

Focussing on Small Business Priorities

Canada Revenue Agency
Consultations on Cutting Red Tape

November 2012

FINAL

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Executive Summary

This report is a summary of what was heard during the CRA's November 2012 Red Tape Reduction consultations with small business owners, and their representatives and bookkeepers.

Consultation Background

In January 2011, the Government of Canada established the Red Tape Reduction Commission to identify irritants to small businesses that result from federal government rules and regulations. The Commission conducted consultations and came out with final recommendations for many Government departments in January 2012.

In response to the Commission's report, the CRA developed several action plans to help reduce red tape for small businesses. Commitments under several of the action plans have already been implemented. However, other action plans were high-level in nature and required further consultations to identify specific small business priorities. To fill this gap, the CRA conducted a second series of consultations in November 2012. The objective of the CRA consultations was to gather information from small business owners, as well as from small business service representatives and bookkeepers, about specific changes that they think would reduce their burden for eight of the 12 overarching themes identified through the Commission.

The CRA heard from 52 small business owners and 91 representatives and bookkeepers in seven cities across Canada as part of the consultation process, which resulted in the feedback outlined in this report.

In general, participants appreciated being included in the consultation process, and were pleased to see the CRA engaging stakeholders. Participants stated their appreciation for the improvements that the CRA has made over the past few years, even though they felt there was a lot of work remaining to reduce the tax administration burden on small businesses.

Findings

The consultation findings have been divided into two broad categories: General Service Improvements and Audit-related Findings.

In relation to general improvements, participants provided feedback on seven major topics.

1. Improve the Availability and Clarity of the Tax Information Needed to Meet Reporting Obligations.

Participants provided feedback suggesting that the availability and clarity of Web site information could be improved. In general, they were unable to find the specific information that they needed, and many noted that the CRA search engine could be improved. Participants also suggested that the clarity of forms could be improved by using plain language and reducing form complexity.

2. Improve Online Service and Information Accessibility and Clarity.

In general, participants feel the current online services offered by the CRA are useful, of high quality, and have progressively improved over the past few years. They provided many suggestions for continued improvement to online services, and requested additional services to be added. Participants provided details about how the layout and functionality of My Business Account could be improved. They suggested the CRA continue to grow the number of documents that can be filed electronically and the number of forms that can be completed as a fillable PDF online. Participants also provided feedback and recommendations for the improvement of electronic payment and business registration processes.

3. Reduce Administrative Burden and Eliminate the Collection of Redundant Information.

Participants would like to see more internal coordination at the CRA in relation to managing taxpayer data, in order to minimize the amount of time businesses spend repeating information or re-submitting data to the CRA. Participants felt that CRA service would be significantly improved if they had access to a single point of contact at the CRA. It would help with continuity on managing issues, and would allow the CRA agent to have a more holistic understanding of a taxpayer's file.

4. Reduce Administrative Burden by Simplifying and Scaling Down Reporting Obligations.

Many participants brought forward the point that most thresholds have not been changed for many years, and that in order for thresholds to stay current, they should rise with inflation. Participants also identified instances where they hope reporting and remitting cycles can be simplified by combining reporting requirements for small business. Finally, participants identified specific processes and other requirements that they felt were either antiquated or redundant, and which they hope to see eliminated or modified.

5. Reduce the Burden of Filing Frequency Requirements for Small Business.

In general, small business owners find it burdensome to track and manage different filing deadlines and payment due dates, and want the number of CRA-related deadlines to be minimized. Participants also feel they are poorly informed about their filing frequency options, and wanted more flexibility to determine how often they file and remit to the CRA.

Participants in all cities said the CRA's penalty application system is overly harsh, and difficult to appeal and reverse. They suggested the CRA improve communication on application of penalties, and afford more leniencies to businesses with good reporting histories.

6. Policy Development.

Associations felt that the CRA should consult with them during the policy development process to help minimize any negative impacts that new policies might have on small businesses.

7. Improve Coordination of Program Delivery and Information Sharing.

In general, participants feel the whole government-coordinated program delivery could benefit small businesses by reducing the number of interactions they have with government. However, few specific opportunities for coordination were provided. On the topic of information sharing, participants were comfortable with the idea of having their information shared within the CRA, and encouraged the CRA to find ways to reduce duplication. However, they had mixed responses to having their information shared outside of the CRA.

In addition to these findings, the consultations also collected feedback on the audit process. Much of the audit feedback was focused on correspondence and communication with the auditor and emphasized the importance of clear, consistent, and professional communication throughout the audit process. Related to this, many participants provided recommendations for improvements to auditor training, specifically on professional conduct, technical details, and the broader audit context. In general, participants feel the audit process is too long, and hope to see it streamlined in the future. Multiple participants also provided examples of positive audit experiences.

Section 1: Background and Objectives

1.1 CRA Findings from Red Tape Reduction Commission

In January 2011, the Government of Canada established the Red Tape Reduction Commission to identify irritants to small businesses that result from federal government rules and regulations. The Commission conducted an initial set of consultations and came out with final recommendations for many Government departments in January 2012. From these recommendations, the CRA identified a list of 12 overarching areas of focus:

1. Improve the availability and clarity of tax information needed to meet reporting obligations.
2. Reduce administrative burden in communicating with the CRA.
3. Improve online services and information accessibility and clarity.
4. Improve services and foster increased confidence in the written advice that the CRA provides to business.
5. Improve the service and professionalism of its auditors.
6. Reduce administrative burden by eliminating the collection of redundant information.
7. Improve the timeliness of the appeals processes.
8. Improve the timeliness of ruling decisions to better serve the needs of small businesses.
9. Reduce administrative burden by simplifying and scaling down reporting obligations, in consultation with business stakeholders.
10. Reduce the filing frequency requirements for small businesses.
11. Ensure that business perspectives are fully understood and appreciated in the policy development stage.
12. Improve coordination of program delivery and information sharing across the whole of Government.

In response to the Commission's report, the CRA developed several action plans to help reduce red tape. While some commitments under several action plans have already been implemented, other action plans identified broad areas for improvement that required further consultations with the small business community and their representatives to identify key specific small business priorities.

1.2 Consultation Objectives

A second series of consultations were conducted by the CRA in November 2012. The objectives of the CRA consultations were to gather information from small business owners and small business service representatives about specific changes that they think would reduce their burden for eight of the 12 overarching themes identified through the Commission. These eight areas were identified as those that required further exploration and a better understanding of stakeholder needs to ensure that changes addressed small business priorities.

The purpose was to find concrete, practical, and measurable activities that the CRA could implement in the short, medium, and long term to address the greatest concerns of small and medium-sized business.

1.3 Consultation Process

The CRA heard from 52 small business owners and 91 representatives and bookkeepers in seven cities across Canada as part of the consultation process that resulted in the feedback that is outlined in this report. These participants included business owners and representatives who deal regularly with the CRA as part of their daily business activities, as well as business owners and representatives who had recently been subjected to an audit. The consultations were held in Ottawa, Toronto, Montreal, Halifax, Vancouver, Calgary, and Winnipeg between November 1 and 30, 2012.

The CRA worked with an independent third-party facilitation team in order to ensure an open and objective consultation process. The consultation sessions were each two hours long and consisted of a series of targeted and open questions to collect specific feedback that could be considered by the CRA in refining its burden reduction action plans. The feedback is summarized in this report.

Most of the 12 CRA-related recommendations contained in the Red Tape Reduction Commission Recommendations Report fall into the category of general improvements to the tax administration system. One of the key recommendations requiring insights from small businesses included the identification of specific suggestions on how to improve the audit process. Section 2 focuses on general improvements that can reduce the burden on small and medium-sized businesses during their day-to-day operations. Section 3 focuses on improvements that can be made to improve the service small and medium-sized businesses receive during the audit process, and to improve the professionalism of CRA auditors.

Recruitment Process

The CRA worked closely with stakeholder associations to help recruit participants, including the Canadian Federation of Independent Business, the Canadian Chamber of Commerce, the Canadian Institute of Chartered Accountants, the Certified General Accountants Association, the Canadian Management Accountants Association, the Canadian Payroll Association, the Canadian Bookkeepers Association, and the Canadian Agriculture Association. Additionally, the CRA posted the consultation schedule on its Web site¹ with contact information for the consultation organizers. Local tax services offices were also engaged in the recruiting process.

Despite best efforts, it proved difficult to identify and recruit those business owners that do not use online services to do their taxes, therefore, most of the feedback received during the sessions related to the use of online tools and services. The CRA intends to revisit the recruitment process for any future consultations to ensure a larger proportion of business owners are able to participate and offer input.

¹ http://www.cra-arc.gc.ca/gncy/rdtprdctn/menu-eng.html#_Hlk333388191

1.4 Facilitator's Notes

In general, participants were grateful to have been included in the consultation process and were happy to see the CRA engaging stakeholders. Participants stated their appreciation for the improvements that the CRA has made over the past few years, even though they felt that there was a lot of work remaining to reduce the tax administration burden on small businesses.

During each session, participants were given multiple opportunities to provide their feedback. Participants were given the opportunity to stay behind after the close of the formal session to provide additional comments to a note taker in order to ensure that any last-minute comments were captured, due to the limited length of the consultation sessions (approximately two hours).

While participants appreciated having the CRA representatives present during the consultation sessions to add specific clarification when needed, they noted that having a third-party facilitator was important for the integrity of the process.

Throughout the consultation process, it was apparent that the bookkeepers and accountants could provide detailed feedback to the CRA on processes, forms, and areas for improvement, as they are familiar with the wide range of CRA processes. Some business owners provided detailed feedback as well, while others were not familiar enough with the material to be able to do so. Business owners provided valuable, high-level feedback on their own experiences and interactions with CRA – including areas where they had difficulty finding information, issues they were unclear about, and tools that would be helpful to them going forward.

Finally, some sessions attracted participants with little tax knowledge, who attended in the hopes they would learn something helpful about taxation. In general, these people expressed their desire for more easily accessible and understandable instructional information.

Section 2: Consultation Findings: General Improvements

During the consultations, the CRA collected specific feedback on the themes identified by the Red Tape Reduction Commission as outlined in Section 1. The feedback has been grouped by these themes.

2.1 Improve the Availability and Clarity of Tax Information Needed to Meet Reporting Obligations

A Availability and Clarity of Web Site Information

Participants felt that access to information on the CRA Web site could be improved. In general, they found the Web site lacks information that they need, and that the information that is on the Web site is difficult to find and is presented illogically. Participants in every consultation session said that improvements to the CRA search engine would have the greatest impact on their ability to access instructional information and forms online.

Some participants mentioned that the information on the Web site is useful, but finding the right information is a challenge. Others commented that it is not always clear what information on the CRA Web site pertains to them as a particular category of taxpayer. Participants specifically mentioned that it is difficult to find information about sole proprietors, estates, past year tax rates, employee vs. self-employed, tuition expenses, and gifts to employees. Alternatively, participants were able to find, but not understand, information on salary deferral arrangements and direct deposit of payroll refunds.

Participants suggested that the CRA improve the functionality of the search engine as a first step. They were also enthusiastic about webinars and videos as a means of communicating tax information. Specifically, participants asked for videos for new businesses that would explain business concepts and processes, as well as instructions for filling out forms.

B Clarity of Forms

In general, participants appreciate forms that are short, succinct, and clear. They hope to see more forms that provide instructions in plain English, as opposed to tax jargon or references to other forms. Participants suggested that clear forms are important as they need to be understandable and accessible to small business owners who do their own taxes. Participants specifically mentioned various forms that could be simplified or clarified including:

- partnership form;
- TD1;
- foreign reporting form;
- business consent form (RC59); and
- PD7A statements of account for current source deductions.

2.2 Improve Online Service and Information Accessibility and Clarity

A Additional Online Services

In general, participants felt that the current online services offered by the CRA are useful, of high quality, and have progressively improved over the past few years. Participants were encouraged by the efficiencies that are made possible through the CRA's online services and are looking for the CRA to continue developing new online services, as well as to continue making improvements to the services that are currently being offered.

Specifically, respondents felt that the CRA's online services could be improved by increasing the amount of control that taxpayers have in managing their accounts and information online. Participants were particularly interested in being able to update their administrative information electronically (online or when filing), and having more control over their funds (e.g. transfers from one account to another, trigger refund of overpayments, assigning credits/payments). Participants also indicated that they want to be advised prior to the CRA moving funds between accounts. Finally, representatives requested that they be able to remove themselves as a representative from the accounts of prior clients.

Participants who have used the new e-mail response service offered by the CRA through My Business Account found it very helpful but noted that the Agency should continue to expand the types of enquiries that can be made by e-mail. They also felt that the CRA should work to minimize e-mail response time to allow small businesses and representatives to be able to rely on the CRA's e-mail response for timely and accurate information.

Likewise, small business owners who were using My Business Account found it to be an invaluable tool in managing their business. However, they thought that it could be improved by extending the timeout period or by providing the ability to save work in progress, and providing a visual cue when time is elapsing.

Finally, many small business owners and tax preparers commented that the "blackout time" when My Business Account is unavailable, is too long, and occurs at the same time every day, which is inconvenient for those in varying time zones who are working during this period.

The participants who were consulted also proposed new services that are not currently offered by the CRA, including:

- T4 validation software;
- a directory to search for company names and HST numbers; and
- e-notifications of correspondence from the CRA and filing and remitting deadlines through My Business Account or e-mail.

B Access to Information Online

Participants wish to have better access to personal account information online, and hope that eventually My Business Account will keep track of all interactions they have with the CRA. Specifically, participants requested access to four types of information through My Business Account:

1. **Access to all account information.** This includes capital dividend accounts, trust accounts, and all reporting and remitting deadlines.
2. **Access to past tax data.** This includes capital gains and losses, carry-forwards, capital cost allowances, deductions, non-capital losses, returns and schedules, and farm losses (both restricted and non-restricted).
3. **Access to all previous correspondence with the CRA.** This includes correspondence received from the CRA such as letters relating to T1 and T2, notices of objection, and post-assessment notifications, as well as documents submitted to CRA, such as past elections submitted.
4. **Tracking of all CRA actions.** This includes any adjustments made to business returns, status updates on capital dividend account, information about what has been assessed during an arbitrary assessment, and changes incurred during an appeal.

Until all information is available online, representatives asked that business owners be able to elect that copies of all account information and correspondence with the CRA be sent to their representative(s).

C Information Layout

Participants suggested improvements to the user experience and utility of My Business Account and Represent a Client. They suggested the CRA could update the user interface, as they feel it is currently “clunky and out-dated.” They specifically mentioned that the menu logic is not intuitive that it is difficult to navigate between different parts of the site. Many participants suggested that making all critical tax information available on one screen could reduce this problem.

Participants also mentioned that the readability and utility of information within My Business Account could be improved. They would like to see Notices of Assessment, Payroll, GST/HST, and account statements clearly articulated in greater detail. This should include in/out details on all transactions, and debits and credits in separate columns gridded by date of transaction and year of application. Participants would also like to be able to easily identify penalties and charges, and to be able to see if and how penalty payments have been made. Additionally, this interface should make it easy for business owners to track any CRA transfers of money or credits between accounts.

Participants also raised a concern with the printability of information from My Business Account and Represent a Client. In multiple cities we heard that information often prints on half pages, or that blank pages are attached to the end of print jobs. Participants suggested that the print functionality of files (including payroll transactions, Notices of Assessments, and GST/HST account information) be reviewed to ensure that all files print as full pages with no extra blank pages attached. In addition to being able to print, participants wish to be able to export account information into various formats including Excel to be able to manipulate the data in spreadsheet form.

Sole proprietors had some specific points about access to information online. In general, sole proprietors felt that accessing information online is onerous and complicated because information is distributed across different platforms and is not well linked. Right now, sole proprietors and their representatives must access tax information under their SIN and their GST/HST account under their Business Number (BN). Participants suggested that a bridge between the T1 information and business information (e.g. GST/HST account) would reduce burden for this group of business owners.

D Electronic Filing, Fillable Forms, and Electronic Documents

Participants were pleased with the progress made to date on electronic filing and encouraged the CRA to continue increasing the number of forms that can be submitted electronically. Specifically, participants mentioned forms and returns for current and prior years, as well as adjustment requests. Small businesses want to be able to send key supporting documents electronically, in order to reduce the number of documents that need to be submitted at a later date at the request of the CRA. Elections were often used as an example of supporting documentation that participants want to be able to file electronically. Participants identified that being able to electronically file the RC-59 and supporting documentation would have the greatest impact on reducing burden for small businesses and their representatives.

Representatives want to be able to file supporting documentation with returns as a PDF attachment to ensure that returns are complete, and to minimize the number of CRA requests. Currently, representatives must hold back supporting documentation until the CRA request is received, and then respond to the CRA with the additional information. Participants were hesitant to submit supporting documentation for e-returns by mail because they did not have confidence that the mailed supporting documentation would be correctly matched to the e-return. The administrative burden associated with requests for supporting documentation would be reduced for both the CRA and representatives if the supporting documentation and the return could be submitted together, electronically.

Participants also requested that the CRA allow for returns from prior years to be filed electronically. This was assumed to be a logical next step for the CRA as they continue to roll out electronic filing. Additionally, participants want to be able to file nil returns online and make adjustment requests for up to 10 years in the past.

Currently, participants are unable to electronically update administrative and/or contact information when filing. Participants believe that being able to make changes to administrative information at the same time as filing would reduce the burden.

In addition to being able to submit documents to the CRA electronically, participants appreciate the work that the CRA has done to make fillable forms available. They hope that the number of available fillable PDF forms will increase so that eventually all forms are available in this format.

E Electronic Payments

Participants would like the electronic payment experience to be as simple and effortless as possible. Ultimately, they suggested this might include a CRA service that automatically calculates payroll remittances (e.g. CPP, EI, Taxes) and enables small business owners to authorize the CRA to make automatic withdrawals from bank accounts. Participants also pointed out that the effort and work required to calculate and to make remittances for small business is not in proportion with the amount they need to pay. They suggested that the CRA consider ways to minimize the number of steps and streamline the payment process for small businesses.

Participants identified some challenges in using banks to make payments to the CRA. They feel that there is inconsistency in payment options between banks, and that electronic banking limits make it difficult to use the CRA's My Payment service. Ultimately, participants would like for all Canadian banks to be directly connected to the CRA to enable seamless transfer of funds for payroll, GST/HST, and corporate tax payments. It is important to business owners that payment of taxes through banks be instantaneous and free. Participants mentioned that if it is not possible for payment to be instantaneous that there should be a requirement for banks to clearly communicate the expected delay in payment to minimize late penalties.

Participants expressed concern about the current mail-in payment process, indicating that cheques that are mailed to the CRA are often deposited into the wrong accounts or allocated to the wrong year. They also expressed concern about the length of time required for the CRA to post payments on their accounts. Participants hope that both of these concerns will be addressed by an improved electronic payment system. In general, participants want more flexibility in managing payments and credits through their CRA accounts. In the case of a refund, participants want to be able to use My Business Account to specify where the money should be directed – either towards payment on an account, to a bank account of their choice, to a trust account, or to a third party through a letter of direction. Additionally, participants indicated they would like to have the ability to pre-authorize debits for various accounts.

Most participants who used the Payment Deduction Online Calculator found it to be useful. However, participants did identify potential future expansions that they thought would improve the utility of the tool. These include incorporating additional tax deductions so that the tool could produce a true statement of earnings, and the ability to customize the tool so that it is clear which fields are mandatory. Participants also want to be able to use the tool to calculate one-time payments, payments that only include vacation pay, and overtime (with different rate options). Finally, participants want to be able to export the calculations and results of the Payment Deductions Online Calculator to Excel and other formats.

F Business Registration

While most participants were satisfied with the business registration process, they acknowledged having limited experience with it, as most small business owners only register a business once. Nonetheless, some enhancements to the online business registration service were suggested. These included allowing the simultaneous registration of all companies related to one parent company or individual, the ability to register international businesses online, and the ability to register a business for a non-resident online.

2.3 Reduce Administrative Burden and Eliminate the Collection of Redundant Information

A Data Management at the CRA

Participants felt the CRA should improve the way it manages taxpayer data in order to minimize the amount of time businesses spend repeating information to the CRA or re-submitting data.

Participants requested the CRA provide confirmation numbers for all submissions (remittances, payments, or information) that they send to the CRA by mail, fax, e-mail, or through an online service. This will become especially important with the reduction of CRA timestamp stations, which currently serve this function for many small businesses. Participants said that having to demonstrate that a document was submitted on time is currently a large time burden.

Once the confirmation numbers are in use, participants emphasized that all confirmation numbers must be shared across the CRA and linked to one comprehensive set of data to which any CRA agent would have access. Many participants said they had tried to use confirmation numbers with CRA agents in the past, but that the agent was not able to use the confirmation number to access the relevant data.

Participants would also like the CRA service representatives to keep a record of conversations and interactions with taxpayers on file so that more complex issues can be addressed across multiple conversations. Taxpayers and their representatives currently find the need to repeat information and provide a full explanation of their context each time that they call to be a large time burden.

B Re-use Information

Participants cited very few instances where the same information is not collected multiple times. They noted that address information is requested in multiple places and that if a taxpayer has several corporations, this person will be asked for the same basic information for each corporation. Participants did suggest that as more fillable forms are made available, they should be pre-populated with any information that the CRA has already collected.

C One Point of Contact

Participants felt that CRA service would be significantly improved if they had access to a single point of contact at the CRA. This would help with continuity on managing issues and would allow the CRA agent to have a more holistic understanding of a taxpayer's file.

Participants would also like to be able to bypass the frontline agents and speak with subject matter experts directly either by phone (by making phone numbers available by category of expertise), by email, or through live chat.

In general, participants would like to see more internal coordination at the CRA. This could include coordinating all information requests internally before they are sent to taxpayers. This would reduce the number of information requests that taxpayers receive and ensure that the CRA does not request the same information twice.

2.4 Reduce Administrative Burden by Simplifying and Scaling Down Reporting Obligations

A Update Thresholds

Many participants raised the point that most thresholds have not been changed for many years, and that in order for thresholds to stay current, they should rise with inflation (e.g. GST/HST registration and filing frequency, payroll remittance frequency, income tax instalments, and quick method thresholds).

B Simplify Processes

Participants made suggestions for how the CRA could simplify reporting processes in order to reduce the reporting burden on small businesses. They requested that GST/HST annual filing be combined with another CRA annual filing requirement, and that workers compensation reporting be combined with payroll reporting to reduce the number of times businesses need to file items with the CRA. They also requested that payment remittance forms be available for download to make it easier for business owners to make payments through their banks.

Participants thought that the process for closing a corporation could be simplified. Currently there are multiple steps to the process and participants hope to see this turned into a combined, single-step process. They also thought that the process for obtaining waivers with respect to non-resident withholdings is overly complex and could be simplified and, in some cases, eliminated.

Bookkeepers and accountants suggested the CRA combine the individual and business forms for authorizing a representative. One participant suggested the CRA could reduce the number of PIER report, by adding a box to T4s where employers could indicate cases where CPP only applies to a portion of the year.

C Modify Certain Rules

In addition to simplifying reporting processes, participants brought up a series of rules and procedures they hope will be modified in order to better accommodate small businesses. Many of these modifications are based on the fact that small businesses have limited resources (both time and money) for dealing with tax administration, are less likely to be aware of tax rules that could benefit them, and may require more leniency to comply. Business owners were clear they want to comply with tax laws but that it can be difficult to know what to do and when it should be done, especially in the first few years of business.

Participants thought that it should be easier for small businesses to elect to use the GST/HST quick method, and that this option should be available at any time. Many small businesses do not talk to their accountant until after their first year of business when it is too late to elect to use this method.

Along the same lines, participants also feel that the CRA should be more flexible with small businesses in backdating GST/HST registration (participants suggested up to six months) because many businesses do not know they need to register for GST/HST when they open their business.

There were some rules from which participants thought small business should be exempt altogether. These included exempting small businesses from filing partnership information returns when there are under five partners, exempting small businesses from sub-contractor reporting when there are less than 25 sub-contractors, and relaxing the associate person rules for very small businesses.

Participants also identified that the current objection deadline rules are inefficient for both small businesses and the CRA. Currently, objection deadlines are fixed and cannot be moved in the case of delays caused by an adjustment request. This means that sometimes an adjustment request is denied and the taxpayer has then missed the opportunity to file an objection. Participants explained that the deadline for filing an objection should be extended in cases where an adjustment request is made. Currently, the rules encourage the filing of an objection, when it would be easier for both the CRA and the taxpayer if an adjustment was requested instead. Participants suggested this should result in an increase in adjustment requests and a decrease in objections, which would reduce burden for both businesses and the CRA.

Finally, participants requested some changes to filing and instalment rules. They suggested that small businesses with few employees be able to make payroll instalments based on the previous year, with an adjustment payment at year-end. They also suggested that farmers should not have to account for GST/HST on related party transactions (such as management fees) where there is no net GST/HST owing.

A few participants mentioned they currently spend time verifying supplier GST/HST registration status. They would like a mandatory inclusion of the GST/HST number on all invoices, and for the CRA to host a database that could be searched by business name and GST/HST number to confirm registration status.

D Eliminate Specific Requirements

There were some requirements that participants found to be outdated or unnecessary, and hoped to see eliminated. This included the current requirement to request permission to destroy records. Participants felt that there should be a standard amount of time that businesses are required to hold records (e.g. seven years) and that unless the CRA requests otherwise, businesses should be able to destroy records as they see fit. A few participants in multiple cities thought that very small businesses should be exempt from filing anything and that the relationship with the CRA should only begin after a business grows to a certain size. Finally, many participants commented that the current motor vehicle logbook is burdensome and not practical and that it should be eliminated as a requirement.

2.5 Reduce the Burden of Filing Frequency Requirements for Small Business

Filing frequencies were identified by business owners and representatives as a red tape irritant. They want to be able to have better information about filing frequency requirements and, where possible, file less often.

A Alignment of Filing Dates and Reporting Cycles

In general, small business owners found it burdensome to track and manage different filing deadlines and payment due dates, and want the number of CRA-related deadlines to be minimized. Participants in multiple cities suggested that small businesses should be able to report and remit corporate tax and payroll at the same time, and less often (e.g. quarterly

or every six months). A similar case was made for associated companies – it was requested that the filing and remitting requirements for associated companies be aligned.

Bookkeepers and accountants raised the point that, currently, the trust information filing deadlines do not align well with other reporting requirements. There were two possible solutions proposed for this: T3 slips could be issued from the insurance companies on February 28 (same as T4 and T5) or trusts deadlines could be pushed back to give representatives more time to process trusts.

Representatives also suggested that non-resident filing deadlines be aligned with resident filing requirements, and that there be a 10-day window to file Capital Dividend elections.

Some seasonal operations (e.g. agriculture) raised the point that the current reporting and remitting requirements are burdensome for them because their reporting requirements increase at the same time as their work increases (e.g. increase payroll remittances for seasonal workers during the growing and harvesting season). They suggested that it would be useful if they were able to postpone their reporting and remitting until after their busy season was over.

B Penalty Application

Participants in all cities said the CRA's penalty application system is overly harsh, and difficult to appeal and reverse. They suggested the CRA improve communication on application of penalties, and afford more leniencies to businesses with good reporting histories.

Participants cited the current "one mistake" policy as problematic. They understood the current policy to be that if a quarterly remitter misses one deadline, they are required to remit monthly forever from that point on. Participants hope to see a process by which businesses are granted one to three missed deadlines before this action is enacted, as well as the ability to earn their way back to quarterly remitter status after a period of meeting the monthly deadlines.

Participants also hope that penalties for administrative errors will be removed. One participant provided the example of having entered the wrong month on a form and being penalized, even though the amount submitted was correct. We also heard from participants in multiple cities who had been penalized for missing deadlines due to the system incorrectly interpreting their time zone. Participants hope that this technical error can be corrected.

Small business owners expressed that it can be difficult to meet deadlines in special circumstances, and that it would be useful to have a simple process for requesting a one to three day extension on filing and remitting deadlines. This is especially important because penalty amounts can be significant for small businesses. Small business owners who do not use a bookkeeper or an accountant cited instances where it was not possible to get to a bank and/or online to make a payment and when it would have been useful to have an

extra few days to submit a payment or form (e.g. family businesses experiencing a death in the family, loss of electricity for an extended period of time, etc.)

Finally, participants suggested having the penalty appeals process improved. Multiple representatives expressed it is currently a large burden to appeal to have penalties, that were inappropriately applied and removed.

C Remittances

Participants found that payroll administration is time consuming and burdensome, especially for those not using the online system. They recommend having this burden minimized by allowing more businesses to report payroll quarterly, allowing small businesses to report data online monthly but only mail in reports quarterly, or extending the reporting deadline to provide small businesses more time for payroll administration.

A few participants mentioned that adjusting to paying corporate tax or GST/HST in instalments (instead of annually) can create cash flow problems for small businesses. Participants suggested some leeway be granted to businesses in the first year of paying in instalments. One participant suggested that businesses start paying in instalments in the first year regardless of business size in order to form a habit.

We heard from multiple participants that the current formula used to calculate remittance frequencies (quarterly, monthly, etc.) does not account for once-per-year bonuses. This means that bonuses tend to trigger a change of remitting frequency when it is not necessarily warranted. Participants suggested that the formula be set up to divide bonuses by 12, or use the annual remittance amount instead of the monthly remittance as a basis for determining the remittance frequency.

D Filing Frequency

In general, participants were poorly informed about their filing frequency options and wanted more flexibility to determine how often they file and remit to the CRA.

Participants want to be able to change their filing frequency within the range of options that they qualify for, at any time, without incurring a penalty. If that is not possible, they hope to have more time to choose their filing frequency in the first year of business. In many cases, representatives do not have sufficient time to meet with new businesses to help them determine the best filing frequency for them.

Finally, participants thought that the current thresholds that determine filing frequency should be reviewed and increased. As part of this process, participants suggested that annual GST/HST filing should be the default for small businesses.

2.6 Policy Development

The CRA currently enjoys a positive working relationship with many associations, which allows it to share information during the policy development process.

A Consultation

During the consultation process, many associations worked with the CRA to recruit participants for the consultation sessions. During this process, the CRA collected feedback from the associations themselves.

B Understanding Impacts on Business

Moving forward, participants would like to know when changes to tax legislation and/or administrative processes are introduced, and obtain a commitment that the CRA will actively consult with small businesses, their representatives, and associations during the policy development phase to fully understand the potential costs to business. Through a consultative process, businesses and associations will be able to recommend ways to implement administrative changes that minimize any negative impact on business (e.g. providing longer implementation or adjustment periods).

2.7 Improve Coordination of Program Delivery and Information Sharing

A Coordination of Program Delivery

In general, participants felt that whole of Government-coordinated program delivery could benefit small businesses by reducing the number of interactions they have with Government. However, few specific opportunities for coordination were provided. One idea that was brought forward by participants was to have a single form to authorize a representative to represent the business to all federal departments.

B Information Sharing

Participants were asked to share their initial reactions to the idea of the CRA sharing information between groups at the CRA, and with other Government agencies and departments. In general, participants were comfortable with the idea of having their information shared within the CRA and encouraged the CRA to find ways to reduce duplication. However, they had mixed responses to having their information shared outside of the CRA. Some participants encouraged the CRA to share information as much as possible to reduce duplication across as many departments as possible (both federal and provincial levels), while other participants had the opposite reaction, saying that the CRA should not share any information with others because it provides too much control to Government, or because of privacy concerns.

Most participants fell somewhere in between these two positions. They thought that information should be shared, but with certain conditions. Some thought information should be shared at the taxpayer's discretion. Others suggested that information should be shared in cases where it benefits the taxpayer, but not in cases where it is only of benefit to the government. Others suggested that information should be shared across Government service organizations but not with any parts of the Government that are involved with criminal investigations and prosecutions.

One participant suggested there should be different classifications of information with different rules regarding with whom the information could be shared, i.e. shared freely (e.g. address), consent (e.g. income, s.241), not be shared (e.g. where there is potential for legal action taken).

Some participants voiced general concerns about information sharing in government, saying that the risk of errors and inconsistencies might be greater than the benefit of the reduced duplication that would result from sharing information.

Section 3: Consultation Findings: Improve the Service and Professionalism of Auditors

A Correspondence and Communication with Auditor

Participants felt that communication was a critical part of a positive audit experience, and that the clarity, professionalism, and frequency of communication could all be improved.

Participants expressed some difficulty understanding the oral and written communication of auditors, and voiced concerns about the professionalism of auditor communications. In order to improve the audit experience, participants suggested that a direct supervisor should approve all correspondence before it is sent, and that all auditors should receive communications training before being sent into the field. Participants also requested that they receive the name of their auditor's supervisor at the onset of the audit.

In some cases, participants felt that they had insufficient time to prepare for and respond to audit proposals, and that they received requests for information that were not relevant to the audit itself. Participants requested that the purpose of the audit be clearly articulated at the outset, and that requests be limited to information that pertains to the stated purpose of the audit. They also requested that the role and responsibilities of the auditor and taxpayer be clearly articulated at the outset of the audit to minimize any confusion.

Participants want to see more involvement from audit team leaders throughout the audit experience. They would like to see team leaders present at all proposal meetings to be able to address issues in a timely manner.

B Streamline the Audit Process

In general, participants felt that the audit process is too long, and hope to see it streamlined in the future. One of the ways that they felt this could be done is by making better use of electronic methods of transferring information and documents. This could allow for the audit notification to be received sooner, which would give the business more time to prepare, and could also be used by the business to transmit requested documentation back to the auditor in a more timely fashion.

Many participants also felt that the audit process can be unnecessarily extended due to auditors having limited location-specific or industry-specific knowledge. This can lead to

misunderstandings and additional information requests even when businesses are following common industry practices or dealing with local realities. Examples of these types of disagreements include a participant with high renovation costs due to living in a high crime area, or a travel agent taking “familiarization” trips. Participants felt that industry-specific training and resources for auditors could help to minimize this problem.

In addition to having knowledge about local realities, participants felt that auditors should be available locally to enable face-to-face interactions. Many participants in different cities expressed that face-to-face interactions save time by reducing miscommunications, and result in a more “human” interaction.

Finally, participants hope that GST/HST and income tax audits can be combined in the future to reduce the number of times that taxpayers must provide information to the CRA.

C Auditor Training and Professionalism

Participants felt that a more developed auditor training program would contribute to improving the audit experience overall.

In addition to the communication skills and industry-specific knowledge mentioned above, participants felt that auditors should be trained in the most appropriate way to approach an audit. Many participants had experience with auditors who “assume you are guilty until proven innocent.” They suggested that this is not a productive way to initiate an audit, and that it made them feel defensive and unjustifiably suspected of wrongdoing. Participants referred to positive audit experiences with auditors who were clear, professional, helpful, and fair, as an example of what they hope this type of training could reinforce.

Participants also felt that auditors should have a comprehensive understanding of the tax area for which they are conducting an audit. They felt that if an auditor were able to understand the broader context of the audit that they would be less likely to make errors, and able to address issues and questions from the business being audited.

Participants also felt that auditors could benefit from additional training on materiality and jurisprudence. They hope auditors will determine a level of materiality that is appropriate for each audit in order to streamline the audit process and reduce frustration. They also felt that auditors currently lack a robust understanding of the laws that they are enforcing.

Multiple participants suggested that the CRA pay scales may need to be adjusted in order to attract high quality auditors.

D Areas for Service Improvement

Participants expressed concern over the lack of recourse mechanisms to address poor auditor performance. Participants want to have different follow-up options, depending on the performance issue. For example, in the case of an auditor who is unprofessional, having the name and contact number of the auditor’s supervisor may suffice. However, in the case of a

large and costly audit error, small businesses need more substantial appeal mechanisms and support, due to the large financial burden that audit errors can cause.

Participants felt that auditors should be more thoroughly briefed on the taxpayers' history, specifically in reference to prior appeals decisions.

Participants felt that the *Taxpayer Bill of Rights* is a useful document and that both auditors and taxpayers should be more aware of it. Participants suggested that auditors should receive training on the practical applications of the document and that taxpayers should receive the document at the outset of each audit. One example of a practical application would be that taxpayers and/or their representatives should not be required to photocopy documents for an auditor. Participants reported that this is currently a common request from auditors, and hope that the roles and responsibilities of the taxpayer and the auditor can be clarified in the future.

E Positive Experiences

Participants provided multiple examples of positive audit experiences during which CRA employees provided excellent service. Participants felt that the biggest determinant of an audit's success is the level of knowledge and professionalism of the auditor, and that when these qualities are strong, audits can be smooth, easy, and even a pleasurable experience. Participants emphasized that good auditors make business owners and their representatives more likely and more willing to cooperate.

Participants felt that the best auditors are intelligent, professional, personable, helpful, and friendly, will meet in person, and are willing to engage in dialogue.

Section 4: Next Steps

CRA Preliminary Analysis

To date, the review by the CRA indicates that the suggestions may be summarized into five overall categories:

- requests for CRA services already in place, where we need to communicate and raise awareness;
- requests for items and services that are currently in development, which will be prioritized and released to the public once finalized;
- requests that are new to the CRA, and are feasible to accomplish in the shorter term, and will be added to work plans;
- requests that imply more significant investments or policy choices that require further analysis; and
- requests that are not feasible, where we need to communicate why it is not achievable.

CRA follow through

The CRA will incorporate these changes into its work plans for fiscal years 2013-2014 and 2014-2015 as part of the federal government's Red Tape Reduction Action Plan.

Appendix A: Participants by City

The following table shows the total number of participants interviewed throughout the course of the consultations. In total, the CRA collected information from 143 individuals across seven cities.

City	Representatives and Bookkeepers	Small Business Owners	Total
Ottawa	9	2	11
Toronto	21	9	30
Montreal	11	2	13
Halifax	7	9	16
Vancouver	17	12	29
Calgary	14	10	24
Winnipeg	12	8	20
Total	91	52	143