



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

Dear Colleague:

The following information is further to the Government's Response (tabled in the House of Commons on July 21, 2021, pursuant to Standing Order 109) to the Fourteenth Report of the Standing Committee on Public Accounts entitled: *Taxation of E-Commerce*.

I am pleased to provide a report on progress in response to recommendation 2 of the Fourteenth Report.

The Government thanks the members of the Committee for their continued interest and attention to the Canada Revenue Agency's (CRA's) efforts to address the issues identified in the Auditor General's audit.

Please find enclosed the CRA's report on progress.

Sincerely,

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

The Honourable Diane Lebouthillier, P.C., M.P.

**REPORT ON PROGRESS: FOURTEENTH REPORT OF THE STANDING COMMITTEE ON
PUBLIC ACCOUNTS (RESPONSE TO RECOMMENDATION 2)**

INTRODUCTION

On behalf of the Government of Canada, on July 21, 2021, the Minister of National Revenue tabled the Government's Response to the recommendations contained in the Fourteenth Report of the Standing Committee on Public Accounts entitled: *Taxation of E-Commerce*.

As requested, the CRA is pleased to provide a report on progress related to recommendation 2.

Recommendation 2: *“On mechanisms to track compliance activities: That, by 31 August 2021, the Canada Revenue Agency provide the House of Commons Standing Committee on Public Accounts with a report outlining changes to tracking, monitoring and reporting mechanisms for compliance activities conducted in the e-commerce sector.”*

Government Response (as tabled on July 21, 2021): *“The Government of Canada supports this recommendation. The CRA is pleased to report that mechanisms to track, monitor and report on its compliance interventions in the e-commerce sector including the platform economy have been implemented. In meeting this commitment, the CRA completed an analysis to identify shortfalls in its monitoring methodology with respect to the compliance activities in this sector.*

New codes and procedures were developed within the CRA’s case management system and implemented in February 2021. These measures ensure that compliance actions for taxpayers engaged in the platform economy are tracked separately thereby allowing the CRA to run reports and analyze results of compliance interventions associated with these taxpayers. The changes to the system are now operational. Auditors have been provided with instructions and will use the system to code their compliance actions in order to identify cases where taxpayers are engaged in the platform economy. Information from the CRA’s case management system will be used to further refine the CRA’s Business Intelligence process which enhances its capacity in identifying and targeting non-compliance. It will also be used to measure the results of compliance interventions for statistical purposes and to update management on developments in the platform economy.

The CRA will assess new information captured through the proposed measures in the 2020 Fall Economic Statement and Budget 2021 to strengthen its tracking and monitoring methodologies in the sector. Details on the use of the new tracking and monitoring mechanisms will be provided in the progress report for Recommendation 2 due to the PACP Committee by August 31, 2021.”

Report on Progress:

As part of the compliance strategy and in response to this recommendation, detailed new mechanisms were implemented in February 2021 to improve the CRA’s ability to track, monitor and report on the compliance actions conducted in the e-commerce sector including the platform economy. Previously, audits on e-commerce were included in regular audit program results and therefore not tracked and monitored separately. The procedural and information system changes needed to track e-commerce audits separately are now in place. The changes to the system were communicated to field auditors and have become operational as CRA resumes its audit activities.

Starting in fiscal 2021-2022, the CRA will be able to perform analysis to enhance its approaches and report externally on results. By using the tracking mechanisms, the CRA can undertake various statistical analyses to determine characteristics and demographics of the audited taxpayers such as age groups, income ranges, geographic locations, etc., as well as the category of the platforms they use. This information helps to improve the CRA’s understanding of this sector and build better business intelligence by profiling the taxpayers engaged in the platform economy thereby helping the CRA to allocate its resources by striking the appropriate balance between outreach and compliance interventions.

Between April and June 2021, the CRA has completed more than 65 audits.