

Tax memo

Canadian tax updates



Red Tape Reduction Action Plan – What it means for tax compliance

Outlines the aspects of the federal government's Red Tape Action Plan that relate to tax compliance reporting.

October 30, 2012

Canada is internationally recognized as one of the best places to do business. To continue to improve the conditions for doing business in Canada, on October 1, 2012, the federal government introduced the *Red Tape Reduction Action Plan*. This action plan will be implemented over the next three years, putting into practice common-sense solutions to burdensome barriers identified by Canadian businesses. Some parts of the plan will affect Canadian tax compliance reporting.

The action plan is made up of three major themes, which contain a total of six fundamental or systematic reforms. These in turn are supported by 90 department-specific changes.

Major themes	Reforms		
1. Reducing the burden on business	"One-for-One" Rule	Small Business Lens	
2. Making it easier to do business with regulators	Interpretation policies		
3. Improving service and predictability	Service standards	Forward planning	Annual Scorecard Report

1. Reducing the burden on business

The goal of the "One-for-One" Rule is to reduce the time and resources spent by business to comply with government regulations. This goal will be achieved by doing two things:

- when adding or amending regulations increases the administrative burden on business, the administrative burden imposed by other regulations must be reduced by an equal amount; and
- an existing regulation will have to be removed each time a new regulation is introduced that imposes administrative burden.

The Small Business Lens will ensure that regulatory requirements do not have unintended effects on small business. Regulators will be required to:

- analyze any implications for small business; and
- produce Regulatory Impact Analysis Statements that summarize consultations and the government's efforts to minimize the burden on small business.

2. Making it easier to do business with regulators

Businesses have commented that they often receive confusing information and contradictory instructions from regulators, including different interpretations of requirements. To address this, regulators will be required to publish (on their websites) interpretation policies that explain how they interpret regulations.

3. Improving service and predictability

Service quality is a major issue with Canadian businesses. In response, the government will implement various initiatives to improve service. Service standards will be set and public service employees will be measured to ensure that they are providing fair, timely, efficient and effective service.

“Forward plans” will be introduced to provide Canadians and businesses with early notice of the government’s intention to regulate. This public list will contain anticipated regulatory changes that are intended to be brought forward over a 24-month period.

An Annual Scorecard will report publicly on implementation of systematic reforms, particularly the “One-for-One” Rule, Small Business Lens and service standards. The Scorecard will be published by the President of the Treasury Board, and reviewed by an external advisory committee.

Recommendations for the Canada Revenue Agency

The government of Canada has committed to following through with all 90 department-specific recommendations of its Red Tape Reduction Commission. Over the coming months, the Canada Revenue Agency (CRA) will develop a plan to respond to the following 12 recommendations:¹

- 1) To reduce administrative burden and improve the availability and clarity of tax information that businesses need to meet their reporting obligations, the CRA should:
 - work with businesses to identify specific information sources that ought to be made easier to find; and
 - implement an action plan to make the changes required to improve availability, clarity and usefulness of tax information.
- 2) To reduce business frustration and related administrative burden in communicating with the CRA, including not obtaining responses to questions or obtaining different responses from different agents when businesses contact the CRA by telephone, the CRA should:
 - improve its business enquiries telephone line services; and
 - enhance its website based on feedback, particularly from small businesses.

PwC comment: *The CRA will be providing its telephone service agents with improved tools and training material to help reduce business frustration. This additional training will help put staff in a better position to answer questions directly, rather than transferring clients to another CRA representative. An implementation plan will be developed in 2012-2013.*
- 3) To improve online service and information accessibility and clarity, the CRA should:
 - increase options for electronically filing and amending information;
 - create a business landing page on its website;
 - enhance My Business Account;
 - enhance Business Number online processes;
 - enhance current electronic payment services;
 - introduce electronic communication methods;
 - accept supporting documentation and receipts from taxpayers or representatives through a secure channel (e-documents);

1. The 12 points here are edited versions of those in the Commission’s report.

- identify opportunities to streamline and enhance identity-proofing and/or authentication of secure electronic services; and
 - find alternative ways of authenticating representatives who do not have a filing history in Canada.
- 4) To improve service and foster increased confidence in the written advice that it provides to business, the CRA should develop an improved approach to communicating its accountability for the written information that it produces.
 - 5) To improve the service and professionalism of its auditors, the CRA should engage with small businesses to identify needs and solutions, including soft skills enhancement and an increased commitment to performance management and respect for the *Taxpayer Bill of Rights*.
 - 6) To reduce administrative burden and eliminate the collection of redundant information, the CRA should pursue a “Tell Us Once” policy that reduces duplicate requests to businesses by different programs within the CRA.

***PwC comment:** The CRA has developed the One Business, One Number initiative that allows businesses, or their representatives, to access and manage multiple accounts electronically, using one business number, thus saving time and reducing frustration.*
 - 7) To improve the timeliness of appeals processes, the CRA should reduce the turnaround time to resolve low-complexity, non-related objections.
 - 8) To improve the timeliness of decisions related to rulings and to better serve the needs of small businesses, the CRA should eliminate the inventory backlog resulting from the harmonization of the Ontario sales taxes and then adhere to a reasonable service standard.
 - 9) To reduce administrative burden, the CRA should simplify and scale down reporting obligations, in consultation with business stakeholders, including:
 - combining reporting for different programs; or
 - eliminating the need to report specific data elements.
 - 10) To reduce the burden of filing frequency requirements for small businesses, the CRA should:
 - engage small businesses in a sustained manner, particularly on issues related to filing and remitting frequency; and
 - take into account their realities in designing solutions to the problems identified.
 - 11) To ensure that business perspectives are fully understood and appreciated in the policy development stage, the CRA should ensure that:
 - business input is obtained and considered in an open and transparent manner during policy and program development;
 - it identifies and responds to issues that directly affect the small business population; and
 - it instills and encourages a culture of partnering with external stakeholder organizations that will foster wider acceptance, understanding and compliance related to policies and programs.
***PwC comment:** By holding consultation meetings with PwC and other tax practitioners to discuss compliance issues and how they affect business, the CRA has started to create an environment for open dialogue and transparency.*
 - 12) To improve coordination of program delivery and information sharing, the CRA should cooperate with other federal departments, as well as provincial and territorial governments, to reduce the cumulative burden on business for filing taxes.

We can help

Please contact your local PwC adviser or the individuals listed below if you have questions regarding the *Red Tape Reduction Action Plan* and what it means for tax compliance.

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