

Minister  
of National Revenue



Ministre  
du Revenu national

Ottawa, Canada K1A 0A6

**JUN 21 2017**

The Honourable Kevin Sorenson  
Chair of the Standing Committee on Public Accounts  
House of Commons  
Ottawa ON, K1A 0A6

Dear Colleague:

Pursuant to Standing Order 109 of the House of Commons, I am pleased to respond on behalf of the Government of Canada to the recommendations made in the Twenty-Fifth Report of the Standing Committee on Public Accounts entitled: *Report 2, Income Tax Objections – Canada Revenue Agency, of the Fall 2016 Reports of the Auditor General of Canada*, tabled in the House of Commons on May 15, 2017.

The Government would like to thank the Committee for its review to ensure that the Canada Revenue Agency (CRA) addresses each of the issues identified in the Auditor General's audit, and its recommendations to help the Agency monitor and report its progress towards becoming a more client-focused organization. The Government appreciates the insights and support provided by the Committee.

The Government Response takes into account the CRA's commitment to improve service to taxpayers through more timely resolution of their disputes on income tax matters. It also supports my mandate letter priority to make it easier for taxpayers to meet their tax obligations and to improve the service experience of taxpayers and benefit recipients.

Please find enclosed a copy of the Government's Response to the recommendations of the Report.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Diane LeBouthillier'.

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

**GOVERNMENT RESPONSE TO THE TWENTY-FIFTH REPORT OF THE  
STANDING COMMITTEE ON PUBLIC ACCOUNTS ENTITLED: *REPORT 2,  
INCOME TAX OBJECTIONS – CANADA REVENUE AGENCY, OF THE FALL 2016  
REPORTS OF THE AUDITOR GENERAL OF CANADA***

**INTRODUCTION**

The Government of Canada is pleased to respond to the Twenty-Fifth Report of the Standing Committee on Public Accounts entitled: *Report 2, Income Tax Objections – Canada Revenue Agency, of the Fall 2016 Reports of the Auditor General of Canada*, tabled in the House of Commons on May 15, 2017.

After carefully reviewing the Committee's report, the Government has chosen to respond to each recommendation individually. The Government of Canada appreciates the work of the Committee and welcomes its analysis, views and recommendations.

The following represents the Government's initial response, including responding to Recommendation 2 and Recommendation 5 requests for progress reports on or before September 1, 2017.

As requested by the Committee, the Government will provide supplementary information on or before April 30, 2018, with respect to progress made in implementing Recommendations 1 to 4 and Recommendations 6 to 9.

**THE OBJECTION PROCESS**

Canada operates a self-assessment tax regime whereby taxpayers calculate their own taxable income and file their own tax returns. This system is guided by fiscal laws, including the *Income Tax Act*. After taxpayers file their tax returns, the CRA assesses the returns and may make changes to them. The Agency may also reassess them later for various reasons. For example, a reassessment may follow the Agency's finding that employment income was not reported on the tax return, or a reassessment may result from a tax return audit.

Taxpayers who disagree with CRA's assessment of their tax returns can contact the Agency to provide additional information or ask for a further review of their assessments; they also have the right to file objections. The CRA manages the objection process through its Appeals Branch and decisions on objections are based on impartial reviews of the particular facts and applicable laws. If taxpayers do not agree with the Agency's decisions, they may appeal to the Tax Court of Canada. Both taxpayers and the government may further appeal to the Federal Court of Appeal, and finally, to the Supreme Court of Canada.

A responsive redress process promotes voluntary compliance and fosters trust in the integrity of the CRA.

## RECOMMENDATIONS

***Recommendation 1: That, by 30 April 2018, the Canada Revenue Agency confirm in writing to the House of Commons Standing Committee on Public Accounts that it has published a service standard for the resolution of low and medium-complexity objections on its website, and provide the information on high-complexity objections that is available.***

The Government of Canada supports this recommendation. The CRA has published a service standard for the resolution of low-complexity objections on its website, effective April 1, 2017. Work is currently underway to determine an appropriate service standard for the medium-complexity workload, to be published on CRA's website by April 1, 2018. In the meantime, the actual timeframes to assign and resolve low and medium-complexity objections are being provided on the website. As requested, by April 30, 2018, the CRA will provide to the Committee available information on high-complexity objections.

***Recommendation 2: That, by 1 September 2017, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a clear target for the planned reduction of its inventory of outstanding objections over the period of 31 March 2016 to 31 March 2018, and report the actual reduction achieved by 30 April 2018.***

The Government of Canada supports this recommendation. As requested, by September 1, 2017, the CRA will provide the Committee with a clear target for the planned reduction of its inventory of outstanding objections and by April 30, 2018, the CRA will issue a report to the Committee confirming the actual reduction achieved.

***Recommendation 3: That, by 30 April 2018, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with the key results of its review of the objection process, and clearly explain how it has used these results to improve the timely resolution of objections.***

The Government of Canada supports this recommendation. The CRA is currently conducting process reviews of its key steps in the objections process, using the Lean methodology. As requested, by April 30, 2018, the CRA will issue a report to the Committee informing how the key results of these reviews have and will be applied to existing efforts to facilitate the timely resolution of objections.

***Recommendation 4: That, by 30 April 2018, the Canada Revenue Agency explain to the House of Commons Standing Committee on Public Accounts the rationale for its definition of the timely resolution of an objection based on the level of complexity, and how this definition compares with that of similar tax administration in other countries.***

The Government of Canada supports this recommendation. As requested, by April 30, 2018, the CRA will issue a report to the Committee explaining its rationale for the methodology used in determining its current definition of “timely”. The CRA will also explain how this definition compares with that of similar foreign tax administrations.

***Recommendation 5: That, by 1 September 2017, the Canada Revenue Agency confirm in writing to the House of Commons Standing Committee on Public Accounts that it has published its updated performance indicators that take into account the entire time an objection is within the Agency’s control in its Departmental Results Report.***

The Government of Canada supports this recommendation. The methodology used in the calculation of the reported results has been revised to take into account the entire time an objection is within the Government of Canada’s control. In addition, the CRA is going beyond this recommendation by publishing two services standards, one for low-complexity and a second for medium-complexity objections. The first service standard, namely to resolve a low-complexity tax objection within 180 calendar days, 80% of the time, has already been published. Results related to this service standard will be reported through the Departmental Results Report in Q3 of 2018-2019. The implementation of the service standard for medium-complexity objections will be outlined in the CRA Corporate Business Plan for 2018-2019 and results reported in Q3 of 2019-2020.

***Recommendation 6: That, by 30 April 2018, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the controls that it has added to its objections systems and processes, and the detailed instructions that it has provided to officers on data entry to ensure the accuracy of data. This report should also explain how the Agency will regularly monitor the effectiveness of these measures.***

The Government of Canada supports this recommendation. As requested, by April 30, 2018, the CRA will issue a report to the Committee detailing all efforts to date on improving its data integrity through both systems and procedural changes. The report will outline actions to date including its monitoring plan and current results, as well as ongoing initiatives planned for continued emphasis and improvement on this important issue.

***Recommendation 7: That, by 30 April 2018, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the opportunities to resolve issues before an objection is filed that the Agency has identified through its review of the reasons for which objections are decided in favour of taxpayers. This report should also explain how the Agency took full advantage of each of these opportunities to improve services to Canadians.***

The Government of Canada supports this recommendation. As requested, by April 30, 2018, the CRA will issue a report to the Committee outlining the opportunities for taxpayers to resolve issues before filing an objection and the work that has been done to ensure that these opportunities are being implemented within and promoted by the Agency to improve services to Canadians.

***Recommendation 8: That, by 30 April 2018, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining the concrete measures that it has implemented to ensure that decisions on objections and appeals are shared within the Agency in such a way that those performing assessments can use that information to improve future assessments.***

The Government of Canada supports this recommendation. As requested, by April 30, 2018, the CRA will issue a report to the Committee to demonstrate its advancement in the sharing of decisions on objections and appeals within the Agency and concrete measures it has taken to improve processes for and service to Canadians in light of these results.

***Recommendation 9: That, by 30 April 2018, the Canada Revenue Agency develop a performance indicator that scientifically measures Canadians' overall level of satisfaction with its services and customer experience, and report annually the results in its Departmental Results Report.***

The Government of Canada supports this recommendation. As part of the Departmental Results Framework, the CRA has developed a performance indicator, the Public Perception Index (PPI), which will be publically reported on in the 2017-2018 Departmental Results Report. The PPI incorporates select responses from the Annual Corporate Research, which uses qualitative and quantitative methods to gather feedback from three groups of participants: individuals, small and medium business, and tax intermediaries. The PPI measures factors such as Canadians' level of satisfaction with the overall performance of the CRA, quality of service received, and understandability of information and resources. As requested, by April 30, 2018, the CRA will issue a report to the Committee confirming and informing progress on the above.