Activities



## Independent Auditor's Report

To the Board of Management of the Canada Revenue Agency and the Minister of National Revenue

I have audited the accompanying financial statements of the Agency Activities of the Canada Revenue Agency, which comprise the statement of financial position as at 31 March 2017, and the statement of operations and agency net financial position, statement of change in agency net debt and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Agency Activities of the Canada Revenue Agency as at 31 March 2017, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Michael B. Robichaud, CPA, CA  
Principal  
for the Auditor General of Canada

28 August 2017  
Ottawa, Canada

Canada Revenue Agency  
 Statement of Financial Position – Agency Activities  
 as at March 31  
 (in thousands of dollars)

	<b>2017</b>	<b>2016</b>
<b>Liabilities</b>		
Accrued salaries	341,486	329,274
Accounts payable and accrued liabilities (note 4)	98,756	87,790
Vacation pay and compensatory leave	212,148	189,038
Employee severance benefits (note 5e)	573,721	604,149
Employee sick leave benefits (note 5e)	253,093	253,665
<b>Total liabilities</b>	<b>1,479,204</b>	<b>1,463,916</b>
<b>Financial assets</b>		
Due from the Consolidated Revenue Fund	311,560	269,109
Accounts receivable and advances (note 6)	18,181	7,415
<b>Total financial assets</b>	<b>329,741</b>	<b>276,524</b>
<b>Agency net debt</b>	<b>1,149,463</b>	<b>1,187,392</b>
<b>Non-financial assets</b>		
Prepaid expenses	12,769	12,454
Tangible capital assets (note 7)	399,074	402,322
<b>Total non-financial assets</b>	<b>411,843</b>	<b>414,776</b>
<b>Agency net financial position</b>	<b>737,620</b>	<b>772,616</b>
Contingent liabilities (note 12)		
The accompanying notes form an integral part of these financial statements.		

28 August 2017

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Bob Hamilton  
 Commissioner of Revenue and  
 Chief Executive Officer of the Canada Revenue Agency

Date

28 August 2017

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Susan Hayes, LL.B.  
 Chair, Board of Management

Date

**Canada Revenue Agency**  
**Statement of Operations and Agency Net**  
**Financial Position – Agency Activities**  
**for the year ended March 31**  
**(in thousands of dollars)**

	<b>2017</b>	<b>2017</b>	<b>2016</b>
	Planned results	Actual results	Actual results
<b>Expenses (note 8)</b>			
Internal services	1,220,307	1,219,288	1,143,400
Reporting compliance	1,164,486	1,184,686	1,175,996
Collections, compliance and verification	858,143	1,006,004	836,071
Assessment of returns and payment processing	590,640	629,323	600,744
Taxpayer and business assistance	366,525	434,979	379,574
Appeals	244,464	272,144	247,009
Benefit programs	157,512	168,597	154,287
Taxpayers' Ombudsman	3,516	3,093	2,213
<b>Total expenses</b>	<b>4,605,593</b>	<b>4,918,114</b>	<b>4,539,294</b>
<b>Non-tax revenues (note 9)</b>			
Internal services	158,189	163,509	167,592
Reporting compliance	38,830	21,025	20,637
Collections, compliance and verification	187,484	257,041	222,821
Assessment of returns and payment processing	46,684	49,241	40,288
Taxpayer and business assistance	60,407	74,293	62,986
Appeals	22,042	25,922	23,049
Benefit programs	23,171	20,601	22,095
Revenues earned on behalf of Government	(63,710)	(77,667)	(69,543)
<b>Total non-tax revenues</b>	<b>473,097</b>	<b>533,965</b>	<b>489,925</b>
<b>Net cost of operations before government funding and transfers</b>	<b>4,132,496</b>	<b>4,384,149</b>	<b>4,049,369</b>
<b>Government funding and transfers</b>			
Net cash provided by the Government of Canada	4,226,916	3,864,284	3,558,385
Change in due from the Consolidated Revenue Fund	42,451	(12,993)	
Services provided without charge from other government agencies and departments (note 10)	452,471	512,444	463,247
Transfer of transition payments for implementing salary payments in arrears	(44)	(506)	
Net transfers of tangible capital assets to other government departments (OGD)	10	(11)	
<b>Total government funding and transfers</b>	<b>4,679,387</b>	<b>4,419,145</b>	<b>4,008,122</b>
<b>Net (surplus) cost of operations after government funding and transfers</b>	<b>(546,891)</b>	<b>(34,996)</b>	<b>41,247</b>
<b>Agency net financial position - Beginning of year</b>	<b>772,616</b>	<b>772,616</b>	<b>731,369</b>
<b>Agency net financial position - End of year</b>	<b>225,725</b>	<b>737,620</b>	<b>772,616</b>

The accompanying notes form an integral part of these financial statements.

**Canada Revenue Agency**  
**Statement of Change in Agency Net Debt – Agency Activities**  
**for the year ended March 31**  
**(in thousands of dollars)**

	<b>2017</b>	<b>2017</b>	<b>2016</b>
	Planned results	Actual results	Actual results
<b>Net (surplus) cost of operations after government funding and transfers</b>	(546,891)	(34,996)	41,247
<b>Change in tangible capital assets</b>			
Acquisition of tangible capital assets (note 7)	96,841	89,102	93,664
A mortization of tangible capital assets (note 7)	(95,613)	(89,076)	(83,842)
Proceeds from disposal of tangible capital assets		(78)	(51)
Net loss on disposal/write-off of tangible capital assets	(3,078)	(3,206)	(853)
Net transfers of tangible capital assets to OGD		10	(11)
<b>Total change in tangible capital assets</b>	<u>(1,850)</u>	<u>(3,248)</u>	<u>8,907</u>
<b>Change in prepaid expenses</b>		315	(84)
<b>Net (decrease) increase in agency net debt</b>	(548,741)	(37,929)	50,070
<b>Agency net debt - Beginning of year</b>	1,187,392	1,187,392	1,137,322
<b>Agency net debt - End of year</b>	<b><u>638,651</u></b>	<b><u>1,149,463</u></b>	<b><u>1,187,392</u></b>

The accompanying notes form an integral part of these financial statements.

**Canada Revenue Agency**  
**Statement of Cash Flows – Agency Activities**  
**for the year ended March 31**  
**(in thousands of dollars)**

	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Net cost of operations before government funding and transfers	4,384,149	4,049,369
<b>Items not affecting cash</b>		
Amortization of tangible capital assets (note 7)	(89,076)	(83,842)
Net loss on disposal/write-off of tangible capital assets	(3,206)	(853)
Services provided without charge from other government agencies and departments (note 10)	(512,444)	(463,247)
Transition payments for implementing salary payments in arrears	44	506
Change in accounts receivable and advances	10,766	(2,738)
Change in prepaid expenses	315	(84)
Change in accrued salaries	(12,212)	(62,248)
Change in accounts payable and accrued liabilities	(10,966)	32,805
Change in vacation pay and compensatory leave	(23,110)	(594)
Change in employee severance benefits	30,428	2,621
Change in employee sick leave benefits	572	(6,923)
<b>Cash used in operating activities</b>	<u>3,775,260</u>	<u>3,464,772</u>
<b>Capital investing activities</b>		
Acquisition of tangible capital assets (note 7)	89,102	93,664
Proceeds from disposal of tangible capital assets	(78)	(51)
<b>Cash used in capital investing activities</b>	<u>89,024</u>	<u>93,613</u>
<b>Net cash provided by the Government of Canada</b>	<b><u>3,864,284</u></b>	<b><u>3,558,385</u></b>

The accompanying notes form an integral part of these financial statements.

# Canada Revenue Agency

## Notes to the Financial Statements – Agency Activities

### 1. Authority and objectives

The Canada Revenue Agency (CRA) is an agent of Her Majesty in right of Canada under the Canada Revenue Agency Act. The CRA is a departmental corporation named in Schedule II of the Financial Administration Act and reports to Parliament through the Minister of National Revenue.

The mandate of the CRA is to support the administration and enforcement of tax legislation and other related legislation. The CRA provides support, advice, and services by:

- (a) supporting the administration and enforcement of program legislation;
- (b) implementing agreements between the Government of Canada or the CRA and the government of a province, territory or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;
- (c) implementing agreements or arrangements between the CRA and departments or agencies of the Government of Canada to carry out an activity or administer a program; and
- (d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The CRA administers revenues, including income and sales taxes and employment insurance premiums, administers tax legislation, delivers a number of social benefit programs to Canadians for the federal, provincial, territorial, and First Nations governments, and administers other amounts, including Canada Pension Plan contributions, for other groups or organizations. In addition to the Canada Revenue Agency Act, the CRA is responsible for administering and enforcing the following acts or parts of acts: the Air Travellers Security Charge Act, the Children's Special Allowances Act, Part V.1 of the Customs Act, section 2 of the Energy Costs Assistance Measures Act, the Excise Act, the Excise Tax Act (including the goods and services tax (GST) and the harmonized sales tax (HST) except for GST/HST on imported goods), the Excise Act, 2001, the Income Tax Act, 2006, the Universal Child Care Benefit Act, and others including various provincial acts.

In delivering its mandate, the CRA operates under the following program activities:

- (a) Internal services: Provides internal services across the CRA, such as human resources management, financial management and information technology, to support the needs of programs and corporate obligations;
- (b) Reporting compliance: Verifies complete and accurate disclosure by taxpayers of all required information to establish tax liabilities;

- (c) Collections, compliance, and verification: Identifies and addresses non-compliance with taxpayer filing and remittance requirements;
- (d) Assessment of returns and payment processing: Processes and validates taxpayer returns; registers, establishes, and maintains taxpayer accounts; and, receives payments;
- (e) Taxpayer and business assistance: Assists taxpayers in meeting their obligations under the self-assessment;
- (f) Appeals: Provides a dispute resolution process for taxpayers who disagree with decisions taken by the CRA;
- (g) Benefit programs: Provides Canadians certain income-based benefits, credits and other services on behalf of federal, provincial (except Québec), and territorial governments; and
- (h) Taxpayers' Ombudsman: Addresses requests for reviews made by taxpayers and benefit recipients with respect to service matters.

## 2. Summary of significant accounting policies

For financial reporting purposes, the CRA's activities have been divided into two sets of financial statements: agency activities and administered activities. The Financial Statements – Agency Activities include those operational revenues and expenses which are managed by the CRA and utilized in running the organization. The Financial Statements – Administered Activities include those revenues and expenses that are administered on behalf of the federal, provincial, and territorial governments, First Nations, and other organizations. The purpose of the distinction between agency and administered activities is to facilitate, among other things, the assessment of the administrative efficiency of the CRA in achieving its mandate. Tax-related assets, liabilities, revenues and expenses are excluded from these financial statements because they can only accrue to a government, not to the tax agency that administers those transactions.

As required by the Canada Revenue Agency Act, the Financial Statements – Agency Activities have been prepared using accounting principles consistent with those applied in the preparation of the financial statements of the Government of Canada. The accounting principles used are in accordance with Canadian public sector accounting standards. A summary of significant accounting policies follows:

### **(a) Parliamentary appropriations**

The CRA is financed by the Government of Canada through Parliamentary appropriations. Financial reporting of authorities provided to the CRA does not parallel financial reporting according to Canadian public sector accounting standards, as they are based in large part on cash flow requirements. Consequently, items recognized in the Statement of Financial Position and the Statement of Operations and Agency Net Financial Position may be different from those provided through appropriations from Parliament. Note 3(b) provides a high-level reconciliation between the two bases of reporting. The Future-oriented Statement of Operations – Agency Activities and its accompanying notes included in the 2016-2017 Report on Plans and Priorities are the source of information for the planned results in the financial statements.

**(b) Net cash provided by the Government of Canada**

The CRA operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the CRA is deposited to the CRF and all cash disbursements made by the CRA are paid from the CRF. The net cash provided by government is the difference between all respondable cash receipts and all cash disbursements including transactions with departments and agencies.

**(c) Expense recognition**

Expenses are recognized when goods are received and/or services are rendered.

**(d) Services provided without charge from other government agencies and departments**

Estimates of the cost for services provided without charge from other government agencies and departments are recorded as expenses at their estimated cost.

**(e) Revenue recognition**

Non-tax revenues are recognized when the services are rendered by the CRA.

Non-tax revenues that are not available for spending cannot be used to discharge the CRA's liabilities. While management is expected to maintain accounting control, it has no authority regarding the disposition of non-respondable revenues. As a result, non-respondable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the CRA's gross revenues.

**(f) Vacation pay and compensatory leave**

Vacation pay and compensatory leave expenses are accrued as the benefits are earned by the employees under their respective terms of employment. The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and compensatory leave benefits accruing to employees.

**(g) Employee future benefits**

a) Pension benefits

All eligible CRA employees participate in the Public Service Pension Plan administered by the Government of Canada. The CRA's contributions reflect the full cost as employer. These amounts are currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the plan. The CRA's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the CRA. Current legislation does not require the CRA to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

b) Health and dental benefits

The Government of Canada sponsors employee benefit plans (health and dental) in which the CRA participates. Employees are entitled to health and dental benefits, as provided for under labour contracts and conditions of employment. The CRA's contributions to the plans, which are provided without charge by the Treasury Board Secretariat, are recorded at cost based on a percentage of the salary expenses and charged to personnel expenses in the year incurred. They represent the CRA's total obligation to the plans. Current legislation does not require the CRA to make contributions for any future unfunded liabilities of the plans.

c) Severance benefits

Some employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The severance benefits represent an obligation of the CRA that entails settlement by future payments. The liability resulting from the benefits earned by CRA employees is calculated using information from an actuarial valuation based on the projected benefit method prorated on services. Changes in actuarial assumptions and any variance between the expected and the actual experience of the severance benefits plan give rise to actuarial gains or losses. These gains or losses are not recognized immediately but amortized on a straight-line basis over the expected average remaining service life of the employees starting in the fiscal year following the one in which they arose. In addition, an unrecognized net actuarial loss is recognized immediately upon a plan amendment, up to a maximum of the related decrease in the accrued benefit obligation; similarly, an unrecognized net actuarial gain is recognized immediately, up to a maximum of the related increase in the accrued benefit obligation. The unrecognized net actuarial loss or gain, relating to the obligation that is curtailed, is recognized immediately upon a plan curtailment.

d) Sick leave benefits

Employees are eligible to accumulate sick leave benefits until retirement or termination according to their terms of employment. Sick leave benefits are earned based on employee services rendered and are paid upon an illness or injury related absence. These are accumulating non-vesting benefits that can be carried forward to future years, but are not eligible for payment on retirement or termination, nor can these be used for any other purpose. A liability is recorded for unused sick leave credits expected to be used in future years in excess of future allotments, based on an actuarial valuation using an accrued benefit method. Changes in actuarial assumptions and any variance between the expected and the actual experience of the sick leave benefits plan give rise to actuarial gains or losses. These gains or losses are amortized on a straight-line basis over the expected average remaining service life of the employees starting in the fiscal year following the one in which they arose.

**(h) Due from the Consolidated Revenue Fund (CRF)**

Amounts due from the CRF are the result of timing differences between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the CRA is entitled to draw from the CRF without further authorities to discharge its liabilities.

**(i) Accounts receivable and advances**

Accounts receivable and advances are stated at the lower of cost and net recoverable value. An allowance for doubtful accounts is recorded where recovery is considered uncertain.

**(j) Tangible capital assets**

All initial costs of \$10,000 or more incurred by the CRA to acquire or develop tangible capital assets are capitalized and amortized over the useful lives of the assets. Similar items under \$10,000 are expensed. When conditions indicate that an asset no longer contributes to the CRA's ability to provide services, or that the value of the future economic benefits associated with the asset is less than its net book value, the cost of the asset is reduced to reflect the decline in the asset's value.

Tangible capital assets are amortized on a straight-line basis over the estimated useful lives of assets as follows:

<b>Asset class</b>	<b>Useful life</b>
Machinery, equipment, and furniture	10 years
In-house developed software	5-10 years
Vehicles and other means of transportation	5 years
Information technology equipment	5 years
Purchased software	3 years

Assets under construction/development are recorded as costs are incurred and are not amortized until completed and put into operation.

**(k) Contingent liabilities**

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable, the CRA's best estimate of the contingency is disclosed in the notes to the financial statements.

### **(l) Foreign currency translation**

Transactions involving foreign currencies are translated into Canadian dollars by applying the exchange rate in effect at the time of those transactions. Realized foreign exchange gains and losses resulting from foreign currency transactions are included in the other services and expenses category in note 8 – Segmented information – Expenses.

### **(m) Financial instruments**

The CRA uses non-derivative financial instruments in the course of its operations. Those financial instruments gave rise to the following financial assets and financial liabilities that are measured at cost or amortized cost, as per the table below.

<b>Financial assets and financial liabilities</b>	<b>Measurement</b>
Accounts receivable and advances	Amortized cost
Accrued salaries	Cost
Accounts payable and accrued liabilities	Cost
Vacation pay and compensatory leave	Cost

### **(n) Measurement uncertainty**

The preparation of these financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of liabilities, assets, revenues, expenses and related disclosure reported on the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Employee severance and sick leave benefits, accrued salaries, contingent liabilities, the useful life of tangible capital assets and services provided without charge are the most significant items where estimates and assumptions are used. Actual results could differ significantly from the current estimates. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the period in which they become known. The methodologies used to determine the estimates were applied consistently with the previous year.

### 3. Parliamentary appropriations

The CRA receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Financial Position and the Statement of Operations and Agency Net Financial Position in one year may be funded through Parliamentary appropriations in prior, current, or future years. Accordingly, the CRA has different net results of operations for the year on a government funding basis than on an accrual accounting basis. These differences are reconciled below.

#### a) Reconciliation of Parliamentary appropriations provided and used:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
<b>Parliamentary appropriations — provided:</b>		
Vote 1 – Operating expenditures, contributions and recoverable expenses on behalf of the Canada Pension Plan and the Employment Insurance Act	3,589,124	3,268,072
Vote 5 – Capital expenditures	96,311	128,693
Spending of revenues received through the conduct of operations pursuant to section 60 of the Canada Revenue Agency Act	163,734	169,032
Spending of proceeds from disposal of surplus Crown assets	161	92
Statutory expenditures:		
Contributions to employee benefit plans	452,571	432,794
Disbursements to provinces under the Softwood Lumber Products Export Charge Act, 2006 <sup>1</sup>	(110)	121,481
Children's special allowance payments <sup>1</sup>	319,659	309,173
Other	620	1,577
	<b>4,622,070</b>	<b>4,430,914</b>
<b>Less:</b>		
Appropriations available for future year <sup>2</sup> :		
Vote 1	(182,214)	(227,536)
Vote 5	(21,438)	(49,890)
Appropriations lapsed:		
Vote 1	(28,470)	(6,501)
Expenditures related to administered activities <sup>1</sup>	(319,557)	(430,661)
	<b>(551,679)</b>	<b>(714,588)</b>
<b>Total Parliamentary appropriations used</b>	<b>4,070,391</b>	<b>3,716,326</b>

- 1 In accordance with the division of activities for financial reporting purposes outlined in note 2, the payments under the Softwood Lumber Products Export Charge Act, 2006 and the Children's Special Allowances Act are reported as federal administered expenses on the Statement of Administered Expenses and Recoveries of the CRA's Financial Statements - Administered Activities. The Softwood Lumber Agreement expired on October 12, 2015 and the CRA will continue to administer retroactive transactions in accordance with the terms set in the Agreement.
- 2 Pursuant to section 60(1) of the Canada Revenue Agency Act, the CRA has up to two fiscal years to utilize parliamentary appropriations once approved.

b) Reconciliation of net cost of operations before government funding and transfers to current year Parliamentary appropriations used:

	<b>2017</b> (in thousands of dollars)	<b>2016</b>
Net cost of operations before government funding and transfers	4,384,149	4,049,369
Expenses not requiring use of current year appropriations:		
Amortization of tangible capital assets (note 7)	(89,076)	(83,842)
Adjustment to prior years' accruals	1,641	3,131
Loss on disposal/write-off of tangible capital assets	(3,271)	(899)
Services provided without charge from other government agencies and departments (note 10)	(512,444)	(463,247)
Other	(4,059)	(489)
	<hr/>	<hr/>
	(607,209)	(545,346)
Changes to assets affecting appropriations:		
Tangible capital assets acquisitions (note 7)	89,102	93,664
Less: Variation in prior years expenses capitalization	(323)	486
Variation in prepaid expenses	315	(84)
Variation in salary advances and overpayments	7,979	-
Transition payments for implementing salary payments in arrears	44	506
	<hr/>	<hr/>
	97,117	94,572
Changes in future funding requirements:		
Salary, vacation pay and compensatory leave	1,542	(45,488)
Employee severance benefits	30,428	2,621
Employee sick leave benefits	572	(6,923)
	<hr/>	<hr/>
	32,542	(49,790)
Non-tax revenues available for spending (note 9)	163,792	167,521
<b>Total Parliamentary appropriations used</b>	<b>4,070,391</b>	<b>3,716,326</b>

## 4. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are measured at cost, the majority of which are due within 30 days of year-end.

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
Accounts payable and accrued liabilities - External	58,113	57,287
Accounts payable and accrued liabilities - Related parties	40,643	30,503
	<b>98,756</b>	<b>87,790</b>

## 5. Employee future benefits

### a) Pension benefits

The CRA and all eligible employees contribute to the public service pension plan (The “Plan”), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the CRA and the employees contribute to the Plan. Due to the amendment of the Public Service Superannuation Act following the implementation of provisions related to the Jobs and Growth Act 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013.

Each group has a distinct contribution rate. The current year expense for the CRA’s contributions for Group 1 members represents approximately 1.12 times (1.25 times in 2015-2016) the contributions by employees and, for Group 2 members, approximately 1.08 times (1.24 times in 2015-2016) the contributions of employees.

The contributions to the Plan for the year were as follows:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
CRA's contributions	315,306	298,325
Employees' contributions	282,328	238,747

The CRA’s responsibility with regard to this Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada.

b) Health and dental benefits

The CRA contributes for all eligible employees to the Public Service Health Care Plan and Public Service Dental Care Plan, which are sponsored by the Government of Canada. The CRA's responsibility with regard to these plans is limited to its contributions (refer to note 10).

c) Severance benefits

The CRA provides severance benefits to entitled employees based on eligibility, years of service and salary upon termination of employment. These severance benefits are unfunded. Benefits will be paid from future appropriations.

On October 31st, 2016 following collective agreement negotiations, the accumulation of severance benefits for voluntary departures ceased for the last employee group eligible to accumulate severance benefits. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. As at March 31, 2017, no settlement payments have been issued relating to the curtailed benefits. This plan curtailment resulted in the immediate recognition of a previously unrecognized net actuarial loss of \$11.1 million. While eliminating its accumulation of severance benefits, CRA also amended its method to calculate the severance benefit payable to its employees. The plan amendment results from the termination of severance benefits which are now calculated using the members exact service at termination, therefore partial years are now included in the calculation.

d) Sick leave benefits

Employees are credited, based on service, a maximum of 15 days annually for use as paid absences, due to illness or injury. Employees are allowed to accumulate unused sick leave credits each year. Accumulated credits may be used in future years to the extent that the employee's illness or injury exceeds the current year's allocation of credits. The use of accumulated sick leave balance for sick-leave compensation ceases on termination of employment. These sick leave benefits are unfunded. They will be paid from future appropriations.

e) Valuation of future benefits

Annually, as at March 31 of each year, the CRA obtains an actuarial valuation of the accrued employee severance and sick leave benefit obligations for accounting purposes.

Changes from the prior year in the actuarial value of these accrued employee benefit obligations that is used to determine the related employee future benefits liabilities presented in the Statement of Financial Position as at March 31 were as follows:

	Severance benefits		Sick leave benefits	
	2017	2016	2017	2016
(in thousands of dollars)				
Accrued employee benefits obligations, beginning of year	615,028	629,399	239,887	214,600
Benefits earned	23,740	27,622	40,008	36,164
Interest on average accrued benefit obligations (note 8)	14,035	14,826	5,552	5,177
Benefits paid	(33,323)	(50,876)	(37,017)	(34,011)
Plan amendment	6,719	-	-	-
Plan curtailment	(49,493)	-	-	-
Actuarial (gain)/loss	(23,858)	(5,943)	(12,266)	17,957
Accrued employee benefits obligations, end of year	552,848	615,028	236,164	239,887
Plus: Unamortized net actuarial gain/(loss)	20,873	(10,879)	16,929	13,778
<b>Employee benefits liability</b>	<b>573,721</b>	<b>604,149</b>	<b>253,093</b>	<b>253,665</b>
<hr/>				
<b>Benefit expenses<sup>1</sup></b>				
Benefits earned	23,740	27,622	40,008	36,164
Plan amendment	6,719	-	-	-
Plan curtailment	(49,493)	-	-	-
Actuarial losses recognized following plan curtailment	11,099	-	-	-
Amortization on net actuarial (gain)/loss recognized during the year	(3,205)	1,557	(9,115)	(2,565)
<b>Total benefit expenses</b>	<b>(11,140)</b>	<b>29,179</b>	<b>30,893</b>	<b>33,599</b>

<sup>1</sup> These expenses represent the severance and sick leave benefits that are included in the Other allowances and benefits category in note 8.

Subsequent to March 31, 2017, \$245 million in severance payments were issued to employees who elected to have a full or partial immediate cash out of their severance benefits.

f) Actuarial assumptions

Actuarial assumptions are used to determine the severance and sick leave accrued benefit obligations and includes estimates of the discount rate and yearly salary growth. These assumptions are reviewed at March 31 of each year and are based on management's best estimate. The actuarial valuation as at March 31, 2017 for both severance and sick leave benefit obligations used a discount rate of 2.4% and salary growth of 1.9% – 2.6% (2.3% and 2.2% – 2.6% respectively as at March 31, 2016). The expected average remaining service life is 11.5 years for severance benefits and 13.19 years for sick leave benefits as at March 31, 2017 (11.6 years and 13.2 years respectively as at March 31, 2016).

### g) Sensitivity Analysis

Changes in assumptions can result in significantly higher or lower estimates of the accrued employee benefits obligations. The table below illustrates the possible impact of a 1% change in the principal actuarial assumptions being the discount rate and the salary growth.

	Severance benefits		Sick leave benefits	
	2017	2016	2017	2016
(in thousands of dollars)				
<b>Possible impact on the accrued employee benefits obligations due to:</b>				
Increase of 1% in discount rate	(21,065)	(52,736)	(14,240)	(14,647)
Decrease of 1% in discount rate	24,575	61,952	16,185	16,666
Increase of 1% in salary growth	24,324	61,192	18,470	18,937
Decrease of 1% in salary growth	(21,261)	(53,128)	(16,524)	(16,926)

### 6. Accounts receivable and advances

	2017	2016
(in thousands of dollars)		
Salary overpayments	6,558	1,930
Accounts receivable - Related parties	6,522	4,691
Advances to employees	3,812	396
Accounts receivable - External	2,207	950
	19,099	7,967
Less: Allowance for doubtful accounts	(918)	(552)
<b>Total accounts receivable and advances</b>	<b>18,181</b>	<b>7,415</b>

## 7. Tangible capital assets

Tangible capital asset class	Cost				
	Opening balance	Acquisitions	Disposals (in thousands of dollars)	Transfers to OGD	Closing balance
Machinery, equipment and furniture	7,410	691	(835)	(7)	7,259
Software (purchased and in-house developed and/or in development)	1,005,546	87,489	(14,867)	(114)	1,078,054
Vehicles and other means of transportation	1,647	88	(182)	-	1,553
Information technology equipment	7,509	834	(115)	-	8,228
<b>Total</b>	<b>1,022,112</b>	<b>89,102</b>	<b>(15,999)</b>	<b>(121)</b>	<b>1,095,094</b>
Tangible capital asset class	Accumulated amortization				
	Opening balance	Amortization expense	Disposals (in thousands of dollars)	Transfers to OGD	Closing balance
Machinery, equipment and furniture	4,488	513	(609)	(10)	4,382
Software (purchased and in-house developed and/or in development)	608,101	87,944	(11,822)	(114)	684,109
Vehicles and other means of transportation	1,153	200	(169)	(7)	1,177
Information technology equipment	6,048	419	(115)	-	6,352
<b>Total</b>	<b>619,790</b>	<b>89,076</b>	<b>(12,715)</b>	<b>(131)</b>	<b>696,020</b>
Tangible capital asset class			2017 Net book value	2016 Net book value	
	(in thousands of dollars)				
Machinery, equipment and furniture			2,877	2,922	
Software (purchased and in-house developed and/or in development)			393,945	397,445	
Vehicles and other means of transportation			376	494	
Information technology equipment			1,876	1,461	
<b>Total</b>	<b>399,074</b>			<b>402,322</b>	

The cost of software in development, which is not amortized, is \$105.5 million as at March 31, 2017 (\$122.9 million as at March 31, 2016).

## 8. Segmented information – Expenses

Presentation by segment is based on the CRA's program activity as described in note 1 of these financial statements. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred for the main program activities, by major object of expense. The segment results for the period are as follows:

	Internal services	Reporting compliance	Collections, compliance, and verification processing	Assessment of returns and payment processing	Taxpayer and business assistance	Appeals	Benefit programs	Taxpayers' Ombudsman	2017 (in thousands of dollars)	2016
<b>Personnel:</b>										
Salaries	549,617	737,186	608,113	263,331	276,890	121,870	85,356	1,918	2,644,181	2,406,841
Other allowances and benefits (including employee benefits described in note 5)	213,020	294,953	234,479	101,520	104,582	47,792	31,915	736	1,028,997	966,686
	762,637	1,032,139	842,592	364,751	381,472	169,662	117,271	2,654	3,673,178	3,373,527
Professional and business services	281,818	15,447	24,753	3,507	4,615	83,042	1,240	63	414,485	375,812
Accommodation	79,628	87,020	87,960	38,555	37,956	15,508	11,376	225	358,228	315,216
Federal sales tax administration costs by the Province of Québec	-	-	-	141,821	-	-	-	-	141,821	142,275
Transportation and communications	23,023	17,205	16,758	36,561	3,087	520	22,160	40	119,354	127,699
Amortization of tangible capital assets (note 7)	10,517	14,372	21,536	32,810	2,805	829	6,207	-	89,076	83,843
Other services and expenses	13,228	5,703	3,370	2,639	1,162	1,083	9,234	33	36,452	35,368
Equipment purchases	12,684	4,188	2,132	1,010	933	188	111	20	21,266	17,461
Interest on average accrued benefit obligations (note 5)	4,068	5,503	4,493	1,945	2,034	905	625	14	19,587	20,003
Repair and maintenance	16,196	662	45	732	46	5	1	1	17,688	20,143
Materials and supplies	8,566	1,873	1,736	3,942	621	310	293	15	17,356	19,794
Advertising, information and printing services	2,562	151	201	871	132	7	52	25	4,001	4,865
Loss on disposal/write-off of tangible capital assets	3,271	-	-	-	-	-	-	-	3,271	899
Equipment rentals	1,090	423	428	179	116	85	27	3	2,351	2,389
<b>Total expenses</b>	<b>1,219,288</b>	<b>1,184,686</b>	<b>1,006,004</b>	<b>629,323</b>	<b>434,979</b>	<b>272,144</b>	<b>168,597</b>	<b>3,093</b>	<b>4,918,114</b>	<b>4,539,294</b>

## 9. Segmented information – Non-tax revenues

Presentation by segment is based on the CRA's program activity as described in note 1 of these financial statements. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the non-tax revenues generated for the main program activities, by major type of non-tax revenues. The segment results for the period are as follows:

	Internal services	Reporting compliance	Collections, compliance, and verification	Assessment of returns and payment processing	Taxpayer and business assistance	Appeals	Benefit programs	2017 (in thousands of dollars)	2016
<b>Non-tax revenues credited to Vote 1</b>									
Fees for administering the Employment Insurance Act	29,377	-	103,831	13,928	38,325	11,815	783	198,059	179,196
Fees for administering the Canada Pension Plan	28,007	-	99,774	16,392	21,771	6,170	-	172,114	143,208
	<b>57,384</b>	<b>-</b>	<b>203,605</b>	<b>30,320</b>	<b>60,096</b>	<b>17,985</b>	<b>783</b>	<b>370,173</b>	<b>322,404</b>
<b>Non-tax revenues available for spending</b>									
Administration fees - provinces and territories	48,571	15,921	17,194	10,182	664	3,704	16,001	112,237	110,387
Services fees	42,866	562	111	2,346	583	-	2,039	48,507	53,722
Miscellaneous spendable revenues	321	456	-	5	2,231	-	35	3,048	3,412
	<b>91,758</b>	<b>16,939</b>	<b>17,305</b>	<b>12,533</b>	<b>3,478</b>	<b>3,704</b>	<b>18,075</b>	<b>163,792</b>	<b>167,521</b>
<b>Non-tax revenues not available for spending</b>									
Recovery of employee benefit costs relating to non-tax revenues credited to Vote 1 and revenues available for spending	14,105	4,086	36,131	6,388	10,719	3,545	1,743	76,717	65,653
Miscellaneous non-tax revenues	262	-	-	-	688	-	-	950	3,890
	<b>14,367</b>	<b>4,086</b>	<b>36,131</b>	<b>6,388</b>	<b>10,719</b>	<b>4,233</b>	<b>1,743</b>	<b>77,667</b>	<b>69,543</b>
Total non-tax revenues before revenues earned on behalf of Government	<b>163,509</b>	<b>21,025</b>	<b>257,041</b>	<b>49,241</b>	<b>74,293</b>	<b>25,922</b>	<b>20,601</b>	<b>611,632</b>	<b>559,468</b>
Revenues earned on behalf of Government	(14,367)	(4,086)	(36,131)	(6,388)	(10,719)	(4,233)	(1,743)	(77,667)	(69,543)
<b>Total non-tax revenues</b>	<b>149,142</b>	<b>16,939</b>	<b>220,910</b>	<b>42,853</b>	<b>63,574</b>	<b>21,689</b>	<b>18,858</b>	<b>533,965</b>	<b>489,925</b>

## 10. Related party transactions

The CRA is related in terms of common ownership to all Government of Canada departments, agencies, and Crown corporations. Transactions with Crown corporations entered into by the CRA are in the normal course of business and on normal trade terms applicable to all individuals and enterprises. Transactions with other Government of Canada departments and agencies are conducted on a cost recovery basis, except for transfers of tangible capital assets that are carried out at net book value.

During the year, the CRA received various services without charge from other government agencies and departments. The estimated costs for significant services provided without charge that have been recorded include:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
Employer's contribution to the health and dental insurance plans -		
Treasury Board Secretariat	283,421	237,736
Information technology services - Shared Services Canada	179,474	179,474
Legal services - Justice Canada	41,186	37,668
Payroll services - Public Services and Procurement Canada	4,576	4,515
Audit services - Office of the Auditor General of Canada	2,602	2,600
Workers' compensation benefits - Employment and Social Development Canada	1,185	1,254
<b>Total</b>	<b>512,444</b>	<b>463,247</b>

## 11. Board of Management

Pursuant to the Canada Revenue Agency Act, a Board of Management is appointed to oversee the organization and administration of the CRA and the management of its resources, services, property, personnel and contracts. The expenses relating to the board's activities for the year included in the net cost of operations were as follows:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
<b>Board of Management</b>		
Compensation	305	262
Travel	94	80
Professional services and other expenses	62	62
	461	404
<b>Other related costs</b>		
Corporate Secretariat support	593	572
<b>Total</b>	<b>1,054</b>	<b>976</b>

## 12. Contingent liabilities

The CRA is a defendant in certain cases of pending and threatened litigation which arises in the normal course of business of agency activities as defined in note 2. The amount to be paid in respect of the cases identified as likely to be lost has been recorded in accounts payable and accrued liabilities, based on the current best estimate of the consideration required to settle the present liabilities at the end of the reporting period, taking into account the risks and uncertainties surrounding the liabilities. The extent of these cases have not been disclosed as it could have an adverse effect on their outcome.

All other cases, excluding those assessed as unlikely to be lost, are considered contingent liabilities and the related amounts are disclosed whenever the amount of the contingency can be reasonably estimated. As at March 31, 2017, these contingent liabilities have been estimated at \$91.5 million (\$11.8 million as at March 31, 2016) which is based on management's best estimate determined on a case by case basis.

## 13. Financial risk management

The CRA uses non-derivative financial instruments in the course of its operations that give rise to financial assets and financial liabilities. Those financial liabilities comprise accrued salaries, accounts payable and accrued liabilities, vacation pay and compensatory leave. Accounts receivable and advances represent those financial assets.

The CRA is exposed to credit risk, liquidity risk and market risk in connection with its financial instruments.

The credit risk is the risk that another party owing money to the CRA would fail to discharge its obligation creating a financial loss for the CRA. The maximum exposure of the CRA to the credit risk amounted to \$18.2 million as at March 31, 2017 (\$7.4 million as at March 31, 2016), which is equal to the carrying value of its accounts receivable and advances. As the vast majority of the CRA's accounts receivable and advances are either with other government departments or employees, the credit risk is low.

The liquidity risk is the risk that the CRA would encounter difficulty in meeting its obligations associated with its financial liabilities. The CRA's liquidity risk is minimal given that the CRA receives most of its funding through annual Parliamentary appropriations and maintains strong controls over expenditure management.

The market risk is defined as the risk that future cash flows of a financial instrument would fluctuate because of changes in currency rates, interest rates and/or other rates. The CRA's exposure to market risk is limited to fluctuations in the currency rates and the impact of such variations on CRA's cash flows is negligible as its financial transactions in foreign currency are immaterial.

The CRA's exposure to these risks and the policies and processes to manage and measure them did not change significantly from the prior year.

## 14. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

# Financial Statements Discussion and Analysis – Agency Activities (unaudited)

## Introduction

This section of the financial statements provides unaudited complementary information on Agency Activities, on an accrual basis, in respect of matters reported in the audited financial statements. The Canada Revenue Agency's (CRA) management is responsible for the preparation of this financial statements discussion and analysis.

## Capacity to deliver services

The CRA's workforce of approximately 40,000 employees is fundamental to the achievement of its mandate. In fiscal year 2016-17, this workforce was comprised of 77% permanent employees, 21% term employees and 2% students.

CRA employees are located throughout Canada, in the following operational regions: Ontario (30%), Headquarters (26%), Prairies (14%); Québec (12%); Pacific (10%); and Atlantic (8%). They provide services to taxpayers in multiple tax services offices and tax centers, as well as program services and internal services supporting those programs.

The CRA's information technology (IT) capacity is also critical to its ability to deliver services to Canadians. It involves an extensive IT infrastructure that is managed primarily by Shared Services Canada and includes the development and maintenance of applications across a distributed computing environment.

## Risk management

The CRA recognizes that a variety of risks could have potential implications on its financial position and operations. The Enterprise Risk Management (ERM) Division of the Audit, Evaluation, and Risk Branch plays a key role in ensuring that corporate risks are identified, impacts are assessed, and strategies for risk management are adopted, notably by producing the CRA Corporate Risk Profile.

Further details on ERM at the CRA are discussed in the Departmental Results Report. This financial statements discussion and analysis will elaborate on specific financial risks throughout its content, where applicable.

## Financial highlights

The CRA received incremental funding over five years to implement a number of measures announced in Budget 2016, namely \$185.8 million for client-focused services for Canadians and Canadian businesses; \$444.4 million for cracking down on tax evasion and combatting tax avoidance; and \$351.6 million for enhancing tax collections. Budget 2016 also included funding for various smaller initiatives over the same period of time. In 2016-2017, the CRA utilized 89% of the additional funding, and achieved established targets.

On October 25, 2016, the CRA and the Union of Taxation Employees in the Public Service Alliance of Canada (PSAC) signed a new collective agreement, which applies to more than 70% of the CRA employees. The provisions of the new collective agreement covers a four-year period starting on November 1, 2012. As a result, the CRA issued in 2016-17 retroactive salary payments amounting to over \$230 million to employees represented by PSAC.

The CRA has managed within its Parliamentary approved authorities for 2016-17, with a carry-forward of appropriations of \$203.7 million. These unspent funds, available for use in 2017-18, were largely planned and are a crucial element of the current resource management strategy to address known financial commitments and emerging funding challenges.

A significant portion of the carry-forward is set aside to cover amounts for collective bargaining salary increases related to expired collective agreements and conditions of employment as of March 31, 2017. More specifically, it includes a provision allowing for further negotiated economic increases for the 2014 and 2015 agreed upon salary rates as per the provisions of the most recent PSAC collective agreement. It also includes provisions for salary increases in connection with the collective agreements between the CRA and the Professional Institute of the Public Service of Canada (PIPSC) and PSAC that expired in December 2014 and October 2016 respectively. Another important component of the intended use of the carry-forward of appropriations is for the internally funded strategic investment plan. Major IT projects can face challenges due to their long-term and complex nature and as such, require flexibility in the timing of resource utilization.

As part of its resource management strategy, the CRA continuously reviews and revises plans and priorities to ensure the effective and efficient use of government resources and the achievement of its core business outcomes. In 2016-17, the majority of key performance targets were met or exceeded.

## Discussion and analysis

### Net cost of operations before government funding and transfers

The CRA's 2016-17 net cost of operations before government funding and transfers amounted to \$4,384.1 million, an increase of \$334.8 million from the \$4,049.4 million net cost of operations before government funding and transfers in 2015-16.

Details of the net cost of operations before government funding and transfers are illustrated below (see note 8 to the Financial Statements – Agency Activities for a further breakdown of expenses by category):

**Figure 1: Details on the net cost of operations before government funding and transfers**

	<b>2017</b>	<b>2016</b>	<b>Difference</b>
(in thousands of dollars)			
Personnel	3,673,178	3,373,527	299,651
IT equipment and services	389,255	352,817	36,438
Accommodation	358,228	315,216	43,012
Professional and business services excluding IT	147,381	138,004	9,377
Federal sales tax administration costs - Province of Québec	141,821	142,275	(454)
Transportation	118,991	125,796	(6,805)
Other	89,260	91,659	(2,400)
<b>Total expenses</b>	<b>4,918,114</b>	<b>4,539,294</b>	<b>378,820</b>
Less: Non-tax revenues	533,965	489,925	44,040
<b>Net cost of operations before government funding and transfers</b>	<b>4,384,149</b>	<b>4,049,369</b>	<b>334,780</b>

Personnel expenses (salaries, other allowances and benefits) represent 75% of total expenses and are the CRA's primary costs. The remaining 25% of expenses are comprised of other costs such as information technology (IT) and accommodation expenses.

Personnel costs have increased by \$299.7 million or 9% in 2016-17. The CRA has slightly increased its workforce in order to implement the new initiatives announced in Budget 2016, which partly explains the increase in personnel costs. Additionally, the approval of the PSAC collective agreement in October 2016 contributed to the increase with an additional one-time vacation week, a signing bonus and retroactive salary payments that were issued to the represented employees. Increases in salary expenses impacted in turn the cost of health and dental employee benefits, that cost being also subjected to a greater insurance contribution rate in 2016-17.

Non-personnel expenses have increased by \$79.2 million or 7% in 2016-17. This variance mainly results from an increase in fit-up cost as part of the workplace renewal strategy (\$40.4 million) as well as an increase in IT services provided by Shared Services Canada (SSC) (\$24.3 million).

Non-tax revenues increased by \$44.0 million from the prior year, which is mostly attributable to the invoicing of the retroactive salary payments applicable to the administration of the Canada Pension Plan and the Employment Insurance Act.

## Financial position

The change in the Agency's net financial position compared to the previous year is as follows:

**Figure 2: Statement of Financial Position**

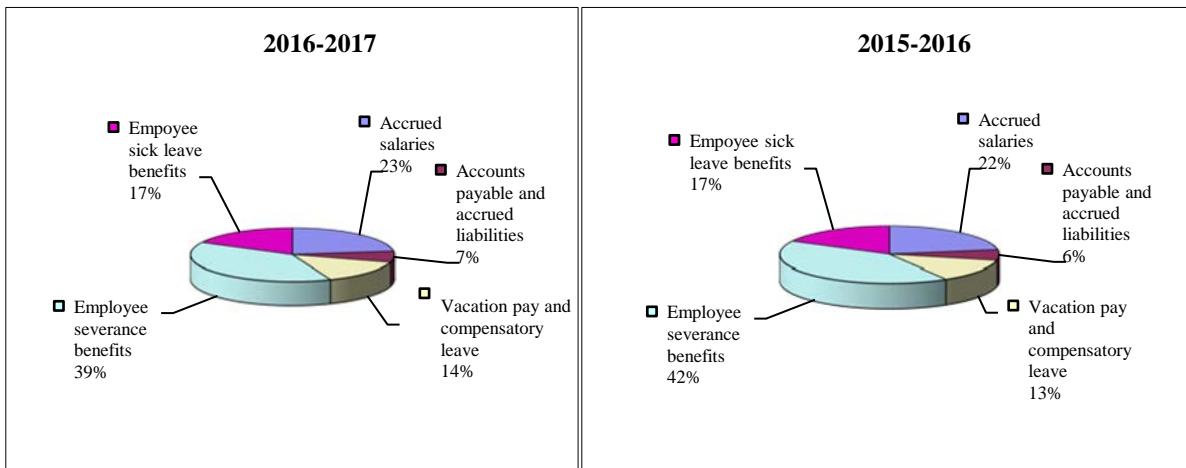
	<b>2017</b>	<b>2016</b>	<b>Difference</b>
(in thousands of dollars)			
Liabilities	1,479,204	1,463,916	15,288
Financial assets	329,741	276,524	53,217
Agency net debt	1,149,463	1,187,392	(37,929)
Non-financial assets	411,843	414,776	(2,932)
<b>Agency net financial position</b>	<b>737,620</b>	<b>772,616</b>	<b>(34,996)</b>

### **Liabilities**

Liabilities have increased by \$15.3 million in 2016-17. This was attributable in part to an increase in vacation liability due to the new one-time vacation leave introduced in the agreement reached with the PSAC ratified in October 2016. Also attributable to the increase are the provisions for salary increases for expired collective agreements and an increase in accounts payable at year-end for IT services rendered by SSC. This was offset in part, by a decrease in employee severance benefits explained by the termination of the accumulation of accrued severance benefits for the employees under the new PSAC collective agreement.

Employee severance benefits remain the CRA's most important obligation as illustrated in the table below. Employees represented by PSAC were given the option to be immediately paid their accrued severance benefits as part of the new collective agreement in 2016-17. Those who have chosen the immediate payment started receiving their severance benefit payments at the beginning of the following fiscal year, the employee severance benefit liability will consequently decrease significantly in 2017-18.

**Figure 3: Liabilities by category**



Employee sick leave and severance benefits account for 56% of the CRA total liabilities in 2016-17. These are significant liabilities that require the use of management estimates and assumptions to determine their present value as at March 31 of each year. As such, there is a financial risk of imprecision in the financial position of the CRA where actual liabilities and the related expenses may differ significantly from current estimates. To minimize this risk, the CRA uses the expertise of the Office of the Chief Actuary, who provides an actuarial valuation report on a yearly basis, presenting the actuarial assumptions and method used to determine the actuarial present value of those employee benefits. Actuarial assumptions used by the CRA are consistent with those used by the Government of Canada.

#### **Financial assets**

The increase in financial assets is correlated to specific increases in liabilities, as an account receivable is created for liabilities that are not settled at year-end, but for which appropriations were used. This account receivable, the Due from the Consolidated Revenue Fund (CRF), represents the net amount of cash that the CRA is entitled to draw from the CRF that is administered by the Receiver General for Canada without using further appropriations to discharge its liabilities. It increased by \$42.5 million in 2016-17. Salary advances and overpayments arising from the transition to the Phoenix pay system also contributed to the increase in financial assets.

## **Non-financial assets**

Non-financial assets are comprised of 97% tangible capital assets. The CRA managed a capital budget of \$96.3 million for the year 2016-17 (\$128.7 million for 2015-16), of which a total of \$21.4 million (\$49.9 million for 2015-16) remains available for use in future years in accordance with the CRA's multi-year resource management strategy.

The net book value of tangible capital assets remained fairly stable in 2016-17 with a net decrease of \$3.2 million. The vast majority of tangible capital assets owned by the CRA relates to IT, specifically in-house developed software. As a large organization responsible for delivering an extensive range of tax and benefits programs on behalf of the federal and of provincial governments, the CRA has specialized software needs that are primarily fulfilled internally through the development of in-house tailored applications by CRA employees.

To prioritize investment decisions regarding in-house developed software and support the effective management of resources, the CRA Finance Committee (FC) oversees investment projects above \$1 million. All projects brought to the FC require a formal attestation from the ERM Division that the CRA risk management process was followed and that sound risk information forms part of the submission. The attestation process takes place at various project development stages. Enterprise risk information is also used to inform the development of the CRA Strategic Investment Plan, a long-term plan of significant future investments. Alignment with the priorities outlined in the CRA Corporate Risk Profile is one of the considerations used to inform the priority ranking of initiatives.

## Five year comparative financial information

The following tables provide a five year comparison of financial information based on the accounting policies described in note 2 to the audited financial statements.

**Figure 4: Statement of Financial position**

	2013	2014	2015	2016	2017
(in thousands of dollars)					
<b>Liabilities</b>					
Accrued salaries	84,546	129,589	267,026	329,274	341,486
Accounts payable and accrued liabilities	118,466	94,901	120,595	87,790	98,756
Vacation pay and compensatory leave	187,625	189,672	188,444	189,038	212,148
Employee severance benefits	580,511	570,114	606,770	604,149	573,721
Employee sick leave benefits	235,200	243,700	246,742	253,665	253,093
<b>Total liabilities</b>	<b>1,206,348</b>	<b>1,227,976</b>	<b>1,429,577</b>	<b>1,463,916</b>	<b>1,479,204</b>
<b>Financial assets</b>					
Due from the Consolidated Revenue Fund	132,003	163,405	282,102	269,109	311,560
Accounts receivable and advances	37,415	6,678	10,153	7,415	18,181
<b>Total financial assets</b>	<b>169,418</b>	<b>170,083</b>	<b>292,255</b>	<b>276,524</b>	<b>329,741</b>
<b>Agency net debt</b>	<b>1,036,930</b>	<b>1,057,893</b>	<b>1,137,322</b>	<b>1,187,392</b>	<b>1,149,463</b>
<b>Non-financial assets</b>					
Prepaid expenses	10,350	11,963	12,538	12,454	12,769
Tangible capital assets	391,779	386,327	393,415	402,322	399,074
<b>Total non-financial assets</b>	<b>402,129</b>	<b>398,290</b>	<b>405,953</b>	<b>414,776</b>	<b>411,843</b>
<b>Agency net financial position</b>	<b>634,801</b>	<b>659,603</b>	<b>731,369</b>	<b>772,616</b>	<b>737,620</b>

Comparative figures have been reclassified with the current year presentation.

**Figure 5: Segmented information – Expenses**

	2013	2014	2015	2016	2017
(in thousands of dollars)					
Personnel:					
Salaries	2,381,913	2,408,276	2,420,180	2,406,841	2,644,181
Other allowances and benefits	979,491	979,750	995,625	966,686	1,028,997
	3,361,404	3,388,026	3,415,805	3,373,527	3,673,178
Professional and business services	368,636	372,352	370,037	375,812	414,485
Accommodation	348,320	349,810	331,325	315,216	358,228
Federal sales tax administration costs by the Province of Québec	142,222	142,772	142,133	142,275	141,821
Transportation and communications	126,048	115,408	125,987	127,699	119,354
Amortization of tangible capital assets	70,131	75,040	79,171	83,843	89,076
Other services and expenses	39,120	28,726	42,573	35,368	36,452
Equipment purchases	25,788	17,056	18,747	17,461	21,266
Interest on average accrued benefit obligations	24,749	21,526	25,476	20,003	19,587
Repair and maintenance	30,274	17,102	21,358	20,143	17,688
Materials and supplies	23,951	20,094	19,229	19,794	17,356
Advertising, information and printing services	8,815	8,805	7,710	4,865	4,001
Loss on disposal/write-off of tangible capital assets	2,789	2,204	5,584	899	3,271
Equipment rentals	2,755	3,162	2,358	2,389	2,351
<b>Total expenses</b>	<b>4,575,002</b>	<b>4,562,083</b>	<b>4,607,493</b>	<b>4,539,294</b>	<b>4,918,114</b>

Comparative figures have been reclassified with the current year presentation.

**Figure 6: Segmented information – Non-tax revenue**

	2013	2014	2015	2016	2017
(in thousands of dollars)					
<b>Non-tax revenues credited to Vote 1</b>					
Fees for administering the Employment Insurance Act	182,573	182,794	174,319	179,196	198,059
Fees for administering the Canada Pension Plan	147,718	147,771	141,225	143,208	172,114
	330,291	330,565	315,544	322,404	370,173
<b>Non-tax revenues available for spending</b>					
Administration fees - provinces and territories	102,539	104,115	108,424	110,387	112,237
Services fees	61,214	56,496	54,190	53,722	48,507
Miscellaneous respondable revenues	2,701	2,325	2,462	3,412	3,048
	166,454	162,936	165,076	167,521	163,792
<b>Non-tax revenues not available for spending</b>					
Recovery of employee benefit costs relating to non-tax revenues credited to Vote 1 and revenues available for spending	60,717	61,834	63,925	65,653	76,717
Miscellaneous non-tax revenues	2,898	1,172	769	3,890	950
	63,615	63,006	64,694	69,543	77,667
Total non-tax revenues before revenues earned on behalf of Government	560,360	556,507	545,314	559,468	611,632
Revenues earned on behalf of Government	(63,615)	(63,006)	(64,694)	(69,543)	(77,667)
<b>Total non-tax revenues</b>	<b>496,745</b>	<b>493,501</b>	<b>480,620</b>	<b>489,925</b>	<b>533,965</b>

## Outlook

Looking ahead, the CRA will continue to innovate in order to improve the efficiency and effectiveness of its operations and programs while contributing to the Government of Canada's priorities, by continuously optimizing the use of its resources and modernizing its services and compliance activities.

Through Budget 2017, the CRA received funding of \$523.9M over five years and \$185.7M ongoing to build on the government's previous investments to crack down on tax cheats. This includes increasing capacity to address aggressive tax avoidance and tax evasion among large businesses, multinational businesses, and wealthy individuals (particularly those operating offshore). Going forward, the CRA will continue to invest in verification activities, hiring of auditors and specialists, business intelligence infrastructure and the quality of targeted investigative work.

As online processing grows and processing centres receive less and less paper based work, the Agency is responding to the changing environment by looking at its business differently. The Service Renewal Initiative, launched in November 2016, will change how the CRA operates so that it can improve service to Canadians, modernize collections and verification capacity, optimize its workforce to best meet priorities, and ensure the CRA maintains a continued presence in all regions.

# Canada Revenue Agency Financial Statements – Administered Activities



Office of the  
Auditor General  
of Canada

Bureau du  
vérificateur général  
du Canada

# Independent Auditor's report

To the Board of Management of the Canada Revenue Agency and the Minister of National Revenue

I have audited the accompanying statement of administered assets and liabilities of the Canada Revenue Agency as at 31 March 2017, and the statement of administered revenues and pension contributions, statement of administered expenses and recoveries and statement of administered cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (together "the financial information"). The financial information has been prepared by management using the basis of accounting described in Note 2.

## Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of this financial information in accordance with the basis of accounting described in Note 2; this includes determining that the basis of accounting is an acceptable basis for the preparation of the financial information in the circumstances, and for such internal control as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

My responsibility is to express an opinion on the financial information based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial information.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

In my opinion, the financial information presents fairly, in all material respects, the administered assets and liabilities of the Canada Revenue Agency as at 31 March 2017, and the results of its administered operations and its administered cash flows for the year then ended in accordance with the basis of accounting described in Note 2.

## Emphasis of Matter

Without modifying my opinion, I draw attention to Note 2 to the financial information, which describes the purpose and basis of accounting for reporting activities administered by the Canada Revenue Agency on behalf of others. This financial information may not be suitable for another purpose. Management prepares a separate set of financial statements to report the operational revenues and expenses of the Canada Revenue Agency.

Catherine Marier, CPA, CA  
Principal  
for the Auditor General of Canada

28 August 2017  
Ottawa, Canada

Canada Revenue Agency  
 Statement of Administered Assets and Liabilities  
 as at March 31  
 (in thousands of dollars)

	<b>2017</b>	<b>2016</b>
<b>Administered assets</b>		
Cash on hand	8,117,042	7,861,143
Amounts receivable from taxpayers (note 3)	107,853,392	105,225,411
Amounts receivable under the tobacco civil settlements (note 4)	164,929	240,578
<b>Total assets</b>	<b>116,135,363</b>	<b>113,327,132</b>

<b>Administered liabilities</b>		
Amounts payable to taxpayers (note 5)	55,155,945	53,701,199
Amounts payable to provinces (note 6)	498,997	624,017
Deposit accounts (note 7)	205,360	189,979
	<hr/>	<hr/>
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others (note 8)	55,860,302	54,515,195
<b>Total liabilities</b>	<b>60,275,061</b>	<b>58,811,937</b>
	<b>116,135,363</b>	<b>113,327,132</b>

Contingent liabilities (note 10)

The accompanying notes form an integral part of these financial statements.

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Approved by:

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Bob Hamilton  
 Commissioner of Revenue and  
 Chief Executive Officer of the Canada Revenue Agency

28 August 2017

Date

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Susan Hayes, LL.B.  
 Chair, Board of Management

28 August 2017

Date

Canada Revenue Agency  
 Statement of Administered Revenues and Pension Contributions  
 for the year ended March 31  
 (in thousands of dollars)

	<b>2017</b>	<b>2016</b>
<b>Federal administered revenues</b>		
Income tax revenues		
Individuals and Trusts	143,792,941	144,953,138
Corporations	42,215,669	41,443,831
Non-resident tax withholdings	7,071,620	6,505,060
	<b>193,080,230</b>	<b>192,902,029</b>
Other taxes, duties, and charges		
Goods and services tax (note 11)	12,652,993	11,214,278
Energy taxes	5,552,386	5,495,888
Other excise taxes and duties	3,638,673	3,619,059
Miscellaneous charges (note 12)	767,735	851,571
	<b>22,611,787</b>	<b>21,180,796</b>
Employment insurance premiums	22,537,353	23,491,100
Interest, penalties, and other revenues (note 13)	4,085,117	4,346,573
<b>Revenues administered for the Government of Canada</b>	<b>242,314,487</b>	<b>241,920,498</b>
<b>Provincial, territorial and First Nations administered revenues</b>		
Income tax revenues		
Individuals and Trusts	65,085,151	66,859,379
Corporations	20,921,476	18,130,252
	<b>86,006,627</b>	<b>84,989,631</b>
Provincial portion of harmonized sales tax (note 14)	26,656,590	24,542,052
Other revenues (note 15)	348,748	489,217
<b>Revenues administered for provincial and territorial governments and First Nations</b>	<b>113,011,965</b>	<b>110,020,900</b>
<b>Pension contributions, interest, and penalties administered for the Canada Pension Plan (note 16)</b>	<b>47,041,519</b>	<b>46,212,741</b>
<b>Total administered revenues and pension contributions</b>	<b>402,367,971</b>	<b>398,154,139</b>

The accompanying notes form an integral part of these financial statements.

**Canada Revenue Agency**  
**Statement of Administered Expenses and Recoveries**  
**for the year ended March 31**  
**(in thousands of dollars)**

	<b>2017</b>	<b>2016</b>
<b>Federal administered expenses</b>		
Transfers to individuals		
Canada child benefit (note 18)	16,949,122	-
Child tax benefits (note 18)	3,149,582	10,509,650
Universal child care benefits (note 18)	1,970,033	7,522,699
Working income tax benefit	1,239,887	1,241,999
Children's special allowances	319,659	309,173
Refundable tax credits	306,741	334,245
	<b>23,935,024</b>	<b>19,917,766</b>
Transfers to corporations		
Refundable investment tax credit	1,284,786	1,350,582
Film and video tax credits	388,785	343,663
	<b>1,673,571</b>	<b>1,694,245</b>
Other federal expenses		
Doubtful accounts expense (note 3)	2,685,891	3,840,614
Interest expense	337,426	396,414
Recoveries/transfers to provinces for softwood lumber products export charge	(110)	121,481
	<b>3,023,207</b>	<b>4,358,509</b>
<b>Total</b>	<b>28,631,802</b>	<b>25,970,520</b>
<b>Federal administered recoveries</b>		
Old age security benefits	(1,483,105)	(1,517,042)
Employment insurance benefits	(270,448)	(270,830)
	<b>(1,753,553)</b>	<b>(1,787,872)</b>
<b>Net expenses and recoveries administered for the Government of Canada</b>	<b>26,878,249</b>	<b>24,182,648</b>
<b>Provincial and territorial administered expenses</b>		
Transfers to individuals		
Family benefit programs	1,530,710	1,358,369
Ontario energy and property tax credit	1,316,266	1,357,865
Ontario senior homeowners' property tax grant	200,171	233,708
British Columbia low-income climate action tax credit	194,887	194,802
Other property tax credits	123,773	122,964
Other transfers	510,690	371,588
	<b>3,876,497</b>	<b>3,639,296</b>
Transfers to corporations		
Film and television production services tax credits	975,487	839,993
Refundable investment tax credits	700,040	740,872
	<b>1,675,527</b>	<b>1,580,865</b>
<b>Expenses administered for provincial and territorial governments</b>	<b>5,552,024</b>	<b>5,220,161</b>
<b>Doubtful accounts expense administered for the Canada Pension Plan (note 3)</b>	<b>75,273</b>	<b>93,433</b>
<b>Total net administered expenses and recoveries</b>	<b>32,505,546</b>	<b>29,496,242</b>

The accompanying notes form an integral part of these financial statements.

**Canada Revenue Agency**  
**Statement of Administered Cash Flows**  
**for the year ended March 31**  
**(in thousands of dollars)**

	<b>2017</b>	<b>2016</b>
Total administered revenues and pension contributions	402,367,971	398,154,139
Total net administered expenses and recoveries	(32,505,546)	(29,496,242)
Revenues paid or payable directly to a province	(300,194)	(436,136)
Changes in administered assets and liabilities:		
Cash on hand	(255,899)	(463,326)
Amounts receivable from taxpayers	(2,627,981)	(8,340,381)
Amounts receivable under the tobacco civil settlements	75,649	70,055
Amounts payable to taxpayers	1,454,746	(2,502,581)
Amounts payable to provinces	(125,020)	23,447
Deposit accounts	15,381	11,471
<b>Net cash deposited in the Consolidated Revenue Fund of the Government of Canada (note 8)</b>	<b>368,099,107</b>	<b>357,020,446</b>
Consisting of:		
Cash deposits to the Consolidated Revenue Fund	499,833,196	484,790,491
Cash refunds/payments from the Consolidated Revenue Fund	(131,734,089)	(127,770,045)
<b>Net cash deposited in the Consolidated Revenue Fund of the Government of Canada (note 8)</b>	<b>368,099,107</b>	<b>357,020,446</b>

The accompanying notes form an integral part of these financial statements.

# Canada Revenue Agency

## Notes to the Financial Statements – Administered Activities

### 1. Authority and objectives

The Canada Revenue Agency (CRA) is an agent of Her Majesty in right of Canada under the Canada Revenue Agency Act. The CRA is a departmental corporation named in Schedule II of the Financial Administration Act and reports to Parliament through the Minister of National Revenue.

The mandate of the CRA is to support the administration and enforcement of tax legislation and other related legislation. The CRA provides support, advice, and services by:

- (a) supporting the administration and enforcement of the program legislation;
- (b) implementing agreements between the Government of Canada or the CRA and the government of a province, territory, or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;
- (c) implementing agreements or arrangements between the CRA and departments or agencies of the Government of Canada to carry out an activity or administer a program; and
- (d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The CRA administers revenues, including income and sales taxes and Employment insurance premiums, administers tax legislation, delivers a number of social benefit programs to Canadians for the federal, provincial, territorial, and First Nations governments, and administers other amounts, including Canada Pension Plan contributions, for other groups or organizations. In addition to the Canada Revenue Agency Act, the CRA is responsible for administering and enforcing the following acts or parts of acts: the Air Travellers Security Charge Act, the Children's Special Allowances Act, Part V.1 of the Customs Act, the Excise Act, the Excise Tax Act (including the goods and services tax (GST) and the harmonized sales tax (HST) except for GST/HST on imported goods), the Excise Act, 2001, the Income Tax Act, the Universal Child Care Benefit Act, and others including various provincial acts.

In the province of Quebec, Revenu Québec (RQ) acts as an agent of the CRA in administering and enforcing the GST, except for GST in respect of selected listed financial institutions. The CRA monitors cash transfers made by RQ, reports the GST revenues administered on its behalf, and transfers funds out of the Consolidated Revenue Fund to RQ so it can issue refunds.

Under an agreement with the province of Nova Scotia, the CRA receives worker's compensation payments and transfers these to the province. The CRA's mandate for administering customs legislation is limited to the collection functions noted under Part V.1 of the Customs Act. The CRA also provides collection services to Employment and Social Development Canada for certain accounts receivable under various acts.

## 2. Summary of significant accounting policies

For financial reporting purposes, the CRA's activities have been divided into two sets of financial statements: agency activities and administered activities. The purpose of these administered activities statements is to give information about the tax-related revenues, expenses, assets, and liabilities that the CRA administers on behalf of the federal, provincial, and territorial governments, First Nations, and other organizations. The CRA administers individual income tax for all provinces except Quebec, and corporation income tax for all provinces except Quebec and Alberta. The Financial Statements - Agency Activities include the operational revenues and expenses that the CRA manages and uses to run the organization.

The Canada Revenue Agency Act requires the CRA to prepare financial statements in accordance with accounting principles consistent with those applied in preparing the financial statements of the Government of Canada. As a result, CRA follows those accounting principles to account for the federal administered activities. In addition, activities administered for the provincial and territorial governments, First Nations, and other organizations are accounted for on the same basis as those administered for the federal government, and may differ from the accounting principles used by those provincial and territorial governments, First Nations, and other organizations. These stated accounting policies are based on Canadian public sector accounting standards.

A summary of the significant accounting policies follows:

### **(a) Revenue and pension contributions recognition**

Revenues and pension contributions are recognized in the year in which the event that generates the revenue or the pension contribution occurs and when the effective date of the related legislation has passed and either the legislation, regulation or by-laws have been approved by the legislature or the ability to assess and collect tax has been provided through legislative convention.

The Canadian tax system is based on self-assessment, so taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The CRA has implemented systems and controls to detect and correct situations where taxpayers are not complying with the various acts it administers. These systems and controls include audits of taxpayer records when the CRA decides they are necessary, but these procedures cannot be expected to identify all sources of unreported income or other cases of non-compliance with tax laws.

An assessment (or reassessment) of tax includes all decisions and other steps made or taken by the Minister of National Revenue and officials of the CRA under the federal, provincial, and territorial acts or sections of the acts the CRA administers to calculate tax payable by taxpayers. When verifying a taxpayer's return, the CRA uses the various tax acts it administers and other criteria it developed that are designed to substantially meet the provisions of these acts. Reassessments include changes to taxes previously assessed at the request of the taxpayer, for example to claim a subsequent loss carry-back, or changes the CRA initiated as a result of applying procedures to verify reporting compliance, such as taxpayer audits. An estimate of future reassessments is recorded for amounts under appeal to the various courts in accordance with the accounting policy on contingent liabilities (note 2 (h)) and for amounts under objection in accordance with the accounting policy on objections (note 2 (g)).

Revenues are reported net of tax concessions. As foregone revenue, tax concessions do not give rise to assets or expenses of the taxing government. Refundable tax credits, deductions, or exemptions provided by the federal, provincial, territorial, or First Nations governments are considered tax concessions when they provide tax relief to taxpayers and relate to the types of taxes that are a revenue source administered by CRA. When the CRA does not administer the related tax revenue, these refundable tax credits, deductions, or exemptions are accounted for as transfers made through the tax system.

Revenues and pension contributions for the fiscal year include adjustments between the estimated revenues of previous years and actual amounts.

The following policies are applied for specific streams:

(i) Income taxes, Canada Pension Plan contributions, and Employment insurance premiums:

Income tax revenues are recognized when the taxpayer has earned income that is subject to tax. Income is calculated net of tax deductions and credits allowed under the Income Tax Act, including refundable taxes resulting from current-year activity.

Canada Pension Plan (CPP) contributions from employees, employers, and self-employed persons are recognized when the pensionable income is earned. Employment insurance (EI) premiums are recognized as revenue in the period the insurable earnings are earned. For non-resident taxpayers (individuals and corporations), revenues are recognized when the taxpayers receive income from which tax is withheld on active and inactive income they earned in Canada.

Income tax revenues and pension contributions are measured from amounts assessed/reassessed and from estimates of amounts not yet assessed/reassessed based on cash received that relates to the fiscal year ended March 31.

(ii) Other taxes, duties, and charges:

Goods and services tax (GST) and harmonized sales tax (HST) revenues on domestic goods and services, as well as the Quebec sales tax in respect of selected listed financial institutions are recognized at the time the goods are sold or the services provided. Revenues are reported net of input tax credits, GST/HST rebates, and the GST quarterly tax credits in the case of GST revenues. Input tax credits are the recovery of GST/HST paid or owed on purchases related to domestic and imported commercial activities of the taxpayer. Rebates are granted in various circumstances, for example to relieve the tax burden in areas where the cost of housing is very high, or to allow for the recovery of taxes on purchases where the purchaser cannot claim an input tax credit. The GST quarterly tax credit for low-income individuals and families is recorded in the period to which it relates. It is intended to offset the cost of the tax for low-income individuals and families.

For excise taxes, revenue is recognized when a taxpayer sells goods taxable under the Excise Tax Act. For excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the Excise Act and the Excise Act, 2001.

These revenues are measured from amounts assessed/reassessed, and from estimates of amounts not yet assessed/reassessed based on cash received or historical information, that relate to the fiscal year ended March 31. Miscellaneous charges are recognized as revenue when they are earned.

(iii) Interest, penalties, and other revenues:

Interest, penalties, and other revenues are recorded when they are earned. Except for the portion related to CPP which is credited to the CPP account, all interest and penalty revenues are reported as revenues administered for the federal government as stated in the terms of the tax collection agreements with the provinces and territories. Interest and penalties are recorded net of amounts waived or cancelled under the various tax acts.

**(b) Expenses**

(i) Transfers:

Transfers are recognized in the year during which the events giving rise to them occur, provided that the transfer is authorized and all eligibility criteria have been met by the recipient, and a reasonable estimate of the amounts can be made. Transfers to provinces for the softwood lumber products export charge are recorded as an expense in the same year that the related softwood lumber products export charge revenues are recognized.

(ii) Interest expense:

Refunds may arise late, largely from the resolution of long-standing corporation tax files in favour of the taxpayer. Interest is accrued on refunds from the date that the tax instalment was initially paid to the date that the case is resolved. The CRA records the interest expense in the fiscal year to which it relates.

(iii) Administered recoveries:

Recoveries of old age security and EI benefits are recognized when assessed. Amounts not yet assessed are estimated. The CRA reports only recoveries assessed through the individual income tax system. Recoveries determined by other federal government departments are not reported in these financial statements.

**(c) Cash on hand**

The CRA deposits all monies received to the Consolidated Revenue Fund. Cash on hand refers to amounts received in the CRA's offices or by its agents up to March 31 but not yet deposited to the credit of the Consolidated Revenue Fund of the Government of Canada. CRA or its agents deposit funds to the Consolidated Revenue Fund on a daily basis.

**(d) Amounts receivable from taxpayers**

Amounts receivable from taxpayers include taxes, interest, penalties, and other revenues assessed or estimated by the CRA but not yet collected. A significant portion of the amounts receivable results from recording accrued receivables that relate to the current fiscal year but are not due until the next fiscal year.

**(e) Allowance for doubtful accounts**

The allowance for doubtful accounts is management's best estimate of the portion of receivable amounts that have been assessed that won't be collected, including the related interest and penalties. The allowance for doubtful accounts has two components. A general allowance is calculated based on the age and type of tax accounts using rates based on historical collection experience. A specific allowance is calculated based on an annual review of all accounts over \$10 million.

The allowance for doubtful accounts is adjusted every year through the doubtful accounts expense and is reduced by amounts written off as uncollectible during the year. The annual expense is reported in the Statement of Administered Expenses and Recoveries. Except for the portion related to CPP contributions, which is charged to the CPP account, the provision is charged to expenses administered for the federal government because it assumes all collection risks, as stated in the terms of the tax collection agreements with the provinces, territories, and First Nations.

**(f) Amounts payable to taxpayers**

Amounts payable to taxpayers include refunds and related interest assessed or estimated by the CRA that were not paid up to March 31. A significant portion of the amounts payable results from recording accrued payables that relate to the current fiscal year but are not due for payment until the next fiscal year. They include refunds resulting from assessments completed after March 31, and estimates of refunds for individual and trust income tax and corporation income tax not yet assessed.

**(g) Taxes under objection**

Taxes under objection are assessed taxes for which the taxpayer filed a notice of objection. A liability is accrued and revenues are reduced if it is determined that the CRA has little or no discretion to avoid settlement. The amounts in objection are disclosed in note 9 to the financial statements.

**(h) Contingent liabilities**

Contingent liabilities are potential liabilities resulting from taxes assessed which have been appealed to the Tax Court of Canada, the Federal Court of Canada, or the Supreme Court of Canada. Amounts in appeal might become actual liabilities if one or more future events occurs or does not occur. If the future event is likely to occur or likely to not occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and the revenues are reduced. If the likelihood cannot be determined or an amount cannot be reasonably estimated, the contingency is disclosed in note 10 to the financial statements.

### **(i) Measurement uncertainty**

To prepare these statements, management has to make estimates and assumptions that affect the amounts of assets, liabilities, revenues, expenses, and recoveries reported. For these financial statements items, measurement uncertainty is inherent but inestimable. Estimates are used to record unassessed tax revenues and the related amounts receivable and payable, as well as the allowance for doubtful accounts. In particular, estimates are made to determine individual and trust income tax revenues, corporation income tax revenues, non-resident tax withholdings, GST/HST revenues, energy taxes, other excise tax and duty revenues, EI premiums, CPP contributions, and the related amounts receivable and payable.

A key assumption used in estimating tax revenues is that tax instalments and historical information on refund rates, payments received upon filing tax returns, and amounts receivable assessed are good indicators of the amount of tax revenue earned to March 31 that has not yet been assessed. Another assumption is that historical tax assessment information is a good basis to allocate tax revenues between their various components (for example, between federal, provincial, and territorial tax revenues). Relevant factors such as new administered activities, legislative changes, and economic factors may also be considered. Finally, the key assumption used to estimate the general allowance for doubtful accounts is that historical collection information is a good indicator of uncollectible receivables.

Estimates are based on the best information available at the time of preparation of these statements and management believes these estimates and assumptions to be reasonable. Actual results could differ significantly from the estimates and any differences are recorded in the year the actual amounts are determined. Management monitors the accuracy of the estimates and the underlying assumptions through annual validation procedures and adjusts its estimation models as required. The methodologies used to determine the estimates were applied consistently with the previous year.

### 3. Amounts receivable from taxpayers

Amounts receivable from taxpayers include taxes, interest, penalties, and other revenues assessed or estimated by the CRA but not yet collected. A significant portion of the receivable balance results from recording accrued receivables that relate to the current fiscal year but are not due to be paid by taxpayers until the next fiscal year.

The following table shows details of the amounts receivable from taxpayers as reported in the Statement of Administered Assets and Liabilities. Amounts receivable from individuals and employers include Canada Pension Plan contributions and Employment insurance premiums as applicable.

	<b>2017</b>	<b>2016</b>	
	<b>Gross</b>	<b>Allowance for doubtful accounts</b>	<b>Net</b>
(in thousands of dollars)			
Income taxes			
Individuals	59,810,971	(7,061,550)	52,749,421
Employers	22,031,973	(1,181,565)	20,850,408
Corporations	18,915,800	(2,813,625)	16,102,175
Non-residents	1,728,907	(141,619)	1,587,288
GST/HST	17,831,238	(2,354,883)	15,476,355
Excise taxes and duties and miscellaneous charges	1,599,034	(511,289)	1,087,745
<b>Total</b>	<b>121,917,923</b>	<b>(14,064,531)</b>	<b>107,853,392</b>
			<b>105,225,411</b>

Changes in the allowance for doubtful accounts include the following:

	<b>Allowance for doubtful accounts March 31, 2016</b>	<b>Doubtful accounts expense</b>	<b>Allowance for doubtful accounts March 31, 2017</b>
(in thousands of dollars)			
Income taxes			
Individuals	(6,997,325)	(1,017,945)	953,720
Employers	(1,134,713)	(294,987)	248,135
Corporations	(2,528,528)	(618,639)	333,542
Non-residents	(132,148)	(149,805)	140,334
GST/HST	(2,522,301)	(606,574)	773,992
Excise taxes and duties and miscellaneous charges	(449,020)	(73,214)	10,945
<b>Total</b>	<b>(13,764,035)</b>	<b>(2,761,164)</b>	<b>2,460,668</b>
			<b>(14,064,531)</b>

The doubtful accounts expense of \$2,761 million (\$3,934 million in 2016) reported above includes an amount of \$2,686 million (\$3,841 million in 2016) recorded as an expense administered on behalf of the federal government (see note 2(e)) and \$75 million (\$93 million in 2016) charged against expenses administered on behalf of the Canada Pension Plan.

#### 4. Amounts receivable under the tobacco civil settlements

On July 31, 2008, the federal and provincial governments entered into civil settlement agreements with two tobacco companies to resolve potential civil claims. Under the terms of the agreements, payments totalling \$850 million are to be made to Canada, for Canada and the provinces. The federal government's share is \$325 million and the provincial governments' share is \$525 million. The settlement agreements state that the amounts will be fully paid by 2023. Up to \$800 million is expected to be received in the first 10 years of the agreements and about \$50 million in the following five years. These amounts are recorded at the nominal value.

The following table gives details of the amounts receivable related to the tobacco civil settlement agreements:

	2017			2016		
	Government of Canada share	Provincial share	Total	Government of Canada share	Provincial share	Total
(in thousands of dollars)						
Balance, beginning of year	128,000	112,578	240,578	162,000	148,633	310,633
Amounts received during the year	(34,000)	(41,649)	(75,649)	(34,000)	(36,055)	(70,055)
<b>Balance, end of year</b>	<b>94,000</b>	<b>70,929</b>	<b>164,929</b>	<b>128,000</b>	<b>112,578</b>	<b>240,578</b>

#### 5. Amounts payable to taxpayers

The following table gives details of the amounts payable to taxpayers as reported in the Statement of Administered Assets and Liabilities:

	2017	2016
	(in thousands of dollars)	
Individuals	35,501,523	34,321,628
Corporations	8,718,842	8,293,710
GST/HST	10,777,092	10,755,233
Employers and non-residents	108,383	268,023
Excise taxes and duties and miscellaneous charges	50,105	62,605
<b>Total</b>	<b>55,155,945</b>	<b>53,701,199</b>

## 6. Amounts payable to provinces

The following table gives details of amounts payable to provinces as reported in the Statement of Administered Assets and Liabilities:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
Amounts payable to Quebec:		
Individual income tax withholdings	175,284	211,846
Quebec sales tax in respect of selected listed financial institutions	150,037	159,746
GST refunds issued by Quebec	100,983	88,983
Provincial share of the tobacco civil settlements (note 4)	70,929	112,578
Softwood lumber products export charge net of costs incurred by the federal government	-	46,994
Other payables	1,764	3,870
<b>Total</b>	<b>498,997</b>	<b>624,017</b>

The CRA is acting as an agent for the provinces under the tobacco civil settlements. The CRA's liability to the provinces for their expected share of the settlement amounts is limited to the amounts that will ultimately be collected from the tobacco companies.

The Department of Finance makes payments out of the Consolidated Revenue Fund to provinces, territories and First Nations for taxes which the CRA administers. These amounts payable to provinces, territories, and First Nations are not recorded in these financial statements because they are outside the CRA's responsibility.

The CRA received \$272 million in Nova Scotia worker's compensation payments during the year (\$270 million in 2016), these payments are transferred directly to the province. Since this is a flow through arrangement, it is not reported as administered revenues.

## 7. Deposit accounts

Deposit accounts are established to record cash and securities required to guarantee payment of GST for non-resident registrants and certain licensees for excise taxes, which are both payable pursuant to the Excise Tax Act. The following table shows activity on the deposit accounts as reported in the Statement of Administered Assets and Liabilities:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
Balance, beginning of year	190,019	178,548
Receipts and other credits	44,633	40,981
Payments and other charges	(29,252)	(29,510)
<b>Balance, end of year</b>	<b>205,400</b>	<b>190,019</b>
Securities held in trust	(40)	(40)
<b>Net deposit accounts</b>	<b>205,360</b>	<b>189,979</b>

## 8. Net amount due to the Consolidated Revenue Fund

The net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others is the difference between administered assets (taxes not yet received and/or deposited in the fund) and administered liabilities payable by the CRA out of the fund.

The net cash deposited in the Consolidated Revenue Fund of the Government of Canada includes amounts the CRA receives on behalf of the federal government, provinces, territories, and other organizations, less refunds and payments issued from the fund during the year.

The following table shows the change in the net amount due to the Consolidated Revenue Fund during the fiscal year:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the beginning of the year	58,811,937	47,610,622
Total administered revenues and pension contributions	402,367,971	398,154,139
Total net administered expenses and recoveries	(32,505,546)	(29,496,242)
Revenues paid or payable directly to a province	(300,194)	(436,136)
Net cash deposited in the Consolidated Revenue Fund of the Government of Canada	(368,099,107)	(357,020,446)
<b>Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the end of the year</b>	<b>60,275,061</b>	<b>58,811,937</b>

## 9. Taxes under objection

Taxes under objection include previously assessed taxes where the taxpayer filed a notice of objection to the CRA. For cases where it has been determined that the CRA had little or no discretion to avoid settlement, the amounts to be paid have been recorded in the amounts payable to taxpayers or in reduction of the amounts receivable from taxpayers, as applicable. All other cases amount to \$20.2 billion as of March 31, 2017 (\$21.9 billion for 2016).

## 10. Contingent liabilities

Contingent liabilities include previously assessed taxes where amounts are being appealed to the Tax Court of Canada, the Federal Court of Canada, or the Supreme Court of Canada. The amounts to be paid in respect of the cases identified as likely to be lost have been recorded in the amounts payable to taxpayers or in reduction of the amounts receivable from taxpayers, as applicable. The extent of these cases has not been disclosed as it could have an adverse effect on their outcome. Cases for which the likelihood cannot be determined, or for which a reasonable estimate of the potential loss cannot be made, represent \$6.7 billion as of March 31, 2017 (\$7.0 billion for 2016).

## 11. Goods and services tax revenues

The GST reported on the Statement of Administered Revenues and Pension Contributions includes the federal portion of HST. It is net of input tax credits (ITC), rebates, and the GST quarterly tax credit for low-income individuals and families that the CRA administers. It does not include GST revenues on imported goods, which are administered and reported by the Canada Border Services Agency. The CRA has sole responsibility for administering all ITC, including those claimed on imported goods. ITC relating to GST on imports are not accounted for separately from ITC relating to GST on domestic transactions.

The following table shows details of the GST revenues that the CRA administers for the Government of Canada as reported in the Statement of Administered Revenues and Pension Contributions:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
Gross GST/HST revenues	269,151,004	260,864,228
ITC	(212,608,532)	(208,670,089)
Provincial portion of HST	(33,233,362)	(30,527,784)
GST revenues net of ITC	23,309,110	21,666,355
GST rebates	(6,191,501)	(6,094,603)
GST quarterly tax credits for low-income individuals and families	(4,464,616)	(4,357,474)
<b>GST revenues</b>	<b>12,652,993</b>	<b>11,214,278</b>

## 12. Miscellaneous charges

The following table details the miscellaneous charges that the CRA administers for the federal government as reported in the Statement of Administered Revenues and Pension Contributions:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
Air travellers security charge	767,856	721,224
Softwood lumber products export charge	(121)	130,347
<b>Total</b>	<b>767,735</b>	<b>851,571</b>

The Softwood Lumber Agreement expired on October 12, 2015. CRA will continue to administer retroactive transactions in accordance with the terms set out in the Agreement.

## 13. Interest, penalties, and other revenues

Various tax legislations give the CRA the authority, under certain conditions, to assess interest related to taxes due and penalties related to non-compliance with regulations by taxpayers. Interest is charged on overdue balances using rates determined quarterly, which in most cases are based on the ninety day Treasury Bills rate rounded plus 4%. The interest rate applicable as at March 31, 2017 on most overdue balances was 5% (5% in 2016). The CRA has the authority to waive or cancel the interest and penalties that would normally be charged under certain circumstances such as processing delays caused by the CRA, financial hardship experienced by taxpayers, or other extraordinary circumstances.

Other revenues consist of miscellaneous fees and charges such as court fines and administration charges for dishonoured payments.

The following table gives details on interest, penalties, and other revenues that the CRA administers for the federal government as reported in the Statement of Administered Revenues and Pension Contributions:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
Gross interest and penalties	4,748,490	4,646,250
Interest and penalties waived or cancelled under authority of the Income Tax Act and Excise Tax Act	(670,528)	(309,179)
Net interest and penalties	4,077,962	4,337,071
Fines imposed under various acts	6,059	8,343
Other revenues	1,096	1,159
<b>Interest, penalties, and other revenues</b>	<b>4,085,117</b>	<b>4,346,573</b>

## 14. Provincial portion of harmonized sales tax

CRA administers the provincial portion of the HST for the provinces of Ontario, Nova Scotia, New Brunswick, Newfoundland and Labrador and Prince Edward Island as well as returns for the period from July 2010 to March 2013 for British Columbia. CRA recorded these revenues in accordance with the accounting policies described in note 2.

The provincial portion of HST reported on the Statement of Administered Revenues and Pension Contributions is net of input tax credits (ITC), rebates and credits accounted as tax concessions. It includes the recaptured ITC, which applies to certain types of supplies purchased by large businesses. It does not include the provincial portion of HST collected on imported goods, which is administered and reported by the Canada Border Services Agency.

The following table details the provincial portion of HST revenues as reported in the Statement of Administered Revenues and Pension Contributions:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
Provincial portion of HST	33,233,362	30,527,784
Provincial portion of HST rebates	(1,136,535)	(899,766)
Recaptured ITC	343,932	480,221
Transitional tax	15,266	21,712
HST provincial rebates	(4,256,804)	(4,145,471)
<b>Provincial portion of HST net revenues before credits</b>	<b>28,199,221</b>	<b>25,984,480</b>
<b>Provincial sales tax credits</b>		
Ontario sales tax credit	(1,304,248)	(1,315,607)
Newfoundland and Labrador harmonized sales tax credit	(87,242)	(46,008)
New Brunswick sales tax credit	(74,820)	-
Nova Scotia affordable living tax credit	(65,225)	(65,625)
Prince Edward Island sales tax credits	(7,076)	(6,438)
British Columbia harmonized sales tax credit	(4,024)	(8,756)
Ontario sales tax transition benefit	4	6
<b>Total provincial sales tax credits</b>	<b>(1,542,631)</b>	<b>(1,442,428)</b>
<b>Provincial portion of HST</b>	<b>26,656,590</b>	<b>24,542,052</b>

## 15. Other revenues

The following table gives details of other revenues the CRA administers for provincial and territorial governments and First Nations as reported in the Statement of Administered Revenues and Pension Contributions.

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
Quebec sales tax in respect of selected listed financial institutions	300,194	436,136
First Nations sales tax and GST	25,583	24,717
First Nations income tax	22,971	28,364
<b>Total</b>	<b>348,748</b>	<b>489,217</b>

## 16. Pension contributions, interest, and penalties administered on behalf of the Canada Pension Plan

The following table shows details of the transactions the CRA administers on behalf of the Canada Pension Plan as reported in the Statement of Administered Revenues and Pension Contributions:

	<b>2017</b>	<b>2016</b>
	(in thousands of dollars)	
Pension contributions	46,875,626	46,021,004
Interest and penalties	165,893	191,737
<b>Total</b>	<b>47,041,519</b>	<b>46,212,741</b>

## 17. Related-party transactions

The CRA is related in terms of common ownership to all Government of Canada departments, agencies, and Crown corporations. The individuals income tax, Employment insurance premiums and Canada Pension Plan contributions deducted at source from employees by federal departments and other organizations are declared and transferred to the CRA, and are included in the revenues and pension contributions administered by CRA. Employment insurance premiums include the federal government employer share.

The GST collected by federal government departments and other organizations is declared and transferred to the CRA, and included in the GST revenues and the provincial portion of HST. The GST administered by the CRA includes the GST that federal departments and some organizations pay to their suppliers on domestic purchases.

The CRA administers corporation's income tax payable by certain Crown corporations. Finally, the CRA also administers a refund set-off program that provides for individuals tax refunds to be used to pay debts owed under federal, provincial, or territorial programs. These transactions all take place in the normal course of business based on the provisions of the Income Tax Act, Excise Tax Act and established directives and procedures.

In addition to the above transactions, which are included in these financial statements, the CRA provides collection services to the Canada Border Services Agency under Part V.I of the Customs Act. It also provides collection services to Employment and Social Development Canada for certain accounts receivable under the Canada Education Savings Act, the Canada Student Loans Act, the Canada Student Financial Assistance Act, the Canada Pension Plan, and the Old Age Security Act. The related payments are made directly to either the Canada Border Services Agency or Employment and Social Development Canada, who are responsible for their deposits to the Consolidated Revenue Fund, as well as their accounting and reporting. These payments are not recorded in the CRA's accounts.

## 18. Canada child benefit and phasing out of the child tax benefit and the universal child care benefit

As of July 1st 2016, the CRA has begun to administer the Canada child benefit (CCB) announced in the federal budget, which was tabled in Parliament on March 22, 2016. It replaced the child tax benefit (CTB) and the universal child care benefits (UCCB). Similar to the CTB, the CCB is paid monthly and benefits are income tested and not taxable.

The CRA will also continue to administer retroactive payments for the CTB and the UCCB for a period of 10 years after the original entitlement period.

## 19. Comparative figures

Certain comparative figures have been reclassified to conform to the presentation used in the current year.

# Financial statements discussion and analysis – administered activities (unaudited)

## Introduction

The Financial Statements – Administered Activities reflect the total assets and liabilities, tax and non-tax revenues, expenses and recoveries, and cash flows administered by the Canada Revenue Agency for the Government of Canada, provinces, territories, First Nations, and other government organizations. Revenues and expenses are recognized on an accrual basis.

## Tax revenues

The Canada Revenue Agency collects the majority of federal tax revenues. Other agencies and departments, such as the Canada Border Services Agency, account for the balance of total federal tax revenues reported in the Public Accounts of Canada. For further information on revenues collected by the Government of Canada as a whole, please refer to the Annual Financial Report of the Government of Canada, available at [www.fin.gc.ca/purl/afr-eng.asp](http://www.fin.gc.ca/purl/afr-eng.asp)<sup>xviii</sup>.

## Revenues administered for the Government of Canada

Federal Administered Revenues (\$000)	2017	2016	+ (-)	%
Income tax revenues				
Individuals and Trusts	143,792,941	144,953,138	(1,160,197)	(0.8%)
Corporations	42,215,669	41,443,831	771,838	1.9%
Non-resident tax withholdings	7,071,620	6,505,060	566,560	8.7%
	<u>193,080,230</u>	<u>192,902,029</u>	<u>178,201</u>	<u>0.1%</u>
Other taxes, duties, and charges				
Goods and services tax	12,652,993	11,214,278	1,438,715	12.8%
Energy taxes	5,552,386	5,495,888	56,498	1.0%
Other excise taxes and duties	3,638,673	3,619,059	19,614	0.5%
Miscellaneous charges	767,735	851,571	(83,836)	(9.8%)
	<u>22,611,787</u>	<u>21,180,796</u>	<u>1,430,991</u>	<u>6.8%</u>
Employment insurance premiums	22,537,353	23,491,100	(953,747)	(4.1%)
Interest, penalties, and other revenues	4,085,117	4,346,573	(261,456)	(6.0%)
<b>Revenues administered for the Government of Canada</b>	<b>242,314,487</b>	<b>241,920,498</b>	<b>393,989</b>	<b>0.2%</b>

Revenues administered for the Government of Canada were \$242.3 billion in 2017, approximately \$394.0 million higher than in 2016. Revenues increased as a result of the growth in goods and services tax (GST), corporations income tax revenues, and non-resident tax withholdings, offset by lower individuals and trusts income tax revenues, lower employment insurance premiums, and lower interest, penalties, and other revenues.

## Individuals and trusts income tax

Individuals and trusts income tax revenues decreased by \$1.16 billion or 0.8%. The decrease is due to legislative changes introduced in 2016 which included a reduction in the middle class tax rate, offset in part by a new higher tax rate on high income earners. Revenues were also negatively impacted by the tax planning observed in fiscal year 2015-2016. This was offset in part by higher employment and wages.

## Corporations income tax

Corporations income tax revenues increased by \$772 million or 1.9%. The increase came mostly from the financial, retail, and information/cultural sectors, offset in part by lower revenues in the resource and manufacturing sectors.

## Non-resident tax withholdings

Non-resident tax withholdings revenues increased by \$567 million or 8.7%. The increase is consistent with the growth in foreign investment in Canada.

## Goods and services tax

GST revenues increased by \$1.44 billion or 12.8%. The increase is due to the growth in retail sales and relatively low input tax credits related to GST on imports.

## Energy taxes

Energy taxes revenues increased by \$56 million or 1.0%. The increase is due to slightly higher gasoline consumption.

## Other excise taxes and duties

Other excise taxes and duties revenues increased by \$20 million or 0.5%. The increase reflects higher tobacco production, offset in part by lower liquor/spirits and beer duty revenues.

## Miscellaneous charges

Revenues from miscellaneous charges decreased by \$84 million or 9.8%. The decrease is mostly due to lower revenues from softwood lumber products export charges as a result of the expiration of the softwood lumber agreement. This was offset in part by higher revenues from air traveler security charges.

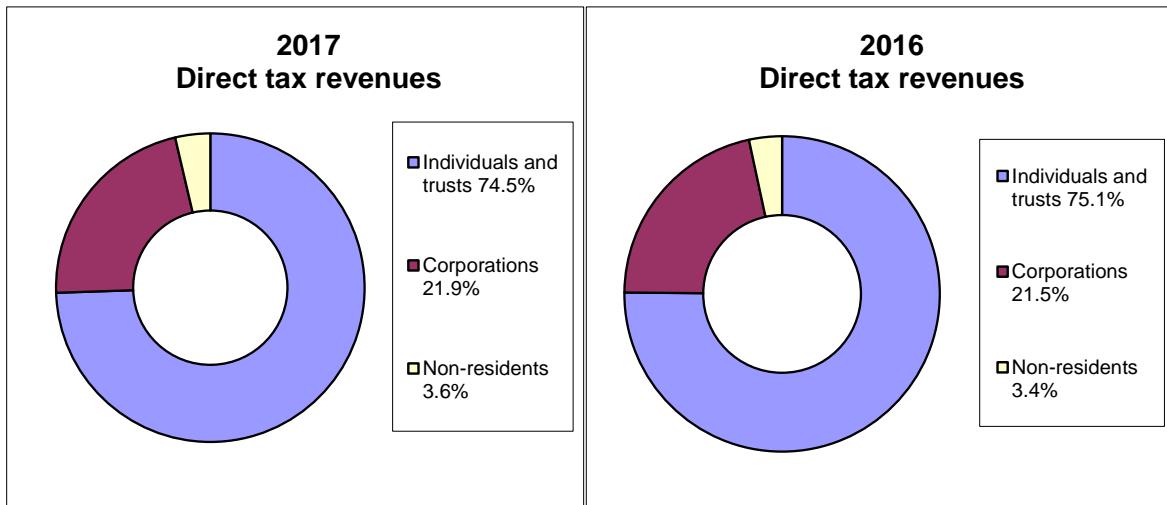
## Employment insurance premiums

Employment insurance premiums revenues decreased by \$954 million or 4.1%. The decrease results from the reduction in the employment insurance premium rate in 2017, offset in part by the growth in employment and wages.

## Interest, penalties, and other revenues

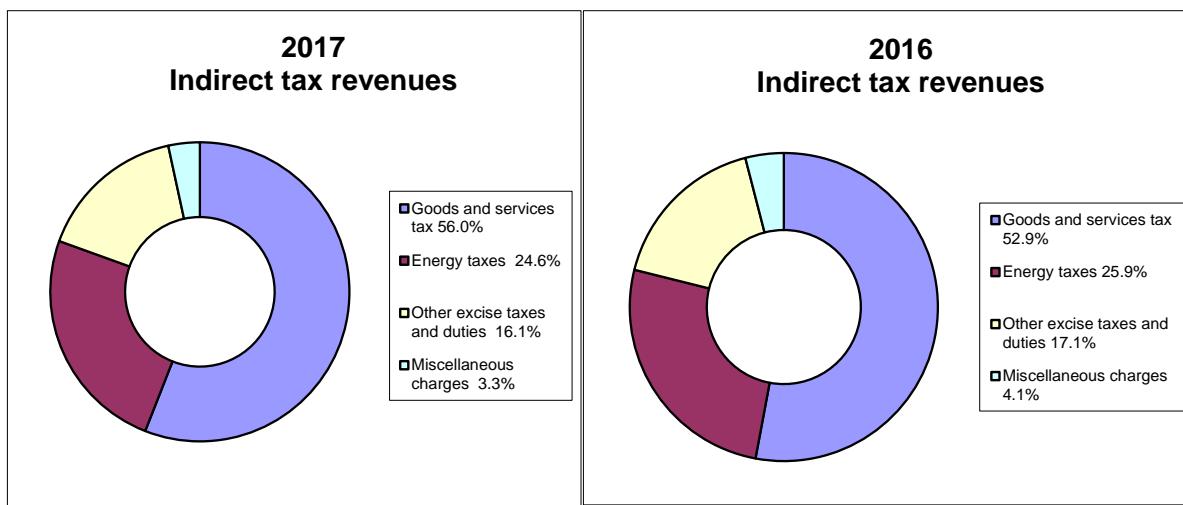
Interest, penalties, and other revenues decreased by \$261 million or 6.0%. The decrease reflects the reversal of arrears interest and transfer pricing penalties and the change in presentation for interest and penalty cancellations which are now netted against revenues. This was offset in part by a general increase in arrears interest.

**Figure 1 – Direct tax revenues**



As shown in Figure 1, the distribution of direct tax revenues remained stable in 2017.

**Figure 2 – Indirect tax revenues**



As shown in Figure 2, the proportion of GST revenues increased, and the proportion of energy taxes revenues and other excise taxes and duties revenues decreased in 2017.

## Revenues administered for provincial and territorial governments, First Nations, and the Canada Pension Plan

<b>Provincial, territorial and First Nations administered revenues (\$000)</b>	<b>2017</b>	<b>2016</b>	<b>+ (-)</b>	<b>%</b>
Income tax revenues				
Individuals and Trusts	65,085,151	66,859,379	(1,774,228)	(2.7%)
Corporations	20,921,476	18,130,252	2,791,224	15.4%
	<u>86,006,627</u>	<u>84,989,631</u>	<u>1,016,996</u>	<u>1.2%</u>
Provincial portion of harmonized sales tax	26,656,590	24,542,052	2,114,538	8.6%
Other revenues	348,748	489,217	(140,469)	(28.7%)
<b>Revenues administered for provincial and territorial governments and First Nations</b>	<b><u>113,011,965</u></b>	<b><u>110,020,900</u></b>	<b><u>2,991,065</u></b>	<b><u>2.7%</u></b>

Revenues administered for the provincial and territorial governments and First Nations (FN) were \$113.0 billion in 2017, approximately \$3.0 billion higher than in 2016.

### Individuals and trusts income tax

Individuals and trusts income tax revenues decreased by \$1.8 billion or 2.7%. The decrease is due to the impact of the tax planning observed in fiscal year 2015-16, as well as various provincial legislative changes. This was offset in part by higher employment and wages.

### Corporations income tax

Corporations income tax revenues increased by \$2.8 billion or 15.4%. The increase came mostly from the financial, retail and information/cultural sectors.

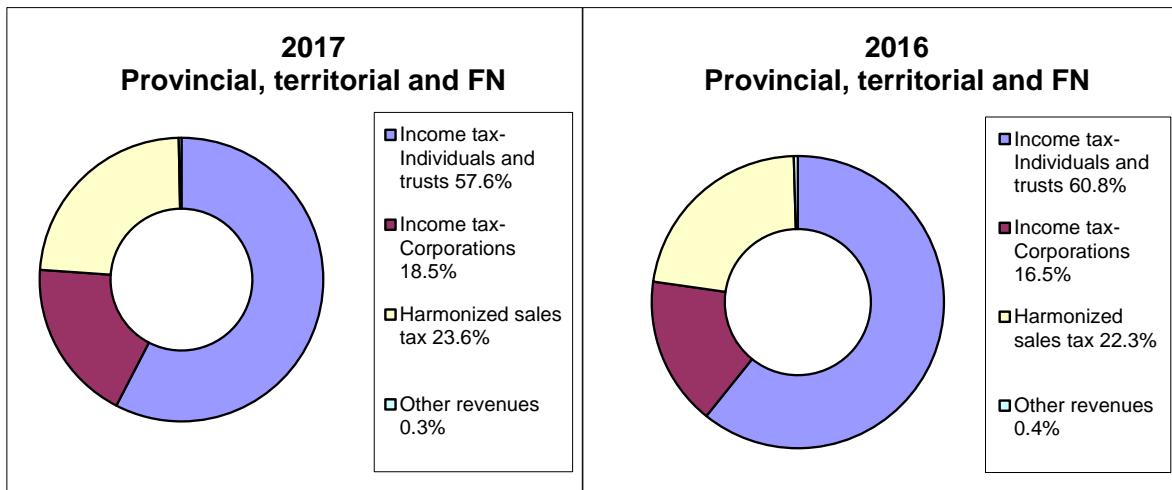
### Provincial portion of harmonized sales tax (HST)

Provincial HST revenues increased by \$2.1 billion or 8.6%. The increase reflects the growth in retail sales and slight increases in provincial tax rates.

### Other revenues

Other revenues decreased by \$140 million or 28.7%. The decrease is due to lower Quebec sales tax in respect of selected listed financial institutions resulting from high accrual estimates in 2016.

**Figure 3 – Revenues administered for the provincial and territorial governments and First Nations**



As shown in Figure 3, the proportion of income tax- individuals and trusts decreased, and the proportion of income tax-corporations and harmonized sales tax increased in 2017.

#### Pension contributions, interest, and penalties administered for the Canada Pension Plan

	2017	2016	+ (-)	%
Pension contributions, interest, and penalties administered for the Canada Pension Plan	47,041,519	46,212,741	828,778	1.8%

Pension contributions, interest, penalties, and other revenues administered for the Canada Pension Plan were \$47.0 billion in 2017, \$829 million more than in 2016. The increase results from the growth in employment and wages.

#### Expenses and recoveries administered for the Government of Canada

Federal administered expenses and recoveries (\$000)	2017	2016	+ (-)	%
Federal administered expenses	28,631,802	25,970,520	2,661,282	10.2%
Federal administered recoveries	(1,753,553)	(1,787,872)	34,319	(1.9%)
<b>Net expenses and recoveries administered for the Government of Canada</b>	<b>26,878,249</b>	<b>24,182,648</b>	<b>2,695,601</b>	<b>11.1%</b>

## Net expenses and recoveries administered for the Government of Canada

Federal administered expenses increased by \$2.7 billion or 10.2%. The increase reflects the new Canada child benefit program which replaced the child tax benefit and the universal child care benefit programs in July 2016. Federal administered recoveries decreased by \$34 million or 1.9%. The decrease reflects a slight reduction in taxable income.

## Expenses administered for provincial and territorial governments and the Canada Pension Plan (CPP)

Provincial and territorial administered expenses and doubtful accounts expense administered for the Canada Pension Plan (\$000)	2017	2016	+ (-)	%
Provincial and territorial administered expenses	5,552,024	5,220,161	331,863	6.4%
Doubtful accounts expense administered for the Canada Pension Plan	75,273	93,433	(18,160)	(19.4%)
<b>Expenses administered for provinces, territories and the CPP</b>	<b>5,627,297</b>	<b>5,313,594</b>	<b>313,703</b>	<b>5.9%</b>

## Expenses administered for provincial and territorial governments

Expenses administered for provinces and territories increased by \$332 million or 6.4%. The increase is due to the implementation of the Alberta climate leadership adjustment rebate in January 2017 and the implementation of the Alberta child benefit in July 2016. The increase also results from higher Ontario and British Columbia production services tax credits, offset in part by lower refundable investment tax credits for Saskatchewan and Ontario.

# Summary of the assessment of effectiveness of the system of internal control over financial reporting and the action plan of the Canada Revenue Agency

Fiscal Year 2016-2017

## 1. Introduction

This document provides summary information on the measures taken by the Canada Revenue Agency (CRA) to maintain an effective system of internal control over financial reporting (ICFR), including information on internal control management, assessment results, and related action plans.

Detailed information on the CRA's authority, mandate, and program activities can be found in the Departmental Results Report<sup>xvi</sup> and the Report on Plans and Priorities<sup>xvii</sup>.

## 2. CRA system of internal control over financial reporting

### 2.1 Internal control management

The CRA has a well-established governance and accountability structure to support the CRA's assessment efforts and oversight of its system of internal control. A CRA internal control management framework, approved by the Commissioner and the Board of Management, is in place and includes:

- > organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers in their areas of responsibility for control management;
- > values and ethics;
- > ongoing communication and training on statutory requirements and policies and procedures for sound financial management and control; and
- > regular updates on internal control management as well as the provision of related assessment results and action plans to the Commissioner, senior management and the Audit Committee of the Board of Management.

The CRA Finance Committee provides support to the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) in relation to control activities. It is chaired by the CFO and has representatives from each branch and region at the executive level.

In addition, the Audit Committee of the Board of Management provides advice on the adequacy and functioning of the CRA's risk management, control and governance frameworks and processes.

## 2.2 Service arrangements relevant to financial statements

The CRA relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows:

### **Common Arrangements**

- > Public Services and Procurement Canada centrally administers the payments of salaries and the procurement of some goods and services in accordance with the CRA's Delegation of Authority and provides accommodation services.
- > Treasury Board of Canada Secretariat provides the CRA with information used to calculate various accruals and allowances.
- > Department of Justice provides legal services to the CRA.
- > Shared Services Canada provides information technology (IT) infrastructure services to the CRA in the areas of data centres and network services. The scope and responsibilities are addressed in the interdepartmental arrangement between Shared Services Canada and the CRA.

### **Specific Arrangements**

- > Revenu Québec is responsible for the joint administration of the goods and services tax and Quebec sales tax for businesses in the Province of Quebec.
- > Department of Finance Canada provides the CRA with the federal and provincial shares of Goods and Services Tax/Harmonized Sales Tax (GST/HST) revenues that are used to determine provincial payments for the HST.
- > Canada Border Services Agency provides the CRA with the amount of GST revenues collected from importers, which is used in the calculation of the provincial portion of the HST revenues.
- > Department of Finance Canada and Employment and Social Development Canada provide estimates of Canada Pension Plan and Employment Insurance revenues respectively for the months of January to March.

Other government departments rely on the CRA for the processing of certain transactions or information that affect financial statements as follows:

- > Canada Border Services Agency for information technology services such as commensurate internal controls testing for general computer controls, as well as collection services on their behalf for duties, taxes, fees, penalties, or other amounts owing under the *Customs Act*, *Customs Tariff, Excise Tax Act*, *Excise Act 2001*, and/or related regulations;
- > Department of Finance Canada for the determination of tax receivables and payables under Tax Collection Agreements (TCAs) with provincial and territorial governments and First Nations; and
- > Employment and Social Development Canada for the collection of its accounts receivable and the administration of a number of activities related to the Canada Pension Plan and Employment Insurance Operating Account.

### 3. CRA assessment results during fiscal year 2016-2017

#### 3.1 Design effectiveness testing of key controls

In 2016-2017, the CRA completed the design effectiveness testing of the Individual Income Tax (T1) Program, which includes an initial review of the controls around reassessments processed under the T1 system redesign. Furthermore, the CRA completed design effectiveness testing of the administration of Benefits and Disbursements, which included the general computer controls related to these program areas.

As a result of the T1, Benefits and Disbursements design effectiveness testing, the CRA identified the following required remediation:

- > Implementation of the final phases of the CRA action plan relating to the granting and monitoring of system access is scheduled for June 2017. The phases of the action plan related to preventing segregation of duty conflicts was completed as of March 31, 2017. The segregation of duties project was completed subsequent to the control assessments for these engagements and therefore remains noted for fiscal year 2016-2017. Testing of the new controls will occur in fiscal year 2017-2018 for all programs covered by the action plan.

#### 3.2 Ongoing monitoring of key controls

In 2016-2017, the CRA completed planned ongoing monitoring of the following processes:

1. Entity-level controls;
2. General computer controls; and
3. All other business processes:
  - a. Payroll<sup>Note 1</sup>
  - b. Procurement to pay
  - c. Capital assets
  - d. Budgeting
  - e. Financial close and reporting

As a result of ongoing monitoring, the CRA identified the following required remediation:

- > Implementation of the final phases of the CRA action plan relating to the granting and monitoring of system access is scheduled for June 2017. The phases of the action plan related to preventing segregation of duty conflicts was completed as of March 31, 2017. The segregation of duties project was completed subsequent to the control assessments for these engagements and therefore remains noted for fiscal year 2016-2017. Testing of the new controls will occur in fiscal year 2017-2018 for all programs covered by the action plan.
- > The processing of payroll changes, including the correction of errors identified during the monitoring process, must be made on a timely basis to ensure accurate reporting and payment of salaries.

## 4. CRA Action Plan

### 4.1 Progress during fiscal year 2016-2017

The CRA continued to make progress in assessing and improving its key controls. The following table summarizes the CRA's progress based on the plans identified in the previous fiscal year's Annex.

Progress during fiscal year 2016-2017	
Element in previous year's action plan	Status
Agency Activities ongoing monitoring	Ongoing monitoring testing was completed for entity-level controls, general computer controls, and Agency business processes including payroll, procurement to pay, capital assets, budgeting, and financial close and reporting process.
Benefits and Disbursements Program	The control framework was established and testing of the design and implementation of controls was completed and action plans were developed to address all findings.
Individual Income Tax (T1) Program	Testing of the design and implementation of the controls was completed and action plans were developed to address all findings.
Corporation Income Tax (T2) Program	The T2 control framework for return collection and entry, assessing and reassessing and master data maintenance was updated to align with the new framework used for TCA engagements. Testing of the operating effectiveness in accordance with the updated framework is in progress.
Follow-up of activities requiring remediation from previous assessments	<p>The CRA has followed up on action plans from the:</p> <ul style="list-style-type: none"><li>• 2015-2016 Agency Activities testing as part of ongoing monitoring;</li><li>• T2 design effectiveness assessment and OAG audit report as at November 30, 2008;</li><li>• T1 design effectiveness assessment and OAG audit report as at November 30, 2010;</li><li>• T2 operating effectiveness assessment and OAG audit for the six-month period ending March 31, 2013;</li><li>• T1 Unapplied Taxes as part of the Individual Income Tax Program design effectiveness assessment and OAG audit report as at January 31, 2014;</li><li>• GST/HST design effectiveness assessment as at March 31, 2014; and</li><li>• Non-resident income tax design effectiveness assessment as at March 31, 2016.</li></ul> <p>Overall results have been positive and the majority of the recommendations made have been implemented. However, the following items that were identified in prior years remain:</p> <ul style="list-style-type: none"><li>• Granting and monitoring system access is scheduled for completion June 2017; and</li><li>• Implementation of a system control with respect to recording and modifying non-financial information in the Non-Resident Source Deductions system is scheduled for May 2018.</li></ul>

## 4.2 Status and action plan for the next fiscal year and subsequent years

The CRA has continued to make progress on assessing its internal controls over financial reporting throughout the numerous programs that the CRA administers. It is recognized that implementation for all its processes requires multi-year initiatives. After design effectiveness and operational effectiveness testing are complete, the CRA will be applying its rotational ongoing monitoring plan to reassess control performance on a risk basis across all control areas, with the exception of those under the scope of TCA assessments as explained in Note 4.

Status and action plan for the next fiscal year and subsequent years			
Key control areas	Design effectiveness testing and remediation	Operational effectiveness testing and remediation	Ongoing monitoring rotation <sup>Note 2</sup>
<b>Administered Activities under the Tax Collection Agreements with the provinces and territories</b>			
T1 individual income tax (legacy system)	Complete		
T1 unapplied taxes/source deductions	Complete		
T1 individual income tax (including T1 System Redesign) <sup>Note 3</sup>	Complete	Future years <sup>Note 3</sup>	N/A <sup>Note 4</sup>
T2 corporation income tax	Complete	2017-2018	N/A <sup>Note 4</sup>
T3 trust income tax	Complete	2018-2019	N/A <sup>Note 4</sup>
<b>Other Administered Activities</b>			
GST/HST	Complete	2018-2019 <sup>Note 5</sup>	Future years
Non-resident income tax	Complete	Future years	Future years
Benefits	Complete	Future years	Future years
Disbursements	Complete	Future years	Future years
Excise Tax	2017-2018	2018-2019 <sup>Note 5</sup>	Future years
Collections	2017-2018	Future years	Future years
<b>Agency Activities</b>			
Entity level controls <sup>Note 6</sup>	Complete	Complete	2017-2018
IT general controls under CRA management <sup>Note 6</sup>	Complete	Complete	2017-2018
Agency Activities: • Payroll <sup>Note 1</sup> • Procurement to pay • Capital assets • Budgeting • Financial close and reporting	Complete	Complete	2017-2018

Note 1: In April 2016, the CRA transitioned to the new Government of Canada Phoenix pay system. Some CRA payroll processes and controls were modified in consequence.

Note 2: The frequency of the ongoing monitoring of key control areas is risk-based and occurs over a three-year cycle with the exception of high risk areas, which are tested on an annual basis, or controls with prior year exceptions which are tested in the following fiscal year.

Note 3: The legacy T1 system is being upgraded through the T1 System Redesign initiative. This initiative is a multi-year project resulting in a significant modification to the systems and business processes related to the processing of T1 returns. Due to the magnitude of these changes, it was determined that design effectiveness testing of the new processes and systems would be appropriate as a next step.

Note 4: TCA-related control assessments do not go into a regular ongoing monitoring phase. Instead, complete reassessment engagements are conducted to fully test all control activities to ensure that the selected income tax program is still designed and operating effectively.

Note 5: Due to the similarities in the GST/HST and Excise Programs, these engagements are being combined into one framework following the initial design and implementation testing of the assessing controls for the Excise Program.

Note 6: Entity level controls and IT general controls under CRA management are also evaluated through the Administered Activities projects.

# Financial performance information – Parliamentary appropriations

## Introduction

This section provides the details of the CRA's resource management performance for the purpose of reporting to Parliament on the use of appropriations in 2016-2017. This complements the information provided in the spending profile sections under each program and satisfies the reporting requirements set for annual reports to Parliament.

## Financial reporting methodologies

The CRA's funding is provided by Parliament through annual appropriations (modified cash accounting basis) and, in this section, the CRA reports its expenditures and performance, together with details on the management of Parliamentary appropriations on the same basis. In addition to its reporting requirements, the CRA also has to prepare its annual financial statements in accordance with the accounting principles applied in preparing the financial statements of the Government of Canada (which conform with Canadian public sector accounting standards). Accordingly, the audited Statement of Operations and Agency Net Financial Position – Agency Activities on page 118 includes certain items such as services received without charge from other government departments and federal agencies. A reconciliation can be found in Note 3 on page 127.

The CRA prepared and included future-oriented financial statements in the 2016-17 Report on Plans and Priorities. As directed by the Treasury Board of Canada Secretariat, this future-oriented financial information was prepared on an accrual basis to strengthen accountability and improve transparency and financial management. As part of the analysis of net cost of operations, this report compares actual results to the initial future-oriented financial statements contained in the 2016-17 Report on Plans and Priorities.

## CRA financial information

Activities of the CRA 2016-17	(dollars)	(FTEs)
Main Estimates <sup>1</sup>	4,085,718,183	–
Planned Spending <sup>2</sup>	4,085,718,183	37,878
Total Authorities <sup>3</sup>	4,622,069,709	–
Actual Spending	4,389,947,763	38,728

<sup>1</sup> Spending authorized by Parliament at the beginning of the fiscal year.

<sup>2</sup> Main Estimates authorities plus other amounts authorized as reported in the 2016-17 Report on Plans and Priorities.

<sup>3</sup> Total spending authorized by Parliament during the fiscal year.

The Financial Statements – Agency Activities reports total Parliamentary appropriations used as \$4,070.4 million (Note 3b on page 127 shows the reconciliation to the net cost of operations). The difference from the \$4,390.0 million noted above is primarily explained by two items reported in the Financial Statements – Administered Activities, namely statutory disbursements to provinces under the Softwood Lumber Products Export Charge Act, 2006, -\$0.1 million; and children's special allowance payments, \$319.7 million.

## Overview

For 2016-2017, Parliament approved \$4,085.7 million through the Main Estimates, as shown in the CRA's 2016-17 Report on Plans and Priorities.

The 2016-2017 Main Estimates were adjusted to include:

- > \$277.4 million for the carry-forward from 2015-2016
- > \$144.8 million for the implementation and administration of various measures announced in the 2016 Federal Budget
- > \$98.4 million for collective bargaining increases
- > \$65.6 million for severance payments, parental benefits and vacation credits
- > \$30.7 million in payments under the Children's Special Allowance Act for eligible children in the care of agencies and foster parents
- > \$30.0 million for the administration of the goods and services tax
- > \$10.2 million transferred from Public Services and Procurement Canada as a result of a reduction in CRA's accommodation requirements
- > \$7.5 million for the implementation and administration of various measures announced in the 2015 Federal Budget
- > \$1.8 million for government advertising programs
- > \$0.7 million for court awards and Crown assets disposal
- > \$0.3 million for contributions to employee benefit plans

These increases were offset by the following reductions:

- > \$128.1 million for disbursements to provinces under the Softwood Lumber Products Export Charge Act, 2006
- > \$2.9 million in the spending of revenues received through the conduct of the CRA's operations

This resulted in total approved authorities of \$4,622.1 million for 2016-2017, representing an in-year increase of 13.1% over the Main Estimates.

Of the \$4,622.1 million total authority, CRA's actual spending totaled \$4,390.0 million resulting in \$232.1 million remaining unexpended at year-end. After deducting unused and/or protected resources related primarily to accommodation and real property services, a reduction in funding for professional services, advertising, and travel announced as part of Budget 2016, contributions to the back-office transformation initiative, and employee benefit plan costs associated with converting operating costs to personnel costs, the remaining \$203.7 million is available for use by the CRA in 2017-2018 under its statutory two-year spending authority.

A two-year spending authority enables the CRA to be more strategic in using public funds by taking a multi-year view of plans and budgets. The CRA's financial flexibility in 2016-2017 decreased by nearly \$74 million from the previous fiscal year as a result of the settlement of the collective agreement for employees represented by the Public Service Alliance of Canada (PSAC) bargaining unit in October 2016. Collective agreement provisions that had been established to fund the retroactive payments for periods under the operating budget freeze were expended in 2016-2017. The carry-forward from 2016-2017 forms part of the CRA's strategy to address unfunded operating pressures in 2017-2018. This includes the remaining provisions set aside in anticipation of wage settlements for the period under the operating budget freeze for the Professional Institute of the Public Service of Canada bargaining unit as well as the wage re-opener clause for the 2014 and 2015 rates for the PSAC bargaining unit.

## Revenues administered by the CRA

Total revenues administered by the CRA amount to \$402.4 billion in 2016-2017, an increase of 1.1% from the \$398.2 billion administered in 2015-2016.

(dollars)	2016-17	2015-16
Federal government	242,314,487,000	241,920,498,000
Provincial, territorial governments and First Nations	113,011,965,000	110,020,900,000
Canada Pension Plan	47,041,519,000	46,212,741,000
<b>Total</b>	<b>402,367,971,000</b>	<b>398,154,139,000</b>

# Service standards

The CRA has 47 service standards for 2016-2017 which demonstrate our commitment to taxpayers and benefit recipients and outline the services they should expect under normal circumstances.

Here is a detailed list of our service standards, as well as targets, for each service standard:

Tax returns, benefits, and claims	Target	2014-15	2015-16	2016-17
Processing T1 individual income tax returns (EFILE and NETFILE)	Our goal is to process an electronic T1 return (EFILE and NETFILE) within an average of two weeks of receipt	100%	1.6 weeks	1.7 weeks <b>1.6 weeks</b>
Processing T1 individual income tax returns (paper)	Our goal is to process a paper T1 return and mail a notice of assessment, and refund, if applicable, in an average of four to six weeks of receipt	100%	5.6 weeks	5.6 weeks <b>4.4 weeks</b>
Processing T2 corporation income tax returns – electronic	Our goal is to process an electronic T2 return (corporation income tax) within 45 calendar days of receipt	90%	96.5%	97.5% <b>84%<sup>1</sup></b>
Processing T2 corporation income tax returns – paper	Our goal is to process a paper T2 return (corporation income tax) within 90 calendar days of receipt	90%	92.1%	92.8% <b>92.1%</b>
Processing GST/HST electronic returns	Our goal is to process an electronic GST/HST return within 30 calendar days of receipt	95%	N/A <sup>2</sup>	N/A <sup>2</sup> <b>98%</b>
Processing GST/HST paper returns	Our goal is to process a paper GST/HST return within 60 calendar days of receipt	95%	N/A <sup>2</sup>	N/A <sup>2</sup> <b>98.3%</b>
Processing T3 trust returns	Our goal is to process a T3 trust return within four months of receipt	95%	96.3%	96.4% <b>96%</b>
Processing excise tax, excise duty, softwood lumber returns, and air travellers' security charge returns	Our goal is to process an excise tax, an excise duty, a softwood lumber, or an air travellers' security charge return within 60 calendar days of receipt	95%	97.6%	98.5% <b>98.3%</b>
Responding to taxpayer-requested adjustments (T1)	Our goal is to mail a notice of reassessment within an average of eight weeks of receipt of all requisite information from the taxpayer	100%	7 weeks	7.8 weeks <b>10 weeks<sup>3</sup></b>
Responding to taxpayer-requested adjustments (T1) received by Internet	Our goal is to mail a notice of reassessment within an average of two weeks of receipt of all requisite information from the taxpayer	100%	1.6 weeks	1.8 weeks <b>1.4 weeks</b>
Responding to benefit and credit enquiries – timeliness	Our goal is to respond to a written enquiry or a telephone referral from a call centre within 80 calendar days of receipt	98%	98.7%	97.8% <b>99.3%</b>

<b>Tax returns, benefits, and claims</b>		<b>Target</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Responding to benefit and credit enquiries – accuracy	Our goal is to respond with correct information to a written enquiry or telephone referral from a call centre, to accurately process new recipient information, and to accurately issue a payment, notice, or letter	98%	98%	96.7%	<b>94.4%<sup>4</sup></b>
Processing benefit applications – accuracy	Our goal is to accurately process the appropriate payment and notice, or send a letter requesting additional information	98%	99.1%	99.4%	<b>98%</b>
Processing benefit applications – timeliness	Our goal is to send a payment, notice, or explanation within 80 calendar days of receipt	98%	99.1%	99.1%	<b>98.5%</b>
Claims – SR&ED tax incentives – claimant-requested adjustments to non-refundable claims	Our goal is to process claims for tax incentives from businesses that conduct scientific research and experimental development (SR&ED) in Canada within 365 calendar days from receipt of a complete claim for non-refundable claims related to adjustments requested to previously filed income tax returns	90%	95%	93%	<b>94%</b>
Claims – SR&ED tax incentives – claimant-requested adjustments to refundable claims	Our goal is to process claims for tax incentives from businesses that conduct scientific research and experimental development (SR&ED) in Canada within 240 calendar days from receipt of a complete claim, for refundable claims related to adjustments requested to previously filed income tax returns	90%	93%	95%	<b>94%</b>
Claims – SR&ED tax incentives – non-refundable claims	Our goal is to process claims for tax incentives from businesses that conduct scientific research and experimental development (SR&ED) in Canada within 365 calendar days from receipt of a complete claim for non-refundable claims	90%	96%	97%	<b>96%</b>
Claims – SR&ED tax incentives – refundable claims	Our goal is to process claims for tax incentives from businesses that conduct scientific research and experimental development (SR&ED) in Canada within 120 calendar days from receipt of a complete claim for refundable claims	90%	95%	95%	<b>95%</b>

<b>Tax returns, benefits, and claims</b>	<b>Target</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Claims – video and film tax credits – refundable claims – audited	Our goal is to review T2 corporation income tax returns that include claims for the Canadian Film or Video Production Tax Credit, the Film or Video Production Services Tax Credit, the B.C. Film and Television Tax credit, the B.C. Production Services Tax Credit, the Manitoba Film and Video Production Tax Credit, and the Ontario Film and Television Tax Credit, and the Ontario Production Services Tax Credit within 120 calendar days from the date of receipt where audit action is undertaken	90%	94%	95%
Claims – video and film tax credits – refundable claims – unaudited	Our goal is to review T2 corporation income tax returns that include claims for the Canadian Film or Video Production Tax Credit, the Film or Video Production Services Tax Credit, the B.C. Film and Television Tax credit, the B.C. Production Services Tax Credit, the Manitoba Film and Video Production Tax Credit, and the Ontario Film and Television Tax Credit, and the Ontario Production Services Tax Credit within 60 calendar days from the date of receipt where no audit action is undertaken	90%	96%	98% <b>97%</b>

<sup>1</sup> The manual review of more than 230,000 corporation income tax returns primarily resulting from changes to the taxation of dividends announced earlier last year with Bill C-2.

<sup>2</sup> This service standard was introduced in 2016-2017. The former service standard, Processing GST/HST returns, has been retired.

<sup>3</sup> The adoption of new systems for processing reassessments in February 2016. System responsiveness challenges, mainly related to the technology, combined with a protracted learning curve resulted in decreases in productivity. These issues have been addressed.

<sup>4</sup> Processing errors were determined to be attributable to a deficiency in training, which has since been corrected.

<b>Pension, deferred, and education plans</b>		<b>Target</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Deferred income plans – response to written enquiries	Our goal is to respond to a written enquiry within 60 calendar days	80%	43%	61%	<b>65.2%<sup>1</sup></b>
Actuarial valuation reports	Our goal is to provide a decision on the recommended employer contributions to a registered pension plan, within 270 calendar days of receipt of the actuarial valuation report	80%	81%	87%	<b>54.4%<sup>2</sup></b>
Applications to register pension plans	Our goal is to provide a decision within 180 calendar days of receipt of an application to register a pension plan	85%	81%	87%	<b>82.4%<sup>3</sup></b>
Deferred profit sharing plans – reviewing applications	Our goal is to provide a decision within 180 calendar days of receipt of an application to register a deferred profit-sharing plan	80%	97%	96%	<b>96%</b>
Education savings plans (applications to register, amend, or terminate)	Our goal is to provide a decision within 60 calendar days to a request to approve, amend, or terminate a specimen for an education savings plan	85%	85%	92%	<b>99.1%</b>
Retirement income funds (applications to register, amend, or terminate)	Our goal is to provide a decision within 60 calendar days to a request to approve, amend, or terminate a specimen for a retirement income fund	80%	100%	99%	<b>99.2%</b>
Retirement savings plans (applications to register, amend, or terminate)	Our goal is to provide a decision within 60 calendar days to a request to approve, amend, or terminate a specimen for a retirement savings plan	80%	99%	99%	<b>99.3%</b>

<sup>1</sup> We continue to work on the oldest enquiries first, in an effort to reduce the backlog caused by high staff turnover. Since there is a relatively low volume of enquiries, each enquiry that is completed outside the 60 day service standard will have a significant impact on overall results for this standard.

<sup>2</sup> We continue to focus on reviewing the actuarial valuation reports that are older than 9 months. We are in the process of identifying any processing issues with the objective of ensuring that these standards are met next year.

<sup>3</sup> We have identified issues with processing applications and we will ensure this standard is met next year.

<b>Charities</b>		<b>Target</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Charities – responding to telephone enquiries	Our goal is to respond to a call in the agent queue within two minutes	80%	76.2%	76.8%	<b>82.5%</b>
Charities – written enquiries – routine	Our goal is to review and respond to a routine <sup>1</sup> written enquiry within 30 calendar days	80%	83.3%	71.6%	<b>81.7%</b>
Charities – written enquiries – complex	Our goal is to review and respond to a complex <sup>2</sup> written enquiry within 75 calendar days	80%	62.6%	42%	<b>44.8%<sup>3</sup></b>
Charities – responding to simple applications	Our goal is to respond to a complete simple <sup>4</sup> application for charitable registration within two months	80%	91.2%	87.8%	<b>89%</b>
Charities – responding to regular applications	Our goal is to respond to a complete regular <sup>5</sup> application for charitable registration within six months	80%	94.7%	86.1%	<b>86.1%</b>

<sup>1</sup> An enquiry that is generally recurring and that needs little research and analysis.

<sup>2</sup> An enquiry that is specific to a given charity or a donor and needs research or analysis, as well as consultation with internal stakeholders.

<sup>3</sup> A new strategy has been implemented to reduce the inventory; resources have been applied to both incoming and aged enquiries. Additionally, as of April 1, 2017, the timeframe of 75 days has been changed to 120 days.

<sup>4</sup> An application that has exclusively charitable purposes and activities and for which no further information is needed.

<sup>5</sup> An application for which we need more information before we can determine if the organization qualifies for charitable registration.

<b>Rulings and interpretations</b>		<b>Target</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
GST/HST rulings and interpretations – telephone enquiries	Our goal is to respond to a call in the agent queue within two minutes	80%	93.2%	86%	<b>86%</b>
GST/HST rulings and interpretations – written enquiries	Our goal is to respond to written requests for GST/HST rulings and interpretations within 45 business days of CRA receipt of the request and all the relevant facts and supporting documentation. This excludes highly technical and precedent and/or policy-setting rulings and interpretations	80%	83%	74%	<b>84%</b>
Advance income tax rulings	Our goal is to issue an advance income tax ruling within 90 business days of receipt of all essential information from the client	85%	81%	87%	<b>78%<sup>1</sup></b>
Technical interpretations	Our goal is to issue a technical interpretation within 90 business days of receipt of all essential information from the client	85%	88%	87%	<b>87%</b>

<sup>1</sup> Target not met due to increase in file complexity and internal pressures. We are reprioritizing our workload and hiring additional staff in order to enhance our performance.

<b>Issue resolution</b>		<b>Target</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
Taxpayer relief requests – 30 day acknowledgment	Our goal is to acknowledge receipt of a taxpayer relief request to cancel or waive penalties and interest within 30 calendar days of receipt	85%	N/A <sup>1</sup>	N/A <sup>1</sup>	<b>85.7%</b>
First contact letter for disputes	Our goal is to acknowledge a taxpayer dispute within 30 calendar days of receipt	85%	91.5%	87.2%	<b>92.6%</b>
Service Complaints – two-day acknowledgement	Our goal is to acknowledge receipt of the complaint within two business days	80%	98.3%	98.5%	<b>54.1%<sup>2</sup></b>
Service Complaints – 30 day resolution	Our goal is to resolve the complaint within 30 business days	80%	95.9%	91.8%	<b>83.6%</b>

<sup>1</sup> The service standard was introduced in 2016-2017, therefore no prior year results are available.

<sup>2</sup> In October 2015, the Program began accepting service complaints electronically which may also have contributed to a progressive increase in the number of complaints received over time as taxpayers become more familiar with the digital service.

<b>Enquiries and account updates</b>	Target	2014-15	2015-16	2016-17
e-Services Helpdesk – telephone service level	Our goal is to respond to a call in the agent queue within two minutes	80%	81%	80.9% <b>81.1%</b>
General enquiries – telephone service level	Our goal is to respond to a call in the agent queue within two minutes	80%	81%	81% <b>81.2%</b>
Canada child benefit enquiries – telephone service level	Our goal is to respond to a call in the agent queue within two minutes	75%	76%	76% <b>76.1%<sup>1</sup></b>
GST/HST credit enquiries – telephone service level	Our goal is to respond to a call in the agent queue within two minutes	75%	75%	76.1% <b>76.1%<sup>1</sup></b>
Business enquiries – telephone service level	Our goal is to respond to a call in the agent queue within two minutes	80%	81%	81.4% <b>81.8%</b>
Processing a request to authorize or cancel a representative – paper	Our goal is to process your complete paper request to authorize or cancel a representative within 20 business days of receipt by the CRA, provided the request is complete	90%	95.2%	96.2% <b>98.4%</b>
Processing a request to authorize or cancel a representative – electronic	Our goal is to process your complete electronic request to authorize or cancel a representative within five business days of receipt by the CRA, provided the request is complete	90%	97.4%	99.7% <b>99.8%</b>

<sup>1</sup> In 2016-2017, CCB and GST/HST credit enquiries statistics were combined.

# Taxpayer Bill of Rights

**YOU  
HAVE  
THE  
RIGHT  
TO**

- receive entitlements and to pay no more and no less than what is required by law
- service in both official languages
- privacy and confidentiality
- a formal review and a subsequent appeal
- be treated professionally, courteously, and fairly
- complete, accurate, clear, and timely information
- unless otherwise provided by law, not to pay income tax amounts in dispute before you have had an impartial review
- have the law applied consistently
- lodge a service complaint and to be provided with an explanation of our findings
- have the costs of compliance taken into account when administering tax legislation
- expect us to be accountable
- relief from penalties and interest under tax legislation because of extraordinary circumstances
- expect us to publish our service standards and report annually
- expect us to warn you about questionable tax schemes in a timely manner
- be represented by a person of your choice
- lodge a service complaint and request a formal review without fear of reprisal

## COMMITMENT TO SMALL BUSINESS

**THE CANADA REVENUE  
AGENCY IS COMMITTED TO**

administering the tax system in a way that minimizes the costs of compliance for small businesses

providing service offerings that meet the needs of small businesses

explaining how we conduct our business with small businesses

working with all governments to streamline service, minimize cost, and reduce the compliance burden

conducting outreach activities that help small businesses comply with the legislation we administer

# Other items of interest

## Crosswalk



# Benefit programs and benefit-related services delivered by the Canada Revenue Agency

## Seven federal benefit programs

- Canada child tax benefit
- Disability tax credit
- Goods and services tax/harmonized sales tax credit
- Children's special allowances
- Universal child care benefit – on behalf of Employment and Social Development Canada
- Working income tax benefit advance payments
- Canada child benefit

## Thirty-three ongoing benefit programs for provinces and territories

- British Columbia – BC family bonus (1996)
- Alberta family employment tax credit (1997)
- New Brunswick child tax benefit (1997)
- New Brunswick working income supplement (1997)
- Newfoundland and Labrador harmonized sales tax credit (1997)
- British Columbia – BC earned income benefit (1998)
- Saskatchewan child benefit (1998)
- Northwest Territories child benefit (1998)
- Northwest Territories – territorial worker's supplement (1998)
- Nova Scotia child benefit (1998)
- Yukon child benefit (1999)
- Nunavut child benefit (1999)
- Nunavut – territorial worker's supplement (1999)
- Newfoundland and Labrador child benefit (1999)
- Newfoundland and Labrador seniors' benefit (1999)
- Saskatchewan low-income tax credit (2000)
- Newfoundland and Labrador – mother baby nutrition supplement (2001)
- Ontario child benefit (2007)
- British Columbia low-income climate action tax credit (2008)
- Ontario senior homeowners' property tax grant (2009)
- Ontario sales tax credit (2010)
- British Columbia harmonized sales tax credit (2010)
- Nova Scotia affordable living tax credit (2010)
- Ontario energy and property tax credit (2011)
- Northern Ontario energy credit (2011)
- Ontario trillium benefit (2012)
- New Brunswick school supplement (2012)
- Prince Edward Island sales tax and credit (2013)
- British Columbia early childhood tax benefit (2015)
- Alberta child benefit (2016)
- New Brunswick harmonized sales tax credit (2016)
- Newfoundland and Labrador income supplement (2016)
- Alberta climate leadership adjustment rebate (2017)

## Ten one-time payment programs

- Relief for heating expenses (federal) (2000)
- British Columbia – BC energy rebate (2001)
- Alberta energy tax refund (2001)
- Ontario taxpayer dividend (2001)
- Nova Scotia taxpayer refund (2003)
- Alberta 2005 resource rebate (2005)
- Energy cost benefit (federal) (2005)
- Ontario home electricity relief (2006)
- British Columbia climate action dividend (2008)
- Ontario sales tax transition benefit (2010)

## One hundred and seven data exchange and data transfer services

- Seventy income verification data exchanges using File Transfer Protocol with provinces and territories to support programs
- Four income verification data exchanges using Managed Secure File Transfer with federal supports programs
- Eight data transfers with provinces to support top-ups for CRA administered child benefit programs
- Six data exchanges and transfers to support the Nova Scotia pharmacare program, the British Columbia low-income climate action tax credit/BC harmonized sales tax credit, Ontario senior homeowners property tax grant, Ontario trillium benefit, Prince Edward Island sales tax credit and to assist the ministère du Revenu du Québec in administering the Quebec Taxation Act
- Seven national child benefit supplement data exchanges with provinces and territories to facilitate the calculation of social assistance
- One data transfers of income and child information to support administration of the Quebec family allowance programs
- Eleven data exchanges and data transfers to support federal administration of the employment insurance family supplement, guaranteed income supplement, Canada learning bond, Canada education savings grant (basic grant and additional grant), Canada disability savings bond, Canada disability savings grant, Old Age Security recovery tax, universal child care benefit, employment insurance long tenured workers program and Old Age Security Proactive Enrolment.

## Public service commission and assessment of recourse reports

The Canada Revenue Agency Act requires the CRA to include in its annual reporting a copy of any report produced under section 59 or a summary statement of any assessment produced under subsection 56(1). The report and assessment are produced on an as needed basis.

During 2016-2017, the Public Service Commission did not prepare, or have prepared on its behalf, a report to the CRA pursuant to section 59 of the Canada Revenue Agency Act on the consistency of the Agency's staffing program with the principles set out in the summary of its corporate business plan. For the same period, the CRA did not prepare pursuant to subsection 56(1) of the Canada Revenue Agency Act an assessment of the recourse the Agency provides or administers in its management of human resources.

# Definitions

**Appropriation:** Any authority of Parliament to pay money out of the consolidated revenue fund.

**Budgetary expenditures:** Operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

**Core responsibility:** An enduring function or role performed by a department. The intentions of the department with respect to a Core Responsibility are reflected in one or more related Departmental Results that the department seeks to contribute to or influence.

**Departmental Plan:** Provides information on the plans and expected performance of appropriated departments over a three year period. Departmental Plans are tabled in Parliament each spring.

**Departmental result:** A departmental result represents the change or changes that the department seeks to influence. A departmental result is often outside departments' immediate control, but it should be influenced by program-level outcomes.

**Departmental result indicator:** A factor or variable that provides a valid and reliable means to measure or describe progress on a departmental result.

**Departmental Results Framework:** Consists of the department's core responsibilities, departmental results and departmental result indicators.

**Departmental Results Report:** Provides information on the actual accomplishments against the plans, priorities and expected results set out in the corresponding Departmental Plan.

**Evaluation:** In the Government of Canada, the systematic and neutral collection and analysis of evidence to judge merit, worth or value. Evaluation informs decision making, improvements, innovation and accountability. Evaluations typically focus on programs, policies and priorities and examine questions related to relevance, effectiveness and efficiency. Depending on user needs, however, evaluations can also examine other units, themes and issues, including alternatives to existing interventions. Evaluations generally employ social science research methods.

**Full time equivalent:** A measure of the extent to which an employee represents a full person year charge against a departmental budget. Full time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

**Government-wide priorities:** For the purpose of the 2017-18 Departmental Plan, government-wide priorities refers to those high-level themes outlining the government's agenda in the 2015 Speech from the Throne, namely: growth for the middle class; open and transparent Government; a clean environment and a strong economy; diversity is Canada's strength; and security and opportunity.

**Horizontal initiatives:** An initiative where two or more federal organizations, through an approved funding agreement, work toward achieving clearly defined shared outcomes, and which has been designated (for example, by Cabinet or a central agency) as a horizontal initiative for managing and reporting purposes.

**Management, resources, and results Structure:** A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the strategic outcomes to which they contribute. The management, resources, and results structure is developed from the program alignment architecture.

**Non budgetary expenditures:** Net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

**Performance:** What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve, and how well lessons learned have been identified.

**Performance indicator:** A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

**Performance reporting:** The process of communicating evidence based performance information. Performance reporting supports decision making, accountability and transparency.

**Planned spending:** For Departmental Plans and Departmental Results Reports, planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the main estimates. A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their Departmental Plans and Departmental Results Reports.

**Plans:** The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

**Priorities:** Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired strategic outcomes.

**Program:** A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

**Program alignment architecture:** A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the strategic outcomes to which they contribute.

**Results:** An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

**Statutory expenditures:** Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

**Strategic outcome:** A long term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

**Sunset program:** A time limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

**Target:** A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

**Voted expenditures:** Expenditures that Parliament approves annually through an Appropriation Act. The vote wording becomes the governing conditions under which these expenditures may be made.

# Endnotes

- i. Copyright information, <http://www.cra-arc.gc.ca/cpyrght-eng.html>
- ii. Canada.ca, <https://www.canada.ca/home.html>
- iii. Minister of National Revenue Mandate Letter,  
<http://pm.gc.ca/eng/minister-national-revenue-mandate-letter>
- iv. House of Commons Standing Committee on Finance,  
<http://www.ourcommons.ca/DocumentViewer/en/42-1/FINA/report-6/>
- v. Report on the Voluntary Disclosures Program,  
<https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/report-on-voluntary-disclosures-program.html>
- vi. Offshore Compliance Advisory Committee,  
<http://www.cra-arc.gc.ca/gncy/ocac-ccoe/menu-eng.html>
- vii. Underground economy, <http://www.cra-arc.gc.ca/undergroundeconomy/>
- viii. Combatting real estate non-compliance, <https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/compliance/does-canada-revenue-agency-address-non-compliance-real-estate-sector.html>
- ix. The Auditor General's Report,  
[http://www.oag-bvg.gc.ca/internet/English/parl\\_oag\\_201611\\_02\\_e\\_41831.html](http://www.oag-bvg.gc.ca/internet/English/parl_oag_201611_02_e_41831.html)
- x. Public Accounts of Canada 2017, <http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html>
- xi. Canada Revenue Agency Act, <http://laws-lois.justice.gc.ca/eng/acts/c-10.11/>
- xii. Taxpayers' Ombudsman Annual Report, <https://www.canada.ca/en/taxpayers-ombudsman/programs/reports-publications/annual-reports.html>
- xiii. Canada Revenue Agency, <https://www.canada.ca/en/revenue-agency.html>
- xiv. Report on Federal Tax Expenditures, <http://www.fin.gc.ca/purl/taxexp-eng.asp>
- xv. Governor in Council Appointments,  
<http://www.appointments-nominations.gc.ca/prsnt.asp?menu=1&page=approt&lang=eng>
- xvi. Departmental Results Report, <https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/departmental-performance-reports.html>
- xvii. Report on Plans and Priorities, <https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/departmental-plan.html>
- xviii. Annual Financial Report of the Government of Canada, <https://www.fin.gc.ca/purl/afr-eng.asp>