

CRA DETAILED ACTION PLAN

to the recommendations of Report 7 (Compliance Activities—Canada Revenue Agency) of the Fall 2018 Reports of the Auditor General of Canada

Report Ref. No.	OAG Recommendation	Departmental Response	Description of Final Expected Outcome/Result	Expected Final Completion Date	Key Interim Milestones (Description/Dates)	Responsible Organization/ Point of Contact (Name, Position, Tel #)	Indicator of Achievement (For Committee Use Only)
7.35	The CRA should set time limits for all audit workloads to provide information requested, and consistently enforce the provisions of the Income Tax Act to compel the production of information once those time limits have passed.	Agreed. The complexity of the request drives the time provided to respond, and legislation prescribes the time allowed for CRA to finalize compliance work. The OAG identified a lack of fixed time lines for more complex CRA requests where auditors have to use their judgment and court action is more likely to be required to secure cooperation. The CRA, for audit workloads, will set timelines for information to be provided, criteria for extensions and more formal deadlines past which the CRA would move to the courts to compel cooperation, by March 2020.	Taxpayers will be provided with timelines to provide information to the CRA. The CRA will have criteria and guidelines for granting extensions and for when to make use of legislative provisions to compel the information from taxpayers once the time limits have passed.	March 2020	<ul style="list-style-type: none"> • Establish internal working group (January 2019). • Review and analyze current policies and consult with key stakeholders for opportunities to revise criteria and guidelines for granting extensions and for when to make use of legislative provisions (September 2019). • Approve and publish revised policy (March 2020). 	Kevin Stackhouse DG, Compliance Infrastructure and Business Services Directorate 613-954-5754	
7.43	The Canada Revenue Agency should: <ul style="list-style-type: none"> • Review its criteria and procedures and consider proactive relief for taxpayers in all types of compliance activities, and • Provide further guidance to establish what it considers to be an “undue delay” in various compliance activities, based on factors such as time, complexity, and taxpayer actions. 	<p>Agreed. The CRA, in response to the Internal Audit – Application of the Taxpayer Relief Provisions, has already committed to review the governance for the administration of all taxpayer relief provisions. The review will include an analysis of criteria used and current procedures to determine the feasibility for the consideration of proactive relief for taxpayers in the conduct of the various compliance activities and will be completed by April 2019.</p> <p>The CRA will conduct a review and analysis of the various compliance activities by the end of March 2020, and where reasonable define the appropriate criteria to determine what it considers to be an “undue delay”. The development of any guidance will also ensure that all relevant factors continue to be considered in accordance with the legislation.</p>	<p>The CRA will develop a clear understanding of the roles and responsibilities in the administration of the taxpayer relief provisions, including proactive relief, as reflected in the governance agreement.</p> <p>The CRA will ensure that guidelines are established to assist officers in the determination of undue delay in accordance with legislation.</p>	March 2020	<ul style="list-style-type: none"> • Consult with CRA stakeholder branches and draft new governance agreements and memoranda of understanding related to the administration of the taxpayer relief provisions, including criteria and procedures for the consideration of proactive relief (December 2018). • Finalize and publish new governance agreements and memoranda of understanding between CRA stakeholder branches (April 2019) • Consult with CRA stakeholder branches to determine the factors that impact internal versus external delays during compliance activities and thereby establish criteria for the consideration of “undue delay” (March 2020). 	David Moffat, Director, Taxpayer Relief Policy and Program Division, Appeals Branch 613-960-2236	

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7.50	<p>The Canada Revenue Agency should ensure that the taxpayers are treated consistently by:</p> <ul style="list-style-type: none"> • Clarifying its guidance and procedures whether the Agency or the taxpayer is responsible for delays, and • Ensuring procedures for eligibility are fully met before approving applications for all relief programs. 	<p>Agreed. The CRA will clarify what is considered to be delays attributed to the Agency (within the Agency's control) and delays attributed to the taxpayer (within the taxpayer's control) in the conduct of the various compliance activities by the end of March 2020 considering the discretionary nature of the provision.</p> <p>The Canada Revenue Agency is committed to providing fair relief and to not rewarding non-compliance. In order to mitigate any inconsistent application or administration of the taxpayer relief provisions, the Canada Revenue Agency will ensure the harmonization of policies, procedures, guidelines, and training materials as publicly stated in the recent Internal Audit – Application of the Taxpayer Relief Provisions. The target completion date for this action plan is April 2020.</p> <p>The CRA takes note of the OAG's finding that the CRA conformed to its policies and procedures in the application of the Voluntary Disclosures Program (VDP). Up until March 2018, the VDP policy allowed the CRA to accept a voluntary disclosure even when an audit was already underway. In December 2017, the CRA announced it would amend its VDP policy to address this possibility. While the OAG may consider whether the CRA appropriately applied its policy in force at a given time, it is not within the scope of this audit to comment on the policy itself.</p>	<p>The CRA will ensure that guidelines are established to assist officers in the determination of delays attributable to the taxpayer and delays attributable to the Agency.</p> <p>The CRA will clarify eligibility requirements to all programs responsible for the administration of the taxpayer relief provisions.</p>	April 2020	<ul style="list-style-type: none"> • Consult with CRA stakeholder branches to ensure harmonization of the application and administration of the taxpayer relief provisions, to ensure accuracy of information and consistency across the Agency, including the determination of responsibility for delays (September 2019). • Revise existing guidelines and procedures to assist officers in the determination of responsibility for delays (March 2020). • Develop and maintain a central repository of all information related to the application and administration of the taxpayer relief provisions, including eligibility requirements (April 2020). • Develop, implement and report annually on an effective national monitoring program to support the application and administration of the taxpayer relief provisions including the usage of the delegated authority (April 2020). 	David Moffat, Director, Taxpayer Relief Policy and Program Division, Appeals Branch 613-960-2236	

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7.53	The Canada Revenue Agency should determine the reasons for regional variations in the time to complete compliance activities, and implement a plan to reduce those differences.	Agreed. The CRA will conduct a review to understand the possible reasons for the regional variances and create a plan to address any problematic issues identified by the review by the end of March 2020. This work will need to take into account that workloads vary across regions in terms of their complexity and sector composition.	The CRA will have a clearer understanding of the factors that contribute to regional variances in audit timelines and a plan to address any problematic issues.	March 2020	<ul style="list-style-type: none"> Determine regional variances by program (March 2019). Identify causal factors of variances (September 2019). Finalize an action plan to address any problematic issues (March 2020). 	Kevin Stackhouse DG, Compliance Infrastructure and Business Services Directorate 613-954-5754	
7.58	The Canada Revenue Agency should: <ul style="list-style-type: none"> Develop a formal tracking process to monitor the time to process assessments, Take necessary steps to improve timeliness and complete files, and 	Agreed. The CRA will develop a formal tracking process to monitor the time to process assessments resulting from compliance actions, and where necessary improve timeliness of reassessment processes.	The CRA will be able to monitor the timeliness of its assessments (reassessments) that arise from compliance activities and have a plan to address any needed improvements.	March 2020	<ul style="list-style-type: none"> Create a service level agreements with the assessing programs for assessments resulting from compliance actions (September 2019). Develop a monthly tracking report (March 2020). 	Kevin Stackhouse DG, Compliance Infrastructure and Business Services Directorate 613-954-5754	
7.58	The Canada Revenue Agency should: <ul style="list-style-type: none"> Have a plan to follow-up with taxpayers who have used the Voluntary Disclosures Program to verify their future compliance. 	The CRA will also agree to conduct a review to determine the impact of disclosures on future compliance risk by the end of March 2020.	The CRA will be able to factor past disclosures into its risk assessment processes.	March 2020	<ul style="list-style-type: none"> Prepare a project plan detailing the process (March 2019). Complete review of past disclosures and develop indicators and methodology to verify if taxpayers have remained compliant with their tax filings over a determined number of years (December 2019). Prepare a report detailing results including recommendations to enhance risk assessment processes (March 2020). 	Kevin Stackhouse DG, Compliance Infrastructure and Business Services Directorate 613-954-5754	
7.74	The Canada Revenue Agency should clearly document how it sets its targets for additional revenues, also known as Tax Earned By Audit (TEBA). The targets should be supported by an analysis of trends in its targets and results.	Agreed. The CRA will more clearly document the process used to establish revenue projections. Given the material increase in CRA's gross revenue impact over the past four years, now is an opportune time to conduct more in depth analysis of trends in the targets and results. This analysis will be completed by March 2020.	The CRA will have a more robustly documented process for establishing its revenue targets.	March 2020	<ul style="list-style-type: none"> In consultation with other tax authorities and OECD research, CRA will examine its methodology for establishing TEBA targets, refine if necessary and clearly document the process (December 2019). 	Kevin Stackhouse DG, Compliance Infrastructure and Business Services Directorate 613-954-5754	

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7.86	The Canada Revenue Agency should analyze whether there are more accurate measures to track additional revenue generated from budget funding.	Agreed. While both the Treasury Board Secretariat and the Department of Finance are satisfied with the Agency's current reporting methodology for tracking additional revenue generated from budget funding, the CRA will analyze the accuracy of its performance measures for return on investment of budget investments and include any proposed new measures in the performance measurement framework to be developed by March 2020.	The CRA will have assurance that its measure for tracking additional revenue generated from budget funding is accurate.	March 2020	<ul style="list-style-type: none"> Research and evaluate if there are more accurate measures to track additional revenue generation, if so, include these changes in the performance measurement framework (March 2020). 	Kevin Stackhouse DG, Compliance Infrastructure and Business Services Directorate 613-954-5754	
7.91	The Canada Revenue Agency should enhance its performance indicators so it can fully measure and report on compliance activities' results, and actual collected tax revenues.	<p>Agreed. The CRA has, and will retain, tactical measures such as gross revenue impact, change rate, rate of return, quality and coverage rates; these inform year-to-year, office-to-office and file-to-file decisions.</p> <p>To supplement these, following recommendations from a recent internal evaluation, the CRA has started working on new horizontal performance measures to provide a more comprehensive measure of program outcomes. In addition, it has launched tax gap estimates in 2016 and piloted a new measurement related to tax compliance in the large business population in 2017-2018.</p> <p>The CRA agrees to develop additional strategic measures that will estimate the impact of litigation, collections and deterrence impact. The CRA will develop a performance measurement framework for its compliance programs, including measures that factor litigation and collections, by March 2020.</p>	The CRA will have a performance measurement framework and plan for measuring and reporting on the impact of litigation and collections on compliance programs.	March 2020	<ul style="list-style-type: none"> Benchmark methodologies and approaches used by other tax administrations (March 2019). Develop methodology to estimate impact of litigation and collections on compliance programs (September 2019). Develop and test proof of concept (December 2019). Finalize new performance measurement framework and plan (March 2020). Adjust indicators effective fiscal 2020-2021. 	Kevin Stackhouse DG, Compliance Infrastructure and Business Services Directorate 613-954-5754	