

Taxpayers' **Ombudsman**

Independent + Objective = Fair

Sub-Standard

Delays and lack of transparency
in the Canada Revenue Agency's
processing of individual income tax and
benefit returns and adjustment requests



Government
of Canada

Gouvernement
du Canada

Canada 

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Taxpayer Bill of Rights

1. You have the right to receive entitlements and to pay no more and no less than what is required by law.
2. You have the right to service in both official languages.
3. You have the right to privacy and confidentiality.
4. You have the right to a formal review and subsequent appeal.
- 5. You have the right to be treated professionally, courteously, and fairly.***
- 6. You have the right to complete, accurate, clear, and timely information.***
7. You have the right, unless otherwise provided by law, not to pay income tax amounts in dispute before you have had an impartial review.
8. You have the right to have the law applied consistently.
- 9. You have the right to lodge a service complaint and to be provided with an explanation of [the Canada Revenue Agency's] findings.***
- 10. You have the right to have the costs of compliance taken into account when administering tax legislation.***
- 11. You have the right to expect [the Canada Revenue Agency] to be accountable.***
12. You have the right to relief from penalties and interest under tax legislation because of extraordinary circumstances.
- 13. You have the right to expect [the Canada Revenue Agency] to publish our service standards and report annually.***
- 14. You have the right to expect [the Canada Revenue Agency] to warn you about questionable tax schemes in a timely manner.***
- 15. You have the right to be represented by a person of your choice.***
16. You have the right to lodge a service complaint and request a formal review without fear of reprisal.

* The rights the Taxpayers' Ombudsman is responsible to uphold.

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Summary

The annual filing of an income tax and benefit return (return) marks, for many, their primary yearly interaction with the Canada Revenue Agency (CRA). In filing a return, an individual complies with their obligations under the *Income Tax Act*¹ to self-report their income for the year. When changes to a return are needed, filers may file an adjustment request.

The CRA reports that for the most part, it meets or exceeds its published service standards for the processing of returns and adjustments requests. Despite this, the Taxpayers' Ombudsman and her Office regularly receive complaints about delays in the CRA's processing of returns and adjustment requests.

These delays have been one of the top trends in complaints received and a top call driver for the Office of the Taxpayers' Ombudsman since the 2015-2016 fiscal year.² Over the same period of time, at outreach events and stakeholder meetings, the Taxpayers' Ombudsman heard much about the impacts of delays in processing returns and adjustment requests.

During the course of our review, we learned many filers are unaware their returns and adjustment requests could be processed outside the CRA's published service standard timeframes. When these filers contact the CRA, they are not provided information on how long it will take to process their return or adjustment request.

Given the CRA reports it generally meets or exceeds these published service standards, we launched an examination to understand why we were receiving complaints of delays, and if the CRA meets those published standards.

To address the issues raised in this report, the Taxpayers' Ombudsman makes 15 recommendations to the Minister of National Revenue and the Chair of the Board of Management of the CRA.

1 *Income Tax Act*, RSC 1985, c 1 (5th Supp), ss 152(1).

2 Office of the Taxpayers' Ombudsman, Annual Reports of the Taxpayers' Ombudsman for fiscal years 2015-2016, 2016-2017, 2017-2018, and 2018-2019, <https://www.canada.ca/en/taxpayers-ombudsman/programs/reports-publications/annual-reports.html>.

About the Taxpayers' Ombudsman

The position of Taxpayers' Ombudsman (the Ombudsman) was created to support the government priorities of stronger democratic institutions, increased transparency within institutions, and fair treatment. As an independent and impartial officer, the Ombudsman handles complaints about the services of the Canada Revenue Agency (CRA).

As outlined in the *Order in Council P.C. 2007-0828*, the Ombudsman's mandate is to assist, advise, and inform the Minister of National Revenue (Minister) about any matter relating to the CRA's services.

As part of this mandate, the Ombudsman has the power to address any request for a review of a service matter or a matter arising from the application of articles 5, 6, 9, 10, 11, 13, 14, and 15 of the Taxpayer Bill of Rights.

The Ombudsman examines systemic service issues that may negatively affect a large number of people or entities, or a segment of the population. The findings of systemic examinations are reported to the Minister and, where necessary, include recommendations for improvements to the CRA's service. These matters are reviewed at the request of the Minister or on the Ombudsman's own initiative.

Outlining the issue, scope and methodology

The CRA publishes standards for its processing times for returns and adjustment requests. The CRA has reported that for the most part, it meets or exceeds these published service standards. However, the Office of the Taxpayers' Ombudsman regularly receives complaints about delays in the CRA processing returns and adjustment requests. It has been one of the top trends in complaints received and a top call driver since the 2015-2016 fiscal year.³ Over the same period of time, at outreach events and stakeholder meetings, the Ombudsman heard from many individuals, tax practitioners, and organizations about the impacts of delays in processing returns and adjustment requests.

Filing a return is required for the determination of entitlement to a number of benefits and credits administered by the CRA and other government departments.

We therefore determined it was necessary to launch an examination to look into why so many filers report experiencing delays, and if indeed the CRA meets its published standards for processing returns and adjustment requests.

“The CRA is so negligent with delays that lawyers have worked it into the norms of the advice they give and how they operate.”

– Comment received by the Ombudsman during outreach



3 *Ibid*

This examination focused solely on processing T1 income tax and benefit returns (returns) and T1 income tax and benefit return adjustment requests (adjustment requests); however, where applicable, the recommendations made apply to all returns and adjustment requests processed by the CRA. In the context of this report, when referring to filers, we are referring to both an individual and their authorized representative(s), where applicable.

The CRA informed our Office 95% of digitally-filed returns and 50% of paper-filed returns are clean assessed. “Clean assessed” is a term used by the CRA for returns processed by its system without any additional verification required prior to the CRA issuing a notice of assessment. In the case of digitally-filed returns, a clean assessed return means the assessment could be automatically completed by its system without human involvement. For paper-filed returns, a clean assessed return means once a CRA employee either keyed the information from the return into the system or scanned the information into the system by 2D bar coding (generated through certified tax software), the assessment could be automatically completed by the system without further human involvement.

When a return is clean assessed, there are no delays in its processing. For the purpose of our analysis of delays in processing returns, clean assessed returns are not the focus of our analysis.

In conducting our examination we researched publicly available information on the CRA’s website; requested statistics and information from the CRA about its processing procedures and timeframes; and examined how the CRA reports on its performance in processing returns and adjustment requests, and whether it informs filers of possible delays.

In our research we also considered the recent investments the CRA made to improve its processing systems and the effect these improvements may have on processing timeframes.

Of the eight rights in the Taxpayer Bill of Rights specifically named in the Taxpayers’ Ombudsman’s mandate, the rights most relevant to this systemic examination are:

- the right to be treated professionally, courteously, and fairly (Article 5);
- the right to complete, accurate, clear, and timely information (Article 6);
- the right to expect the CRA to be accountable (Article 11); and
- the right to expect the CRA to publish its service standards and report annually (Article 13).

These rights, and if/how the CRA upholds them, were considered in every aspect of our examination and analysis.

Definition of delays

Before examining how processing a return or adjustment request becomes delayed, what is considered a delay must first be defined. Section 152(1) of the *Income Tax Act* (ITA) states:

152(1) The Minister shall, with all due dispatch, examine a taxpayer's return of income for a taxation year, assess the tax for the year, the interest and penalties, if any, payable and determine

- (a) the amount of refund, if any, to which the taxpayer may be entitled...; or
- (b) the amount of tax, if any... to be paid... on account of the taxpayer's tax payable.⁴

"All due dispatch" is not defined in the ITA, but the courts have established the criteria of "reasonableness" depending on the relevant facts of the circumstances.

For example, in *Ficek v. Canada* it is explained the term "with all due dispatch," was reviewed thoroughly in *Jolicoeur v Minister of National Revenue*, [1960] CTC 346, 60 DTC 1254 (Ex Ct). There, the court concluded the term "with all due dispatch" is the equivalent of "with all due diligence" or "within a reasonable time" and there is no fixed time period for the performance of the duty to assess a return.⁵ It is further explained in *Ficek* that:

Other decisions [...] confirm that same basic interpretation which provides the Minister with reasonable discretion in the timing of assessment. However, the discretion is not unfettered, it must be reasonable and for a proper purpose of ascertaining and fixing the liability of the taxpayer.⁶

The CRA currently considers the processing of an adjustment request delayed where the adjustment request is not classified as complex and it is processed outside the CRA's service standards.⁷

The CRA currently defines the processing of a return as delayed when both of the following apply:

- (a) the return is filed on time but processed outside the CRA's service standards; and
- (b) the return does not fall into a category that would cause it to be excluded from the application of the CRA's service standards.⁸

4 *Income Tax Act*, RSC 1985, c 1 (5th Supp), ss 152(1).

5 *Ficek v. Canada*, 2013 FC 502 at para 19.

6 *Supra* note 5, at para 21.

7 Canada Revenue Agency, *Service Standards in the CRA, 2019-2020 Service Standards*, online: <https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/service-standards-cra/service-standards-2019-20.html>. Date modified: 2019-08-16.

8 *Ibid*

Returns filed on time are those returns filed by their respective due dates of June 15 for self-employed individuals and their spouse or common-law partner, and April 30 for other individuals.⁹ When a return is filed after the filing due date, the CRA makes no specific commitment regarding processing timeframes. The fiscal year 2017-2018 was the first year in which the CRA added the requirement that the return be filed on time, for the service standards to apply.¹⁰

Until the CRA's publication of its 2019-2020 service standards, there were no exclusions to the service standards for processing returns and adjustment requests. Even with the information the CRA now makes publicly available on exclusions to the service standards for processing returns and adjustment requests, it is not clear when a return or adjustment request may be moved to a specialized processing workflow and therefore possibly delayed.

Through our examination, we identified a gap between the CRA's interpretation of a delay and individual filers' experience or view of what is a delay. Filers have a common sense understanding of delay – if an individual has been waiting for several months for their assessment or reassessment after filing their return or adjustment request, particularly if they have received no indication from the CRA of the status of their assessment or reassessment, they will likely consider it to be delayed, and the processing time unreasonable.

For the purpose of the explanation of the CRA's processes and reporting against its service standards, we will use the CRA's current definition of delay in this report.

The CRA uses the following terminology and definitions.

Tax year – Normally January 1 to December 31 (calendar year), as defined in the *Income Tax Act*.

Fiscal year – April 1 to March 31.

Filing season – Mid February to January of the following year (specific dates fluctuate depending upon the year). Generally begins when the CRA starts accepting new returns.

Peak filing season – Used by the processing areas of the CRA and refers to mid February until April 30 (sometimes extended until the end of June).

Tax season – Colloquial term. Used by the general public and the CRA's communications for plain language purposes. Mid February to April 30 but may extend to end of June in the processing areas.

Program year – Generally refers to the fiscal year except for in the case of initial assessments which is mid February to January of the following year (specific dates fluctuate depending upon the year).

9 Canada Revenue Agency, Filing due dates for the 2018 tax return, online: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/important-dates-individuals/filing-dates-2016-tax-return.html>. Date modified: 2019-02-12.

10 Canada Revenue Agency, Service Standards 2017-2018, online: <https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/service-standards-cra/service-standards-2017-2018.html>. Date modified: 2018-12-14.

Service standards

The CRA's published service standards serve a dual-purpose:

- (a) they set expectations, and
- (b) they provide standards against which the CRA and the public can measure the CRA's performance.

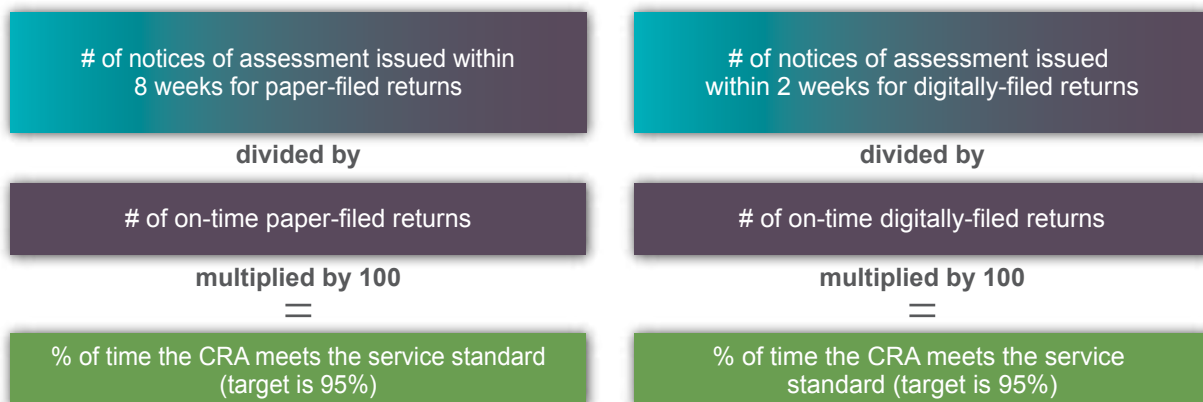
The CRA has service standards for the time it takes to process returns and adjustment requests (adjustment requests) and issue a notice of assessment, notice of reassessment, or no adjustment letter. The CRA's publication of these service standards, and its results in meeting the timeframes, sets an expectation for filers that they will receive a certain level of service from the CRA. When filers meet their obligation by filing their returns on time, they expect the CRA will process them in a timely manner.

The CRA's current published service standards for processing returns and adjustment requests have the same timeframes:

- (a) Digitally-filed – two weeks from the date of receipt by the CRA, 95% of the time; and
- (b) Paper-filed – eight weeks from the date of receipt by the CRA, 95% of the time.¹¹

For processing returns, this timeframe is for the CRA to process the return, issue a notice of assessment, and issue a refund if applicable. For processing adjustment requests, this timeframe is for the CRA to process the adjustment request, and issue a notice of reassessment or a no adjustment letter.¹²

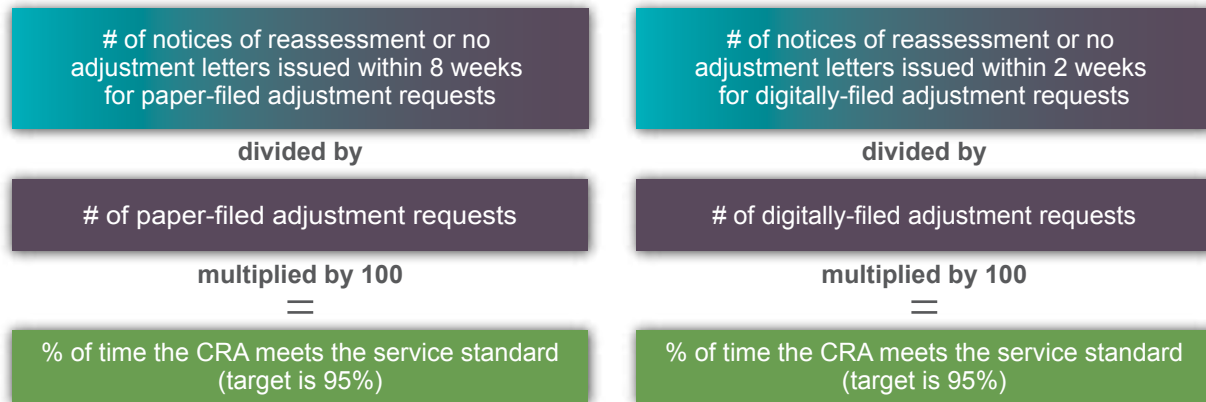
Figure 1: How the CRA calculates its service standards for processing returns.¹³



11 *Supra*, note 7

12 *Ibid*

13 *Ibid*

Figure 2: How the CRA calculates its service standards for processing adjustment requests.¹⁴

What is currently included in and excluded from the service standards

Most simply put, if a return is clean assessed it will be processed within, and calculated in, the service standard. For the service standard to apply to a return it must be filed on time. For fiscal year 2019-2020, the CRA added that its service standards do not apply to the following returns:

- returns for deceased persons;
- returns for bankrupt persons;
- returns for international and non-resident individuals;
- returns for emigrants;
- multiple tax years filed at the same time; and
- returns where the CRA must contact an individual for more information.¹⁵

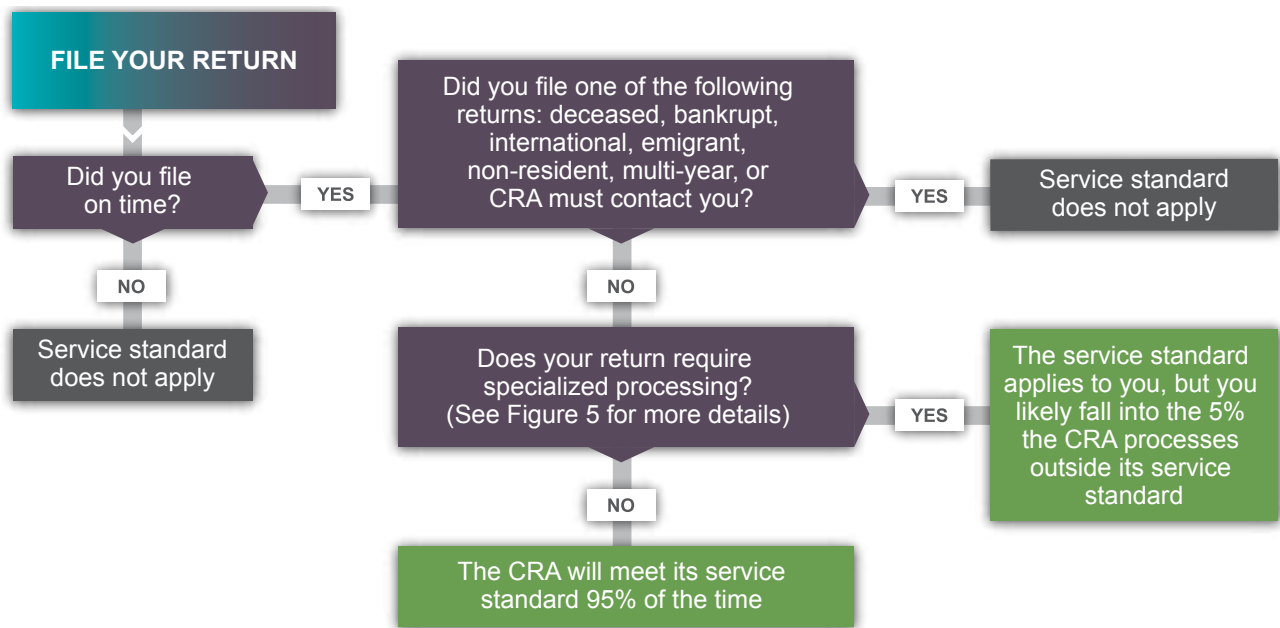
The CRA stated it explicitly added these exclusions to the service standards as persons filing these types of returns should not expect their returns to be processed within the stated service standards. While the 2019-2020 service standards are clearer on what is and is not excluded from the service standard, it greatly reduces the level of service many filers expect to receive. It also does not provide information to set a filer's expectations for how long it will take the CRA to process their excluded return. These filers are left to ask the logical question, "But how long is my return going to take?"

¹⁴ *Ibid*

¹⁵ *Ibid*

In excluding these more complex returns, it is much easier for the CRA to meet its service standards. As stated previously, 95% of digitally-filed returns are clean assessed. Therefore, 95% of digitally-filed returns are assessed and meet the standard instantly.

Figure 3: Determining if the CRA's service standards for processing returns applies to you.



The service standards for returns and adjustment requests for fiscal years 2015-2016 to 2017-2018 only applied to “straightforward” adjustment requests. On the English webpage, the CRA stated “less straightforward” adjustment requests may take longer than the standard. On the French webpage, the CRA stated “complex” adjustment requests take longer than the standard. The CRA did not indicate what “straightforward” meant but provided examples of “less straightforward” (in the English) and “complex” (in the French) adjustment requests, such as where additional information is requested, where the matter has to be referred to a subject matter expert for review, or where the return of another individual, such as a spouse or child, must first be considered.¹⁶

16 Canada Revenue Agency, Service Standards 2015-2016, *Tax returns, benefits, and claims*, online: <https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/service-standards-cra/service-standards-2015-2016.html>. Date modified: 2017-11-08.

Canada Revenue Agency, Service Standards 2016-2017, *Tax returns, benefits, and claims*, online: <https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/service-standards-cra/service-standards-2016-2017.html>. Date modified: 2017-11-08.

Supra note 10

For the 2018-2019 and the 2019-2020 fiscal years, the CRA amended the published information on the service standards for adjustment requests. The service standards still only apply to straightforward adjustment requests, but on the English webpage, to add clarity, rather than using the terminology “less straightforward”, the CRA notes some adjustment requests are “considered complex and will take longer to process.”¹⁷

The CRA did not add information to clarify the meaning of “straightforward”, and the previously provided examples of “less straightforward” (in the English) and “complex” (in the French) adjustment requests were removed. The CRA states that complex adjustment requests include those where additional information or review is required. It provides a link to a webpage¹⁸ where there is a list of situations that could be considered complex and as such the service standards would not apply because the adjustment could take longer to process.¹⁹

The CRA lists the following examples of complex adjustment requests:

- (a) the CRA has to contact the filer or their authorized representative for more information or documentation;
- (b) the request is to adjust multiple tax returns, or tax years beyond the normal 3 years reassessment period;
- (c) the request is for a bankruptcy return;
- (d) the request is related to a deceased person;
- (e) the filer requests a carry-back amount such as capital or non-capital losses;
- (f) the request is related to an international or non-resident person; or
- (g) the request is for the elected split-pension amount.²⁰

While the additional information regarding complex adjustment requests excluded from the service standards does more to explain what is and is not excluded from the service standard, it is important to note it is not an exhaustive list and provides only examples. It does not go far enough to clearly state what actions cause an adjustment request to be excluded from the service standard, and does not provide information to set a filer’s expectations for how long it will take for their excluded adjustment request to be processed.

17 Canada Revenue Agency, Service Standards 2018-2019, *Tax returns, benefits, and claims*, online: <https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/service-standards-cra/service-standards-2018-2019.html>. Date modified: 2019-09-06.

Supra note 7

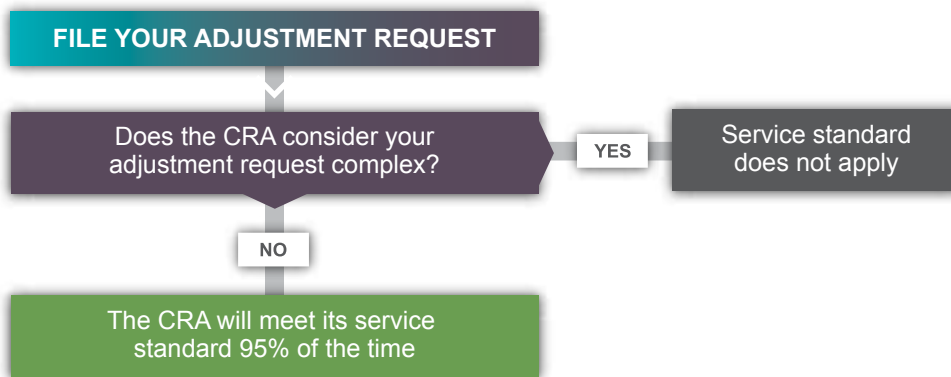
18 Canada Revenue Agency, How to change your return, online: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/change-your-return.html>. Date modified: 2019-02-12.

19 *Supra* note 17

20 *Supra* note 18

For example, if a straightforward adjustment request was made for a return that would be excluded from the CRA's service standards for processing returns, it would no longer be considered straightforward. It would not be subject to processing under the timeframes in the service standards, nor would the CRA include it in the calculation of its performance against the service standards.

Figure 4: Determining if the CRA's service standards for processing adjustment requests applies to you.



All adjustment requests are first reviewed within the routine adjustment workflow and, if deemed complex, referred to the appropriate area. Consequently, the time taken to action the inventory at this stage impacts the date an adjustment request enters the complex workflow. We learned the CRA deals with adjustment requests on a first-in, first-out basis and it can take the CRA as much as four to five months from the date the adjustment request is received to assign the file to an officer in the complex workflow. No actual work on the file is completed during this time. Because there is no service standard associated with processing complex adjustment requests, the CRA does not report this as a delay.

The CRA stated this time period is usually the result of higher volumes of adjustment requests received during the peak period of April to August (after filers have received their notices of assessment). During the off-peak period for adjustment requests between September and March, the CRA informed our Office that adjustment requests would be assigned more quickly, although it did not provide a specific timeframe.

Specialized processing workflows

When we began examining the issue of delays, we asked the CRA whether any of the areas within the CRA that process returns do not have a set, published service standard. In response, the CRA stated the published service standards include all areas of processing, and their target is to meet the standards 95% of the time, with the remaining 5% of returns being possibly processed outside the service standard timeframes.

Even if the processing of a return or adjustment request is not excluded from the CRA's service standard, it may still be delayed. The CRA's service standards permit 5% of all returns and adjustment requests (that are not otherwise excluded) to be processed outside the timeframes it set in its service standards.

The processing of returns and adjustment requests in one or more of the CRA's specialized processing workflows²¹ often accounts for delays. A return or adjustment request may be flagged, whether filed digitally or by paper, as requiring the intervention of a specialized processing workflow, including but not limited to:

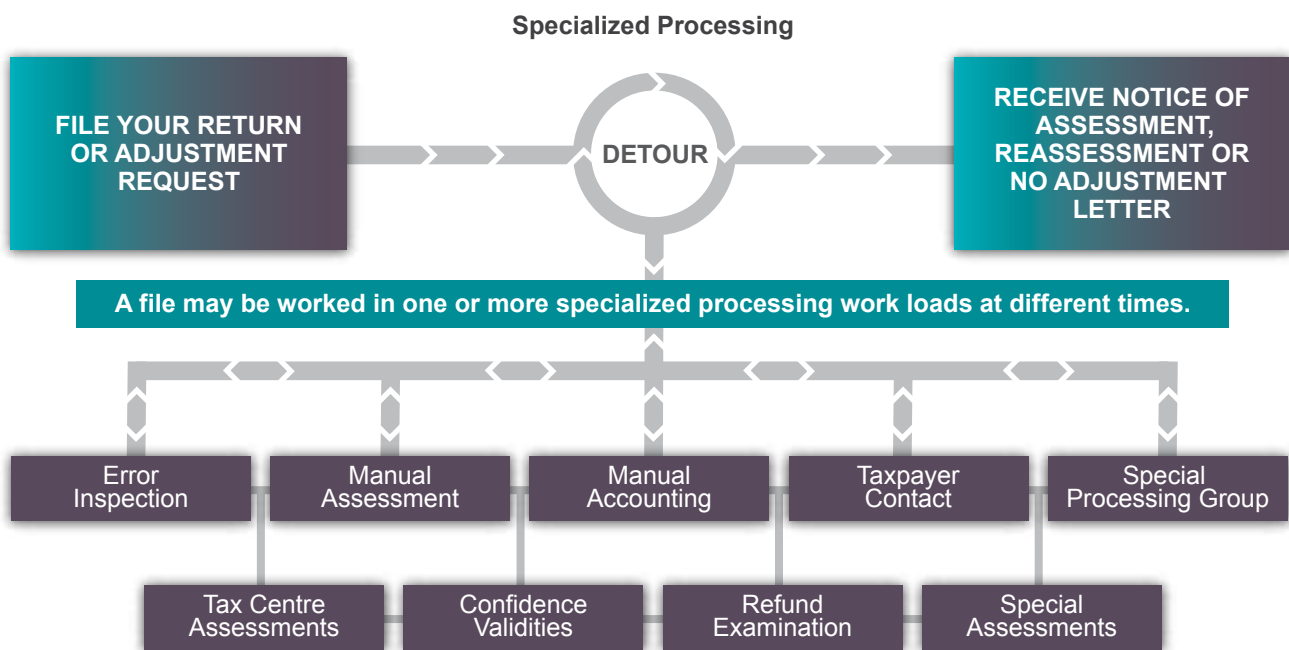
- **Error Inspection** – responsible for the manual verification of certain information filed where the CRA's systems have identified an error or inconsistency.
- **Manual Assessment** – responsible for completing or verifying the actual amounts reported or taxes calculated (e.g. elective deceased returns).
- **Manual Accounting** – required when the processing system is unable to calculate penalties, interest or identify applicable payments due to limitations (e.g. certain pre-bankrupt returns).
- **Taxpayer Contact** – when the CRA needs to contact a filer to request additional information to assist in the processing of the tax return (e.g. when a Social Insurance Number is not provided on the return).
- **Special Processing Group** – completes additional verification, calculations, and corrections when the CRA's systems cannot correctly do an assessment without additional information (e.g. certain non-resident, deceased, bankruptcy, insolvency, early-filed, voluntary disclosure, multiple jurisdictions, and where tax-exempt income is claimed by a Status Indian²²).

21 "Specialized processing workflows" means the return or adjustment request requires some action outside of the normal automated assessment flow.

22 The term "Indian" is used solely because of its legal meaning as per the *Indian Act* R.S.C., 1985, c. I-5 <http://laws-lois.justice.gc.ca/eng/acts/i-5/>.

- **Tax Centre Assessments** – completes complex manual assessments of returns that cannot be processed by the system due to their age (e.g. returns over 11 years old), rarity of a claim (e.g. specialized tax treaty requirement), or urgent need for a notice of assessment to be issued (e.g. where there is a risk of loss of an amount owing to the CRA).
- **Confidence Validities** – reviews over 60 risk factors associated with income, deduction, credit, and refund claims being made.
- **Refund Examination** – reviews the tax return for unusual claims or behaviours leading to potentially unwarranted refunds or lost revenue for the CRA.
- **Special Assessments** – reviews returns for possible non-compliance, potential identity theft, or false receipting.

Figure 5: Specialized processing workflows.



Some of the returns processed through the specialized processing workflows are also returns that are now automatically excluded from the service standards.

Setting expectations and avoiding frustration

Jacob, a resident of New Zealand, has various income from Canada on which he is taxed. He filed his 2017 return by paper in March 2018. When he had not received his notice of assessment by October 2018, he filed a complaint with the CRA's Service Complaints Program. In his complaint he quoted the CRA's 2017-2018 service standard whereby paper-filed returns were to be processed within eight weeks. He explained he was waiting for his refund to pay a debt, and the interest was continuing to increase, causing him great stress.

Our review found the CRA had determined his return required specialized processing, but due to high inventories it was not assigned to an officer in the specialized processing workflow area until August 2018 (five months after Jacob filed his return). The CRA subsequently issued the notice of assessment in November 2018.

The 2019-2020 fiscal year service standards now state that non-resident returns are excluded. The 2017-2018 and 2018-2019 fiscal years' service standards state they apply to "citizens"; however, they did not state anything about exclusions, making it unclear that non-residents who are not citizens were excluded. Therefore, Jacob expected his return to be processed within the eight week service standard.

An example of complaints received by the Office of the Taxpayers' Ombudsman regarding the timeliness of processing returns processed in specialized workflows, are returns reporting tax-exempt income under section 87 of the *Indian Act*²³ and subsection 81(1)(a) of the *Income Tax Act*²⁴. Returns filed by Status Indians reporting tax-exempt income are processed as specialty returns in the CRA's specialized processing workflows. We asked the CRA whether these returns are excluded from the service standards. The CRA stated returns reporting tax-exempt income are included in the service standards and that it makes every effort to process them within those timeframes. The CRA also stated, "Depending on the method of filing and the details provided by the taxpayer the returns follow a very similar flow as they would in the processing of regular income tax returns." Therefore, according to the CRA, as long as the filer provides all information correctly on the return and files on time, the processing should fall within the service standard of two or eight weeks, for digitally-filed or paper-filed returns respectively. However, if elements of the return require further review, the service standard may not apply, and the filer will not be notified, as is the case with all returns filed.

23 *Indian Act* R.S.C., 1985, c. I-5, section 87.

24 *Income Tax Act* R.S.C., 1985, c. 1 (5th Supp.), subsection 81(1)(a).

Although requested, the CRA did not provide data on how many returns reporting tax-exempt income (under the *Indian Act* or otherwise) are filed, nor did the CRA provide the requested data on the average time to process these returns or other returns processed through specialized processing workflows, nor how many returns reporting tax-exempt income or other returns processed through specialized processing workflows are processed within the service standards.

Keeping better data and analytics about processing returns and adjustment requests reporting tax-exempt income, and other returns processed through specialized processing workflows, would better enable the CRA to understand its inventories, delays, and the causes thereof. The CRA advised our Office that

one of the reasons this category of return is processed as a specialty return is to ensure that tax exempt income (which is not reported on the tax return) is properly accounted for in the calculation of the individual's credits and benefits such as the Canada Working Benefit.

In fact, tax-exempt income is reported on returns. We do not have sufficient information to assess why returns reporting tax-exempt income must be processed as specialty returns in a specialized processing workflow. This creates the potential for delay caused specifically by being Status Indian. Where possible, the CRA needs to address system limitations and capture all relevant information filed on returns, so more returns can be processed in a timelier manner and with less manual intervention.

For returns and adjustment requests requiring additional information from the filer, the CRA is dependent upon the filer to respond to a request for information; therefore, it is difficult to set a service standard. One solution is to create a service standard that is calculated upon workable and non-workable time, where workable time includes all the time the file is within the control of the Government of Canada. This is something the CRA is already doing in other workflows.²⁵

For some returns and adjustment requests, the detour to a specialized processing workflow is quick and they are still processed within the service standard. Other returns and adjustment requests must go through more than one specialized processing workflow. In reference to their published performance result of processing 96% of all returns within the service standards in the 2017-2018 fiscal year, the CRA advised our Office that “all specialized workflows ... are more than likely included in the 4% due to the additional time required to complete the assessment.” Filers whose returns are processed in a specialized processing workflow would not know of this and would expect they would receive a notice of assessment or reassessment, or a no adjustment letter, within the CRA's two or eight week commitment. Moreover, the CRA does not make known to these filers that they have lost their entitlement to timely processing.

25 For example, see Canada Revenue Agency, Processing times and complexity levels – Income tax and GST/HST objections, online: <https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/complaints-disputes/complexity-level-processing-time.html>. Date modified: 2019-12-05.

Impact of being one of the 5%

Sarah's representative digitally filed her 2017 return in early March 2018. According to the service standards, Sarah expected her return to be processed within two weeks. Sarah called the CRA's Individual tax enquiries (call centre) telephone line three times over three months and each time she was given a new date to call back and try again. The call centre agents did not provide an explanation for the delay or indicate which specialized processing workflow area was handling her return.

Sarah's representative filed a complaint with the CRA Service Complaints Program in May 2018. Sarah was waiting on her refund to pay some past due bills and the delay was causing her distress.

The CRA Service Complaints Program found there was no delay in processing her return because it was subject to additional review and the area responsible for the review was within its internal target processing timeframe.

The July 2018 closing letter from the CRA Service Complaints Program contained information from the Refund Examination section, stating:

The CRA processes most returns without conducting a manual review of the information filed so that it can send out Notices of Assessment as quickly as possible, meeting the 4 to 6 week published service standard. However, all returns are screened by the CRA's computer system when filed and may be subject to additional review before assessment or at a later date. If this occurs, the service standards become lengthened to allow adequate time for the more comprehensive review. Your client's return was referred to Refund Examination section of the Canada Revenue Agency for further review on May 18, 2018. Our mandate is to process the return within sixteen (16) weeks from the date the return is received in our department, and we process the work in the order we receive the correspondence.

We also found the return was not sent to the CRA's Refund Examination section until at least seven weeks after filing. Furthermore, the return had actually been referred to two specialized processing workflow areas – the Confidence Validities Section and the Refund Examination section, each with their own internal processing timeframes. The CRA advised our Office there are no policies or procedures directing a CRA employee to contact the filer when a return is selected for review.

This raises a number of concerning issues:

- (a) The error in the letter regarding the number of weeks for the service standards.
- (b) The error in in the letter in stating the service standards become lengthened. In fact there is no lengthened service standard when a return is sent to a specialized processing workflow, only lengthened internal target processing timeframes which are not to be used to indicate processing timeframes.
- (c) The delay between when the return was received by the CRA and when it was referred to the CRA's Refund Examination section.
- (d) The CRA does not account for delays in sending returns and adjustment requests to specialized processing workflow areas, or between such areas. The CRA's internal target processing timeframes only start once that area receives the return or adjustment request.
- (e) The internal target processing timeframe of sixteen weeks for Refund Examination seems too long.
- (f) The CRA did not contact Sarah or her representative to advise of the reviews and that it would take longer than two weeks to process, and did not provide an estimated processing time.

Figure 6: Returns processed in a specialized processing workflow during the filing season.

Filing Season	Special Processing Group	Taxpayer Contact	Tax Centre Assessments	Confidence Validity	Refund Examination*	Special Assessments*	Total
2018	470,265	66,395	30,164	182,154	93,845	16,932	859,755
2017	566,749	41,026	34,352	177,259	77,872	22,383	919,641
2016	595,057	77,097	41,255	186,538	77,060	20,226	997,233
2015	609,363	99,516	46,830	225,495	84,629	17,745	1,083,578
2014	658,167	93,976	38,608	177,745	81,660	19,102	1,069,258

These volumes include returns that were included and excluded from the service standard for the filing season.

* The CRA advised our Office the program results for Refund Examination and Special Assessments workloads includes reviews that occurred either pre or post-assessment. The CRA was not able to isolate the pre-assessment volumes.

Assessing the CRA's performance

Over the years, the CRA has changed its published service standards for processing returns and adjustment requests. It has also changed the information it provides publicly on what is excluded from the service standards. Furthermore, the CRA has changed how it calculates its performance against these service standards.

Figure 7: How the CRA's service standards have changed over the past five years.²⁶

Fiscal Year	Timeframes	Goal	Exclusions	How/What the CRA reported
2015-2016				
Digitally-filed returns	2 weeks from receipt	100%		1.7 weeks on average
Paper-filed returns	4-6 weeks from receipt	100%		5.6 weeks on average
Digitally-filed adjustment requests	2 weeks provided all requisite info received	100%	Less straightforward requests	1.8 weeks on average
Adjustment requests filed by other methods	8 weeks provided all requisite info received	100%		7.8 weeks on average
2016-2017				
Digitally-filed returns	2 weeks from receipt	100%		1.6 weeks on average
Paper-filed returns	4-6 weeks from receipt	100%		4.4 weeks on average
Digitally-filed adjustment requests	2 weeks from receipt of all requisite information	100%	Less straightforward requests	1.4 weeks on average
Adjustment requests filed by other methods	8 weeks from receipt of all requisite information	100%		10 weeks on average
2017-2018				
Digitally-filed returns	2 weeks from receipt	95%	Returns filed late	96% of returns were processed within the service standards
Paper-filed returns	8 weeks from receipt	95%	Returns filed late	
Digitally-filed adjustment requests	2 weeks from receipt	95%	Less straightforward requests	64% of adjustment requests processed within the service standards
Paper-filed adjustment requests	8 weeks from receipt	95%		

²⁶ *Supra* notes 10, 16 and 17

Fiscal Year	Timeframes	Goal	Exclusions	How/What the CRA reported
2018-2019				
Digitally-filed returns	2 weeks from receipt	95%	Returns filed late	96.57% processed within the service standard*
Paper-filed returns	8 weeks from receipt	95%	Returns filed late	83% processed within the service standard*
Digitally-filed adjustment requests	2 weeks from receipt	95%	Complex requests	90.5% processed within the service standard*
Paper-filed adjustment requests	8 weeks from receipt	95%	Complex requests	86.7% processed within the service standard*
2019-2020				
Digitally-filed returns	2 weeks from receipt	95%	Late-filed; filed for deceased, bankrupt, international, non-resident, and emigrant individuals; filed for multiple tax years; contact must be made for more information	
Paper-filed returns	8 weeks from receipt	95%		
Digitally-filed adjustment requests	2 weeks from receipt	95%	Complex requests	
Paper-filed adjustment requests	8 weeks from receipt	95%	Complex requests	

* The CRA has not yet publicly reported on its results for fiscal year 2018-2019. The results in the table for this year reflect information provided to our Office by the CRA in response to our requests for information.

For fiscal years 2015-2016 and 2016-2017, how the CRA reported against its service standards for processing returns and adjustment requests lacks transparency as they do not actually provide information on how often the CRA met its specific service standards. Rather, they only provide the average number of weeks it took the CRA to process returns, based on all returns filed, and the average number of weeks it took the CRA to process adjustment requests, based on all adjustment requests filed. The use of averages leads one to believe the CRA is meeting its service standards when it may not be meeting them.²⁷

27 With the exception that the 10 week average reported for processing adjustment requests filed by other methods in 2016-2017 does show the CRA did not meet its service standard.

Due to Treasury Board of Canada Secretariat requirements, starting with fiscal year 2017-2018, the CRA stopped reporting against these service standards by providing only the average number of weeks to process returns and adjustment requests. The CRA started reporting the percentage of returns “processed within this standard”.

The Treasury Board of Canada Secretariat provides the following guidelines on what makes a good service standard.²⁸

- **Relevant to the client:** Service standards are consistent with client priorities and address aspects of the service they value most within available resource allocations.
- **Based on consultation:** Service standards are developed in consultation with clients, managers, staff, and other partners in service delivery to ensure that they are meaningful and match the organization’s mandate.
- **Measurable:** Service standards are quantifiable and linked to monitoring activities.
- **Consistent across government:** Service standards should be consistent throughout federal organizations providing similar services. Having similar service standards across government for similar services helps both clients and government. Clients will find it easier to deal with different organizations, and the organizations themselves will find it easier to share best practices and adopt common approaches.
- **Ambitious but realistic:** Service standards are realistic, based on analysis and consistent with objectives, yet sufficiently challenging to service providers.
- **Endorsed by management:** Service standards are understood and endorsed by senior management.
- **Communicated:** Service standards are clearly communicated to clients, employees, and other stakeholders to help manage expectations.
- **Transparent:** Service standards are monitored and reported to senior management, and performance results are published to ensure transparency and client trust.
- **Continuously updated:** Service standards are regularly reviewed and updated as appropriate.

²⁸ Treasury Board of Canada Secretariat, Guideline on Service Standards, online: <https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=25750>.
Date modified 2012-07-04.

Also new in the 2017-2018 fiscal year, the CRA added that the standards only applied to returns filed on time.

The CRA's performance results for processing digitally-filed adjustment requests remained fairly consistent from fiscal year 2013-2014 to fiscal year 2016-2017. For paper-filed returns, the CRA's result for the 2013-2014 to 2015-2016 fiscal years showed average processing times of between 7 and 7.8 weeks. However, for the 2016-2017 fiscal year, there was a significant increase, and on average it took 10 weeks to process a paper-filed adjustment request.

The CRA stated due to some technological challenges with a new system, adjustment requests were processed "substantially beyond the service standard." The CRA further stated in 2017 a study was done and it identified areas requiring improvement. The CRA took a number of actions to make improvements, including reallocation of work and funding with additional funding provided to the Tax Centres. The CRA informed our Office that since these interventions, inventories are much lower, and the average processing timeframes for routine digitally-filed adjustment requests are processed within one to two weeks and routine paper-filed adjustment requests are processed within five to six weeks.

The CRA made a notable change in the terminology in its service standards for processing adjustment requests in the 2017-2018 fiscal year. In fiscal years 2015-2016 and 2016-2017, the CRA reported on those "received by Internet" (two week standard) and all other adjustment requests (eight week standard).²⁹ Starting in the 2017-2018 fiscal year, the CRA moved to reporting on digitally-filed adjustment requests (two week standard) and paper-filed adjustment requests (eight week standard).³⁰

The importance of this difference is that adjustment requests can be made verbally. The CRA advised our Office that the published service standards apply to verbal requests but the CRA did not state whether the two or eight week standard applies. Presumably the eight week standard continues to apply as verbal adjustment requests were included in this standard prior to the 2017-2018 fiscal year. It is important the CRA publishes information on the service standard for verbal adjustment requests, and that they are included in the correct calculation in reporting against the service standard.

While the 2017-2018 changes to how the CRA calculates and reports on the service standards provide clarity on the percentage of returns and adjustment requests processed within the service standards, the CRA combined digitally-filed and paper-filed returns, and combined digitally-filed and paper-filed adjustment requests (with no mention of those filed by other methods) in its reporting.³¹ These calculations provide less transparency on the difference in processing standards for digitally-filed versus paper-filed returns and adjustment requests.

29 *Supra* note 16

30 *Supra* note 10

31 *Ibid*

In combining digitally-filed and paper-filed returns when reporting its performance against the service standards, the CRA provides a skewed picture of how it is meeting these service standards. The volume (95%) of digitally-filed, clean assessed returns (automatically processed with no delays) raises the overall average, leaving an unclear picture of how the CRA is performing against the service standard for paper-filed returns.

The same concern exists regarding the CRA's reporting against the service standards for processing adjustment requests. The CRA has reported a large disparity in the average amount of time to process digitally-filed adjustment requests and those filed through other methods.

For example, for the 2016-2017 fiscal year, the CRA reported it took on average 1.4 weeks to process and issue notices of reassessment on digitally-filed adjustment requests, whereas it took on average 10 weeks to process and issue notices of reassessment on adjustment requests filed through other methods.³² Therefore, in the 2017-2018 fiscal year, the digitally-filed adjustment requests would have raised the overall average, leaving an unclear picture of how the CRA is performing against the service standard for adjustment requests not filed digitally.

As discussed, for fiscal year 2018-2019, the CRA changed the wording used regarding adjustment requests excluded from the services standards, from those that are "less straightforward" to those that are "complex". It no longer provides examples in the service standard but provides a link to examples of complex adjustment requests.

Although these examples were not added until the 2018-2019 fiscal year, the CRA provided our Office information stating that these types of adjustment requests were already being excluded from the service standards reported for the 2017-2018 fiscal year.

The CRA estimates 23% of all adjustment requests are identified as complex. In fiscal year 2017-2018 the CRA received 1,960,404 adjustment requests. Removing 23% of these as complex, 1,509,511 requests fell within the parameters of the service standards. However, for the 2017-2018 fiscal year, the CRA only met its service standards 63.87% of the time. This translates to 545,386 delayed adjustment requests. These filers would have been left to ask the logical question, "But how long is my adjustment request going to take?"

While it is understandable that some returns and adjustment requests will take longer to process, that does not mean they should not be subject to a service standard and processed within a reasonable amount of time. It is troubling that those who fall into the categories of excluded returns and adjustment requests have no expectation for how long it will take the CRA to process their return or adjustment request. Although the new information on exclusions is clearer, the CRA should be more transparent on what returns and adjustment requests it includes or excludes from the service standards, and the

32 Canada Revenue Agency, Service Standards 2016-2017, *Tax returns, benefits, and claims*, online: <https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/service-standards-cra/service-standards-2016-2017.html>. Date modified: 2017-11-08.

calculation of its performance against those service standards. The CRA also needs to be more transparent about when and why processing a return or adjustment request may be delayed, and what timeframe can be expected.

For fiscal year 2019-2020, in addition to excluding returns filed after the filing due dates, the CRA added the following exclusions to the service standards:

- returns for deceased persons,
- returns for bankrupt persons,
- returns for international and non-resident individuals,
- returns for emigrants,
- multiple tax years filed at the same time, and
- returns where the CRA must contact an individual for more information.³³

In response to our requests for information, the CRA reported it does almost no tracking regarding specialized processing workflows, and stated this tracking is not necessary for the purpose of calculating the service standards. In response to our enquiry on returns reporting tax-exempt income, the CRA stated there is no dedicated team to process these returns. In response to our request for the average processing time to complete complex adjustment requests, the CRA stated this information was not readily available and could not be determined without significant information technology time and resources.

The CRA provided our Office with data but used inconsistent and conflicting terminology to describe the data. For example, being unclear in whether the data show returns/adjustment requests processed or filed. As well, the CRA provided inconsistent definitions for the same terms. In clarifying these issues, it became clear that different people within the CRA use different terms colloquially for the same data.

Compounding these issues is that the CRA reports publicly on its service standards for processing returns by *fiscal year* (April 1 – March 31) but actually uses statistics from the *filing season* (mid February to January of the following year).

It is important that the CRA use consistent terminology and definitions both internally and externally. It is also important to be transparent in the wording used when publicly reporting against its service standards.

Our Office experienced difficulties in assessing the CRA's performance against its service standards. As outlined above, there has been an evolution in the methodology used by the CRA to calculate its adherence to the service standards for processing returns and adjustment requests.

33 *Supra* note 7

All of this makes it virtually impossible to objectively determine which types of returns and adjustment requests one can expect to be processed within the service standard timeframes, and which are used by the CRA in the calculation of its performance against its service standards, to assess the CRA's performance compared on a year-by-year basis to show the consistency of whether it meets its service standards.

Keeping better analytics about the returns and adjustment requests processed in specialized processing workflows (such as for returns reporting tax-exempt income), as well as excluded returns and adjustment requests would better enable the CRA to understand its inventories, delays and the causes thereof.

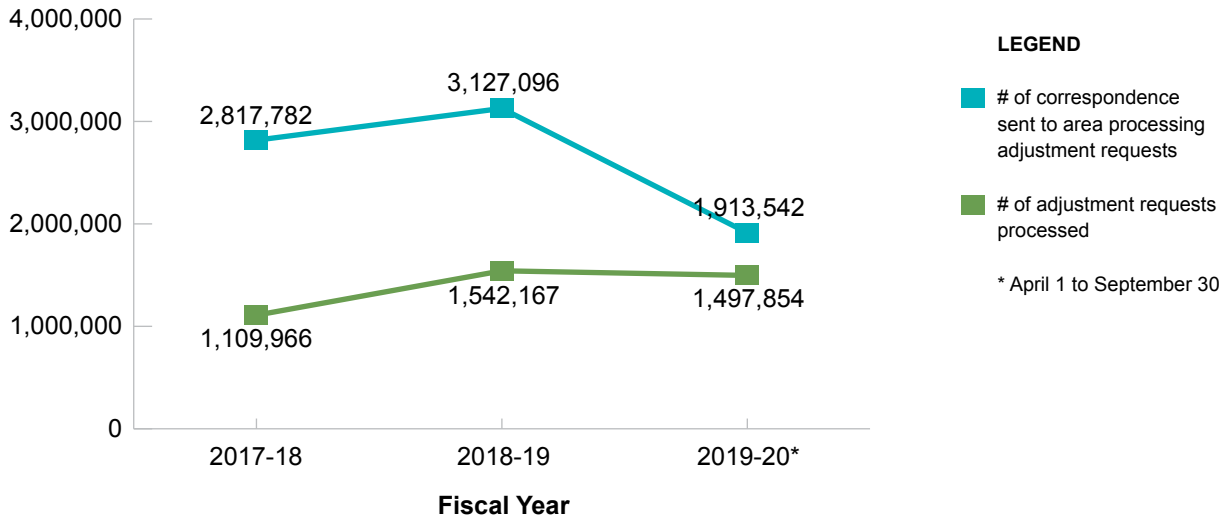
With respect to specialized processing workflows, while the CRA has internal target processing timeframes, it does not track its performance against these timeframes; therefore, the CRA was unable to answer our question of how often the CRA meets these internal targets. We found these internal target processing timeframes range from a few weeks to four months, depending on the program. Four months is a long time, especially when the CRA does not notify a filer of this delay. Where possible, the CRA needs to reduce these timeframes and provide more transparency on when a return or adjustment request will take longer than the published service standard, as well as its performance in processing returns and adjustment requests in these workflows.

The CRA advised our Office it is working on a progress tracker for status updates, as well as an indication of anticipated processing times and expected completion date, for the processing of returns, adjustments requests and some other processing workloads. Phase one of this project will be the release of the "Check CRA processing times" tool on its website, in mid-December 2019. This tool will provide an estimated completion date based on published service standards. Phase two of this project will be an account-specific tracking service offered in the CRA's secure portals (such as My Account and My Business Account).

In Budget 2019, \$34 million in additional funding over five years, starting in fiscal year 2019-2020, was allocated to the CRA to hire additional staff to process adjustment requests more quickly, "reducing frustration for taxpayers and ensuring that vulnerable Canadians do not encounter unnecessary delays in calculating the credits and benefits to which they are entitled."³⁴ The recognition of the issue and the willingness to take action to resolve the problem is important. Equally important is ensuring the allocation of funds to the most beneficial places, to resolve a problem. In the role of Taxpayers' Ombudsman, it is important to always look to the underlying cause of complaints and problems, to move from being reactive to proactive. In this vein, it is important for the CRA to ensure it is allocating resources to the appropriate areas to ensure the issue of delays in processing adjustment requests will be resolved.

34 Budget 2019, Chapter 4 – Improving Client Services at the Canada Revenue Agency, online: <https://www.budget.gc.ca/2019/docs/plan/chap-04-en.html#Improving-Client-Services-at-the-Canada-Revenue-Agency>. Date modified 2019-03-19.

Figure 8: The number of adjustment requests processed by the CRA, and the amount of correspondence received by the CRA that is sent to the area processing adjustment requests, for fiscal years 2017-2018 and 2018-2019, and the first six months of fiscal year 2019-2020.



The CRA stated:

The volume of correspondence received in the area responsible for adjustments is not an accurate depiction of the true intake as it includes various types and sources of work that flow to the area. The volume of T1 adjustment requests is based on the actual volume processed.

Given this, the CRA needs to assess information and analytics on the types and sources of correspondence flowing to the area processing adjustment requests, to determine why this area is receiving correspondence that is not truly an individual adjustment request. The CRA needs to ask whether changes need to be made elsewhere – for example, perhaps clearer information, both externally and internally, on where to properly send adjustment requests and other correspondence that is currently being sent to the area processing adjustment requests.

Furthermore, to properly address the problem of delays, the CRA needs to dig into all the elements affecting the delays in processing adjustment requests and paper-filed returns. For example, the CRA needs to ask whether the additional staff allocated to processing adjustment requests will fix the underlying cause of the delays in processing adjustment requests? To answer this, the CRA needs to consider if there has been an increase in the number of adjustment requests. If so, why? If there are more adjustment requests being received, are there issues elsewhere causing more errors to be made in the completion or processing of returns? If not, why did processing times increase? Were there more complicated adjustment requests filed? If so, what led to this? Similar types of probing questions need to be asked with respect to the delays in processing paper-filed returns.

It is important the CRA ensure it analyzes all factors involved in the delays in processing adjustment requests, regardless of how far from adjustment processing areas these issues may start. Resources need to be allocated to fixing the root of the problem.

When we asked the CRA whether it had a backlog in processing adjustment requests, the CRA stated “There are no backlogs in T1 Adjustments”, despite the need for the additional funding provided in Budget 2019. When discussed with the CRA, we were advised there is an “inventory” of adjustment requests but this is not considered a backlog despite there being delays in processing adjustment requests. Transparency and clarity is important and this includes using a common-sense approach to the provision of information, including to the public on the CRA’s performance.

An example of the impact of how the CRA applies and calculates its service standards is:

The CRA processed 29,823,488 returns during the 2018 filing season.

5,488,826 of those returns were filed for previous tax years or were late-filed for the 2017 tax year. These returns were not included in the CRA’s calculation of its performance against its service standards. These returns may not have been processed within the service standard timeframes.

382,405 on-time paper-filed returns which the CRA did not process within 8 weeks.

756,783 on-time digitally-filed returns which the CRA did not process within 2 weeks.

6,628,014 total potential returns processed outside the published timeframes for the 2018 filing season.

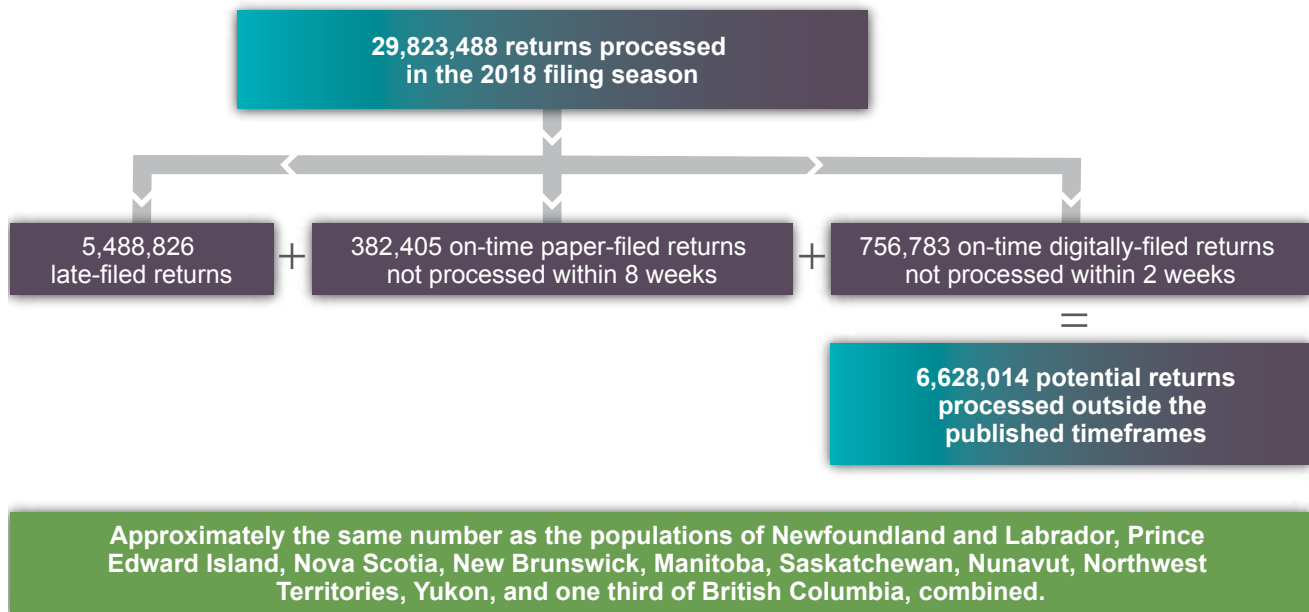
This is approximately the same number as the populations of Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, Manitoba, Saskatchewan, Nunavut, Northwest Territories, Yukon, and one third of British Columbia, combined.³⁵

With the exclusions now in the CRA’s new service standards for fiscal year 2019-2020, there will be additional excluded returns.

35 Statistics Canada, Canada at a Glance 2018, *Population*, online: <https://www150.statcan.gc.ca/n1/pub/12-581-x/2018000/pop-eng.htm>. Date modified 2018-03-27.

Preliminary population estimates for 2017: Newfoundland and Labrador = 528,817; Prince Edward Island = 152,021; Nova Scotia = 953,869; New Brunswick = 759,655; Manitoba = 1,338,109; Saskatchewan = 1,163,925; Nunavut = 37,996; Northwest Territories = 44,520; Yukon = 38,459; British Columbia = 4,817,160.

Figure 9: The number of returns processed by the CRA during the 2018 filing season; and the number of returns potentially processed by the CRA outside the published timeframes for the 2018 filing season.



Although requested, the CRA did not provide our Office with the total number of returns received in the 2018 filing season, nor a breakdown of the number of returns received and processed that would fall into the excluded categories.

It is important the CRA consider the individual circumstances of the person filing a return or adjustment request and the potential impacts of any delays on peoples’ financial security and wellbeing, when processing returns and adjustment requests and in determining a reasonable timeframe to do so.

Impacts of delayed processing

Processing some types of returns and adjustment requests will naturally take longer than others. This explains the exclusion of certain types of returns from the normal service standards. However, the CRA accepts that the processing of 5% of all returns filed on time, and not already part of the many that are automatically excluded, may simply be delayed.

Delays in processing have very real consequences as they can impact the many benefit and other payments administered by the CRA and timeliness of receipt of refunds. The CRA administers 50 benefit payments and 131 benefit services. The determination of an individual's eligibility for most benefits and some credits relies on their assessed income from the previous year.³⁶ To better understand the impact on benefit recipients from the CRA's delays in processing returns, we must first understand how the payments are made and the effects delays have on issuing those payments. Note that in the following, while we speak mainly of filing returns, given that adjustment requests are processed by the same areas, in the same ways, and subject to the same service standards as returns, much of the information, issues, and potential consequences also apply to adjustment requests.

For many of the monthly benefits the CRA administers, it verifies if the applicable eligibility information exists in its systems on a monthly payment run date, to allow for the issuance of the benefit payment.³⁷ For example, Canada child benefit (CCB) payments are usually issued on the 20th of each month.³⁸ The calculation of a family's CCB for the benefit year (July 1 to June 30) is based on the family's assessed income for the previous tax year.³⁹ For these payments to be issued on time and in the accurate amount, the assessment of a family's returns must be completed. The CRA's systems process the payment information on a payment run date, approximately three-and-a-half to four weeks before the issuance date, using the information in the CRA's systems at the time. For the 2019-2020 benefit year, this was done on June 26, 2019. Any income information from returns assessed before that date, whether filed on time or late, was available for the calculation. During the 2018-2019 benefit year (July 2018 to June 2019), CCB payments were processed through the system approximately 28 calendar days before they were issued. Benefits and credits such as the Ontario trillium benefit and Goods and services tax/Harmonized sales tax credit were processed approximately 29.8 days before the payments were issued.

36 For example: Canada child benefit, Alberta family employment tax credit, Goods and services/Harmonized sales tax credit, Nova Scotia affordable living tax credit, Prince Edward Island sales tax credit, Canada workers benefit, Guaranteed income supplement, Ontario trillium benefit.

37 For most benefits, amounts are paid over a 12 month period from July of one year to June of the next year. Payments are recalculated every July based on information from the recipient's return (and the return of their spouse or common law partner, if applicable) from the previous tax year. This information is pulled at a certain point prior to the payment date, called the run date. For example, for the Canada Child Benefit, the annual run date in 2019 is June 26. There is a monthly run date where the CRA verifies the information available for those returns where the information was not available for the annual run date.

38 Provided the 20th does not fall on a weekend or statutory holiday, in which case the payment is issued on the Friday before. The December CCB payment is issued on December 13.

39 For example, payments for the benefit year July 1, 2019, to June 30, 2020, are based upon the family's 2018 assessed income.

As such, the CRA may issue benefit and credit payments on a contingency basis where a filer is already in receipt of the benefit and their return is filed on time but the CRA does not process it before the June or a subsequent month's run date. This means the individual will receive a payment based on the most recently available assessed income. For the 2018 filing season, the CRA had 78,022 contingency accounts for filers whose returns the CRA had not processed by the run date for the respective benefit or credit payment. Once the CRA processes the return, it recalculates the benefit and credit payments to ensure the right amounts were issued. If the right amounts were not issued, the CRA will pay any additional amounts owing to the individual or the CRA will reclaim any overpayment through subsequent benefit and credit payments. If there are no subsequent benefit or credit payments, the overpayment will be collected through the CRA's debt collections processes.

Given the CRA's processing timeframes and its timeframes for calculating benefit and credit payments, the CRA informed the OTO it does not recommend filing a paper return on or close to the filing deadline of April 30 if the filer is relying on their benefit payments for their day-to-day living costs, due to the fact the CRA may not process the return in time for the accurate calculation of benefits. In addition to the eight week service standard for paper-filed returns, should the CRA send the return to a specialized processing workflow – for example, for Status Indians reporting tax-exempt income, where large refunds are claimed, or for additional verification – the processing of the return could be delayed, jeopardizing the eligibility for and correct calculation of benefit and credit payments.

The CRA stated that it generally processes returns on a first-in, first-out basis and starting in 2018, a focus is placed on processing returns filed on time, any specialized or manual processing or validation required, as opposed to excluded and late-filed returns,⁴⁰ to ensure compliant filers do not experience any interruption in their benefit and credit payments. However, the CRA does not identify filers at a higher risk of being impacted by delays, such as those who are low income and/or receive benefits or credits.

The CRA processing returns and adjustment requests outside the two and eight week service standards and the resulting effects on benefit and credit payments, can have a disproportionately negative effect on vulnerable persons. These effects exist regardless of whether the CRA is delayed within its definition, or whether it is processing within its definition of the service standards but a return or adjustment request is excluded, complex, or sent to a specialized processing workflow. While the filer may receive contingency payments during the delays, any changes to their income and the calculation of their benefits or credits may have a direct impact on their financial and personal well-being.

40 The CRA stated it processes late-filed returns "within a reasonable timeframe" but did not provide a definition for "reasonable timeframe".

It is imperative the CRA understand the impacts on vulnerable persons when it processes returns and adjustment requests outside the two and eight week standards. Benefit and credit payments, especially the CCB, are relied upon by many for their day-to-day living costs. Contingency payments that are less than what the filer is entitled to receive can cause a hardship situation where they are unable to provide the necessities of life. The recovery of overpayments can also lead to dire consequences. We receive complaints from filers in many of these situations. For example, where a filer was not expecting their benefit or credit payments to be reduced, they struggle with living on the lesser amount. If this amount is further reduced by the CRA collecting an overpayment, the consequences can be even more dire. Where a filer was not expecting their benefit or credit payments to be discontinued, they may struggle without the payment, and be unable to repay overpayments altogether.

The CRA processing returns and adjustment requests outside two and eight weeks may create barriers to accessing services available through other forms of social programming where eligibility is determined by income. These forms of social programming are not limited to those administered by the CRA or run by the federal, provincial and territorial governments and can also include services and subsidies offered by non-profit and other organizations or charities.

For example, through our outreach to Indigenous persons and community support organizations serving Indigenous persons, we heard that when filing returns and claiming the various available benefits and credits, Indigenous peoples routinely experience delays in the processing of their returns, especially when reporting tax-exempt income. This is despite the federal government and the CRA's attempts to ensure benefit payments are made to eligible individuals who have not previously claimed them. Budget 2018 committed to eliminating barriers that prevent Indigenous peoples from claiming the full range of social benefits and credits to which they are entitled, including the CCB, to increase fairness in access.⁴¹ Around the same time, the CRA created targeted communications to marginalized communities to encourage filing returns by those not claiming the benefits and credits to which they are entitled.⁴²

For some, the apparently unintended and unforeseen consequence of this push to file, was delays in the CRA processing their returns. People who had never filed a return before often filed multiple returns at the same time to retroactively claim their benefits. These returns are automatically removed from the service standard under two conditions: 1) late-filed returns are not calculated within the service standard, and 2) tax returns filed for multiple years are processed together, and depending on the age of the returns being filed, some may need to be processed manually. The CRA processing returns reporting tax-exempt income as specialty returns in its specialized processing workflows means these filers are more likely to be asked to provide additional information for validation, further delaying the processing of the return(s).

41 Budget 2018, Chapter 1 – More Help for the Middle Class and People Working Hard to Join it, *Strengthening the Canada Child Benefit*, online: <https://www.budget.gc.ca/2018/docs/plan/chap-01-en.html#toc-a>. Date modified: 2018-02-27.

42 Canada Revenue Agency, Benefits and Credits: Information for Indigenous peoples, online: <https://www.canada.ca/en/revenue-agency/campaigns/canada-child-benefit-indigenous/information-indigenous-people.html>. Date modified: 2019-07-30.

We have repeatedly heard of those who were led to believe they would receive benefits, but instead experience delays without any indication of when they can expect the assessment process to conclude. When they call the CRA to receive updates, they are informed to call back in another (e.g.) four weeks.

In addition to impacting current benefit payments, processing returns and adjustment requests outside the two and eight week service standards could have implications for the assessment of future returns. Should an individual believe the CRA erred in its assessment of their return and choose to exercise their recourse rights by filing an objection on a delayed assessment, the process may carry over into the following tax year. This may impact claims in future returns, furthering the delays.

A domino effect

Shirley assisted her widowed sister-in-law, Nancy, to digitally file her return for the 2016 tax year at the beginning of March 2017. As Nancy had low income, she needed her notice of assessment to receive various benefits such as the annual subsidized health care for her three children (all of whom were six years old or younger); to request reduced property taxes; and to receive subsidized recreational programs, and a bus pass for her eldest child.

By the beginning of May, Nancy had not yet received her notice of assessment – well beyond the CRA's service standard of two weeks for digitally-filed returns. Shirley and Nancy called the CRA to enquire about the status of the return and were informed they should call back in June.

The same conversations happened month-after-month. Shirley and Nancy called the CRA's Individual tax enquiries line to obtain information on the status of the return and were told to call back the following month if they had not yet received the notice of assessment. They were told to call back "in four weeks" if they still did not have the notice, and an agent would escalate the issue for them then.

This wait impacted Nancy's children's access to health care and her ability to provide them with basic necessities. Nancy never received a clear explanation of the reason for the delay, nor did she receive confirmation her file was referred to the processing area due to the delay. However, within days of our Office sending the CRA an Urgent Request for Action, Nancy's return was processed.

Communicating on delayed returns and adjustment requests

The CRA does not inform a filer when a return is excluded from the service standard or when it is referred to one or more of the CRA's specialized processing workflows. With respect to specialized processing workflows, and workflows for excluded returns and adjustment requests, they operate on an inventory system, processing returns and adjustment requests on a first-in, first-out principle. The CRA does not track its performance against its internal target processing timeframes for these workloads but, as long as they are meeting these targets, the CRA does not consider the processing delayed.

The CRA will only contact a filer when more information is required to assist in processing the return. In our review of sample letters the CRA issues to filers when it requires more information to process their return, the CRA does not notify the filer there may be a delay, nor does the CRA give an estimated timeframe for the completed processing of their return.

Unlike when returns are excluded or referred to specialized processing workflows, when adjustment requests are deemed complex and referred to specialized processing workflows filers are sent an acknowledgement letter. The acknowledgement letter states that due to the complex nature of the requested change, it will take longer than the published service standard for the adjustment to be processed. The letter also advises the length of time required to complete a complex adjustment varies with the type of request and the individual circumstances of the filer. While providing a notification is better than not providing one, it still leaves the filer guessing as to when their adjustment request will be completed.

The CRA's position on communicating processing delays to filers runs counter to the dual purpose of having an external service standard:

- (a) To give filers a reasonable expectation of when their return or adjustment requests should be processed; and
- (b) To measure the CRA's performance as a way to be accountable and measure how effective it is in processing returns and adjustment requests.

The CRA's internal target processing timeframes are neither transparent nor do they track performance. We find the CRA could improve the way it tracks internal target processing timeframes, thus allowing it to set new expectations for filers whose returns are excluded or sent to specialized processing workflows, and to provide processing times specific to actual inventories/peak periods in the acknowledgement letters it sends regarding adjustment requests. This will help to better manage filer's expectations.

Enquiring about the status of a return or adjustment request

Individuals regularly contact the CRA's Individual Income Tax Enquiries (call centre) telephone line to ask about the status of the processing of their return or adjustment request. We have heard on outreach and in complaints, that when a person calls the CRA about a delayed return or adjustment request, they are given little to no direction on the status, and are asked to call back at a later date. As a result, call centre agents are potentially compounding the well-documented⁴³ difficulty experienced by callers in reaching the CRA by phone, by instructing filers to continually call back at intervals unrelated to the actual processing time of their return or adjustment request. This further frustrates people as they are given inaccurate or incomplete information.

The CRA provides call centre agents with talking points on how to respond to questions about the status of returns and adjustment requests. These points include:

- processing centres receive over 29 million returns in a very short period of time and work very hard to process all of them in that short period of time;
- after one area has completed their review, there is no way of knowing if the return or adjustment request may be selected for review by another area;
- Canada's tax system is based on self-assessment and individuals volunteer the facts about their income and deductions; and
- the CRA will conduct minimal verification of returns to issue a notice of assessment, but may conduct review activities after the return is assessed to promote the integrity of and Canadians' confidence in its tax system.

The CRA also provides call centre agents with "scripts" to answer some of the more popular themes of questions they may receive when talking with a person enquiring about the status of their return or adjustment request. These scripts all ensure the CRA agent does not commit to a specific timeframe and instead shares the key message that the CRA is "working on it." For example:

- (a) In response to the questions "where is my notice of assessment" or "when will my return be processed," a call centre agent may say:

I can see we have your return and I can assure you the processing centre is working on it. I cannot give you a timeframe, however I can assure you the processing centre is working on your return diligently.

43 For example, see Office of the Auditor General Of Canada, 2017 Fall Reports of the Auditor General of Canada: *Report 2 – Call Centres – Canada Revenue Agency*, http://www.oag-bvg.gc.ca/internet/English/parl_oag_201711_02_e_42667.html.

- (b) In response to the questions “where is my return” or “when will I get my notice of assessment/ reassessment”, a call centre agent may say:

We cannot give you specific timeframes despite having done so in the past. The reason for this is the status of your return today may change tomorrow as it progresses through different areas for review. There might be different timeframes associated with the review of your return in that area, and therefore the timeframe initially given to you would be incorrect.

- (c) In response to questions such as “why can’t you tell me when my return will be processed, it has been over 8 weeks, how much longer will it take”, a call centre agent may say:

The Processing Centres receive over 29 million returns during filing season and are working hard to process all of them. In order to ensure that we provide accurate information we cannot give you specific timeframes despite having done so in the past. The reason for this is because there are numerous processing areas within the tax centres that may need to review the return. If we were to give you a timeframe today it would be based on the status of your return today. However, after one area has completed their review, there is no way of knowing if it may be selected for review in another area and the timeframe associated with the review of your return in that area might be different. Therefore, the timeframe given to you today would be incorrect. As a result, I am unable to provide you with an estimated completion date, but I can assure you that the processing Centre has your/the return and are diligently working on it.

However, the CRA advised our Office that all CRA call centre agents are able to view the location (including specialized processing workflows) and status of a return or adjustment request and can provide this information upon request. Call centre agents are also directed to information on when they should take action (make a referral) on the status of a person’s return or adjustment request, based on the internal target processing timeframe for the responsible processing area.

The CRA told our Office it is not possible to accurately provide revised timeframes to filers since a number of factors are involved, including the length of time it takes a person to respond to the CRA’s request for additional information. The CRA could provide estimated timeframes to filers based upon the CRA’s internal target processing timeframe for the responsible processing area, and indicate that if the CRA is waiting for information from the filer or their representative, this timeframe will be longer.

As no specific information is provided by the call centre agents regarding processing a return or adjustment request, having CRA call centre agents routinely ask callers to call back after a certain period of time (which has no relationship to the actual processing timeframe) to check again only serves to create additional frustration on the part of the caller.

Call centre agents are directed to information on when they should make a referral to a specific processing area regarding delays in processing. When this should be done is *based upon* the internal target processing timeframe for the processing area where the return or adjustment request is currently located. For example, if a return shows as being in the “taxpayer contact” status, but the call centre agent cannot see a letter requesting more information has been sent to the filer and a specified period

of time has elapsed, the call centre agent can send an enquiry to the responsible area. If the specified time has not yet elapsed, the call centre agent cannot refer an enquiry and is to provide one of the sample scripts (examples shown above). This internal webpage also carries a disclaimer at the top that the information within "...is not to be used as processing time frames" and any referrals will not expedite the processing. For some processing areas of the CRA, there are no referral procedures for the call centre agents to follow, other than to instruct the individual to let the processing run its course.

If the caller is not satisfied with the call centre agent's response, the agent is to advise the caller to check their My Account for status updates, to update the caller's account with a note regarding the details of the conversation, to transfer the call to a supervisor if the caller asked to speak to one, and to advise the caller if they are not satisfied with the service they received, to visit the CRA's Complaints, objections, appeals, disputes, and relief measures webpage.⁴⁴

Left in the dark

Marie digitally filed her 2017 return on April 30, 2018. She expected her return to be assessed within two weeks, in accordance with the CRA's published service standards. She called the CRA's Individual tax enquiries telephone line and the agent advised her that her return had been sent to the Sudbury Tax Centre for a "deeper review" and it should be ready by August 21. Marie said six of the previous seven years had also been delayed and she did not feel it was random. She was concerned because this year she desperately needed her refund.

Marie's 2017 return was processed on July 16, 2018. During the delay in processing, Marie filed a complaint with the CRA's Service Complaints Program (CRA-SC). In the final letter from the CRA-SC on July 25, 2018, the CRA stated:

Canada relies on a self-assessment tax system whereby individuals complete their tax return to report their annual income and calculate the amount of taxes due. To maintain the integrity of the self-assessment tax system, the CRA conducts a number of review activities each year to promote awareness of and compliance with the laws it administers... Your 2017 (and prior year returns) were referred to the Refund Examination Section for further review due to the amount of refund claimed.

⁴⁴ Canada Revenue Agency, Complaints, objections, appeals, disputes, and relief measures, online: <https://www.canada.ca/en/revenue-agency/services/about-canada-revenue-agency-cra/complaints-disputes.html>. Date modified: 2019-03-15.

Marie contacted the Office of the Taxpayers' Ombudsman and we followed up with the CRA. In response to our enquiry on how the CRA makes filers aware their refund will take longer to process, the CRA stated:

It is often transparent to the taxpayer when the processing of a tax return is paused for specialized processing, whether it is due to complexity or to correct or validate some element or the overall outcome. This in alignment [*sic*] with all tax return processing activities (i.e. that corrections can be made, that information can be sought out, whether internal or external, or that specialized processes can be invoked prior to the assessment being issued).

Those processes are not highlighted for the taxpayer. In certain instances, taxpayers are contacted if additional information is required but would not otherwise be made aware of the processing of the return being paused, such as being sent to Refund Examination. These specialized processing activities do have an impact on CRA's ability to meet the published external service standards, however, the external service standards do contemplate the need for specialized processing activities and that is reflected in the target associated with the service standard.

It is not often transparent to filers when their returns and adjustment requests will be processed in a specialized processing workflow and therefore take longer. Marie's return was one of the 5% the CRA accepts may not be processed within the service standard. The CRA advised our Office that specialized processing workflow areas strive to process returns selected for review in a timely manner and according to their internal target processing timeframes. The CRA further advised that filers can contact the CRA's Individual tax enquiries telephone line when the service standard timeframe has elapsed, to be informed of the status of the return.

The CRA promotes its self-service options and secure online portals, including My Account, as the best tool for filers to check the status of returns or adjustment requests. However, the CRA's portals are not an option for many filers, including those who may not be comfortable or knowledgeable using e-services, do not have access to e-services, have disabilities making e-services difficult or impossible to use, or have slow or unreliable internet access. For such persons, placing a call to the CRA may be their only option for learning about the status of a delayed return or adjustment request. Furthermore, some filers may have already tried e-services or may choose to discuss their issues directly with a CRA employee.

The CRA should adopt a more transparent policy relating to the information call centre agents can provide, including what is causing the processing to take longer than the published service standards, and the actual period of time it may take for a caller's return or adjustment request to be processed. This may reduce the number of calls the CRA is fielding annually, as fewer filers would call and call repeatedly to check processing status, and it would also better manage the expectations of filers, thus reducing frustration.

Conclusion

For a majority of filers, the CRA aims to meet its set service standard timeframes for processing returns and adjustment requests. For the minority of filers (whose returns or adjustment requests are excluded from the service standards, or fall into the 5% that may not be processed within the service standards), the CRA has not set an expectation for the timely processing of their return or adjustment request.

Although the CRA states it is committed to processing returns and adjustment requests "with all due dispatch", we find that because the CRA meets its service standards for the majority, it accepts not meeting them for the minority. The CRA needs to treat the timely processing of returns and adjustment requests for the minority as equally important.

Establishing published service standards to serve as a guideline for what filers should expect from the CRA in processing their returns and adjustment requests is an important part of the relationship with the CRA. It is also a right, as outlined in the Taxpayer Bill of Rights. Once the two or eight weeks provided in the published service standards elapses, filers conclude the processing of their return or adjustment request is delayed. Frustration can result, as can downstream impacts on the filers and on other processes within the CRA.

Our research, enquiries, and the feedback from individuals show that delays have a negative impact on filers, including personal and financial hardship. We have learned it is not only the delays filers find frustrating, but also the lack of clear and accurate information from the CRA about expected processing timeframes and the delays. Filers want to understand when they can expect their return or adjustment request to be processed and, if it is delayed past that time, why it is delayed, and when they can expect it to be completed.

By managing expectations, the CRA may be able to build a more transparent relationship with filers, ease the frustrations felt by filers experiencing delays, as well as potentially reduce the number of telephone calls received by the CRA's call centres. Transparency is not only important for managing expectations but also in accurately reporting upon the CRA's performance in processing returns and adjustment requests.

The CRA needs to take a closer look at how it views service standards, processing timeframes, inventories, backlogs, and delays. Currently, the CRA does not have published service standards for returns filed after the filing due date, or for returns or adjustment requests listed as excluded or complex. The CRA does not consider the processing of any of those returns or adjustment requests to be delayed if the CRA meets its internal target processing timeframes.

For returns or adjustment requests that are not excluded from the service standards, but must be sent to one or more specialized processing workflows, the CRA states they are included in the calculation of its performance against the service standards but will often be delayed. However, in practical application, when a filer enquires about the status of the processing of a return or adjustment request that exceeds the service standards, the CRA takes no action if the CRA is still within its internal target processing timeframe.

The disconnect becomes apparent when we look at the complaints and feedback we receive. Filers consider a return or adjustment request to be delayed when the published service standards are not met. Whether the return is being calculated within the service standard or not, the CRA must look at the issue of delays from the filer's perspective, not a procedural one.

Recommendations

This examination focused solely on T1 income tax and benefit returns and adjustment requests; however, where applicable, the recommendations apply to all types of tax returns and adjustment requests processed by the CRA.

To address the issues raised in this report, the Taxpayers' Ombudsman makes the following recommendations to the Minister of National Revenue and the Chair of the Board of Management of the Canada Revenue Agency:

1. The Taxpayers' Ombudsman recommends the Canada Revenue Agency publish service standards for processing late-filed T1 income tax and benefit returns, and all T1 income tax and benefit returns and adjustment requests excluded from the current service standards, so it can accurately measure and report on whether it is meeting its requirement to process income tax and benefit returns and adjustment requests in a timely manner, per section 152(1) of the *Income Tax Act* and articles 5, 6 and 13 of Taxpayer Bill of Rights.
2. The Taxpayers' Ombudsman recommends the Canada Revenue Agency improve its service standards by:
 - a. increasing the percentage of time it is expected to meet the service standard for digitally-filed T1 income tax and benefit returns, and
 - b. decreasing the length of time it takes to process paper-filed T1 income tax and benefit returns.

3. The Taxpayers' Ombudsman recommends the Canada Revenue Agency (CRA) improve the clarity, transparency, and consistency of the language it uses to describe the types of T1 income tax and benefit returns and adjustment requests included and excluded from the application of the various service standards, and the calculation of the CRA's performance against those standards, ensuring to address issues raised in this report about confusion on certain types of processing workflows.
4. The Taxpayers' Ombudsman recommends the Canada Revenue Agency clearly indicate in its published information on service standards for T1 adjustment requests, the standard timeframes for those requests made verbally.
5. The Taxpayers' Ombudsman recommends the Canada Revenue Agency publish approximate processing timeframes for T1 income tax and benefit returns and adjustment requests, by type of processing workflow.
6. The Taxpayers' Ombudsman recommends when reporting its performance against the service standards, that the Canada Revenue Agency report separately on:
 - a. digitally-filed T1 income tax and benefit returns,
 - b. paper-filed T1 income tax and benefit returns,
 - c. digitally-filed T1 adjustment requests,
 - d. paper-filed T1 adjustment requests, and
 - e. verbal T1 adjustment requests.
7. The Taxpayers' Ombudsman recommends the Canada Revenue Agency (CRA) change the wording used in publicly describing, and reporting its performance against, service standards for processing T1 income tax and benefit returns, from "fiscal year" to "filing season"; and if unable to do so, ensure information is clearly publicly provided about the specific period of time on which the CRA is reporting.
8. The Taxpayers' Ombudsman recommends the Canada Revenue Agency (CRA) notify filers, by letter when their T1 income tax and benefit return (return) is referred to any specialized processing workflow where processing times may exceed the published service standard, and where the filer has not signed up for online mail. The letter should include a timeframe within which the filer can reasonably expect their return to be completed, or the revised service standard should the CRA have created one. Where a filer has signed up for online mail, pending full implementation of phase two of the progress tracker, that the CRA advise the filer through online mail when their return is referred to any specialized processing workflow where processing times may exceed the published service standard.
9. The Taxpayers' Ombudsman recommends the Canada Revenue Agency include in the acknowledgement letter sent for complex T1 adjustment requests a timeframe within which the filer can reasonably expect their T1 adjustment request to be completed.

10. So that it may identify trends; ensure a better understanding of processing timeframes, inventories, delays and the causes thereof; and ensure a better understanding of the types of filers who may experience the highest negative impact of delays in processing, the Taxpayers' Ombudsman recommends the Canada Revenue Agency:
 - a. improve its analytics,
 - b. ensure internal consistency in terminology and definitions,
 - c. implement better tracking of the processing of late-filed T1 income tax and benefit returns, and
 - d. implement better tracking of the processing of T1 income tax and benefit returns and adjustment requests by specialized processing workflow.
11. The Taxpayers' Ombudsman recommends the Canada Revenue Agency change its first-in, first-out policy for processing T1 income tax and benefit returns in specialized processing workflows and the processing of complex T1 adjustment requests:
 - a. to ensure the T1 income tax and benefit returns and adjustment requests of those who may experience the highest negative impact of delays are processed on a priority basis (for example, those whose benefits are impacted by a delay), and
 - b. to first assess whether additional information may be needed from the filer or elsewhere, and request the information at that time.
12. The Taxpayers' Ombudsman recommends the Canada Revenue Agency (CRA) reduce the time taken to refer T1 income tax and benefit returns and adjustment requests to different areas within the CRA during processing, to minimize the time T1 income tax and benefit returns and adjustment requests sit in a queue or inventory before they are worked.
13. The Taxpayers' Ombudsman recommends the Canada Revenue Agency examine the entirety of the journey of T1 income tax and benefit returns and adjustment requests and the full impact of processing timeframes on filers, to reduce processing timeframes of T1 income tax and benefit returns and adjustment requests, where possible, and address the root cause(s) of delays. This analysis should also be applied in the allocation of the Budget 2019 additional funding for processing T1 adjustment requests, to ensure funds are allocated effectively to address the root cause(s) of delays.
14. The Taxpayers' Ombudsman recommends that, where possible, the Canada Revenue Agency address system limitations so more T1 income tax and benefit returns can be processed in a more timely manner with less manual intervention.
15. The Taxpayers' Ombudsman recommends the Canada Revenue Agency utilize improved analytics and implement more transparent policies and procedures relating to the information call centre agents can provide to filers, including where the T1 income tax and benefit return or adjustment request is being processed, what is causing processing delays beyond the applicable service standard, as well as an anticipated timeframe for processing.