



Canadian
Chamber of
Commerce

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THiNK
GROWTH.

TAX MATTERS: A Snapshot
of Canada's Tax-related
Administrative Complexities.

Tax Matters: A Snapshot of Canada's Tax-related Administrative Complexities for Businesses

FOREWORD

The Canadian Chamber believes one of the easiest and most effective ways to grow our economy faster is to shrink the burden of government paperwork and administrative complexities needed to run a business. Business owners, and especially those who own SMEs, should be focused on growing their business, not on filing out, chasing down, or arguing about paperwork with Canada's tax authorities. However, despite the many digital solutions available to ease administrative processes, Canada lags in efforts to simplify tax-related complexities for our job creators.

In Canada, we've expressed a desire to "build back better." However, we forget that our global economic peers have set the same goal for themselves. We're now competing against other countries in the global economic reset of our generation. The competition to attract investment, win global market share and create better, more prosperous lives for Canadians will be fierce.

The economic recovery has begun, but a number of obstacles still stand in the way. We urgently need a plan to tackle these challenges and improve the fundamentals of Canada's business climate.

To help us grow from where we are to where we need to be, we must do things differently, including reforming how Canada's tax system is administered. In the context of this report, reform means using available digital solutions to reduce the need, time and costs involved in sharing information with Canada's tax authorities. Canada must make complying with our tax system simple enough to let businesses do what they do best: creating jobs.

Over the past two years, the Canadian Chamber has worked to identify needed changes and innovations to Canada's tax system through its Think Growth project – a review of Canada's tax system powered by Canadian businesses and tax practitioners. This report highlights why we must urgently get the basic business fundamentals right, and why our outdated and inefficient tax system needs to be reformed.



Tax Matters: A Snapshot of Canada's Tax-related Administrative Complexities for Businesses

ACKNOWLEDGEMENTS

This report was prepared on behalf of Canada's business community to further advance a needed national discussion on tax competitiveness and economic growth.

The Canadian Chamber acknowledges the significant work of Darrell Bontes, Edward Rajaratnam, Fred O'Riordan, Hiten Pandya, Ian Sherman and others from EY for their contribution in compiling the survey results and sharing the key themes on this report.

The Canadian Chamber also recognizes the important input received from its Think Growth Advisory Council and Economic & Taxation Committee.

This report and its research was overseen by Grace Egan and Patrick Gill of the Canadian Chamber.

ABOUT THE CANADIAN CHAMBER

The Canadian Chamber of Commerce helps build businesses that support Canadian families and communities. It does this by influencing government policy, providing services and tools that help Canadian businesses grow and connecting opportunities through a national network of chambers of commerce and boards of trade. The Canadian Chamber brings together a vast network of over 450 chambers of commerce and boards of trade representing over 200,000 businesses from all regions of the country and sectors of the economy. Securing comprehensive tax reform remains a key policy priority for the Canadian Chamber's network.



Executive Summary

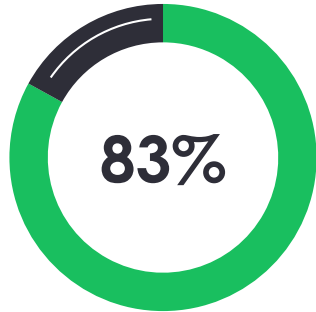
- This report summarizes key findings of a survey on the Canada Revenue Agency's ("CRA") administrative processes.
- The survey was carried out by the Canadian Chamber of Commerce in partnership with EY Canada and was distributed as an open link to small, medium and large businesses and also with tax practitioners. The goal of the survey was to identify improvement opportunities to further enhance Canada's tax competitiveness by reducing administrative burdens.
- Survey findings identified improvement opportunities to further enhance Canada's tax competitiveness in the following broad categories:

Customer centric

- 1 — **Electronic / Online solutions**
- 2 — **Communication protocols**
- 3 — **Balancing compliance with administrative burden**

Survey Responses

117



Forms feedback

83% of respondents claimed to have a positive experience e-filing GST/HST forms

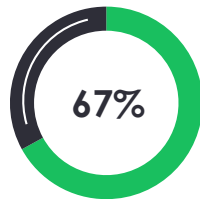
"E-filing [T2 and T1 tax forms] through a program such as TaxPrep is significantly easier and faster than Netfiling through Represent a Client"

- Anonymous feedback

Difficulties (as stated by respondents)



Of respondents had a difficult time filing payroll forms



Of respondents had a poor experience with filing election forms



Of respondents had a difficult time filing T3012 forms



Of respondents would like electronic submission to be enabled for GST, Auth Rep, Payroll and T106

Respondents also felt that further enhancements can be made by digitalizing processes for routine items such as: Business number issuance, Delegated authority, Capital dividend account, Change of address/bank accounts/board of directors and Submission of election forms together with returns.



Electronic / Online solution: Sample Scenario

Company A registered their new business in the 1990s. They listed the owners / Board of Directors on the original RC-1 application. The company has grown and transformed into a global business with various key leaders that work from outside Canada.

Current State	Impact	Recommended State
Company A has moved locations (within Canada) since the original mailing address that was listed upon original registration.	Revising the mailing address is not an easy process without the correct authorized individual making the change.	CRA has to appreciate that the workforce is constantly transforming and have to adapt and align to be effective:
The original Board of Directors are no longer with Company A.	It is challenging getting authorization, when the Directors are no longer active at Company A.	<ul style="list-style-type: none">▶ Key stakeholders may not be in Canada▶ Key functional leaders constantly change
Various key leaders that oversee Corporate Tax, HST and Payroll do not necessarily reside in Canada.	Accessing my Business Account by personnel from outside North America is not possible.	CRA should enable a robust delegated authority process for the right individuals within a business to be able to access, change and authorize submissions. Online access should be possible from outside Canada with the same authority as within Canada (especially when many companies are global).
Company A experiences high turnover in key functional areas and the primary authorized employees constantly change.	It is quite a long and challenging process to get authorized individuals changed periodically with CRA's records.	

2

Corresponding with the CRA: Methods and main complaints

Respondents are currently able to correspond with CRA using the following methods:

Mail

- “No way to tell if form was received and processed”
- “Lost in the mail”

Fax

- “Fax numbers not working”
- “Faxes are not always fully legible”

Phone

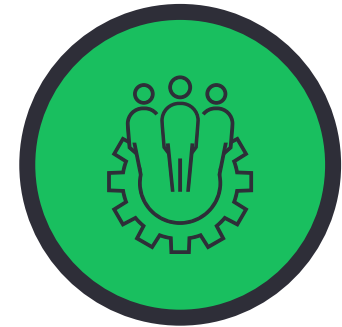
- “Hard to get someone who can help you” and “Long wait times”
- “Should be dedicated phone lines for personal and corporate tax enquiries”
- “Consider having a separate dedicated line for practitioners during certain busy times”

My business account

- “Taxpayers find online notifications confusing”

Email

- “Generally CRA does not agree to correspond via email”



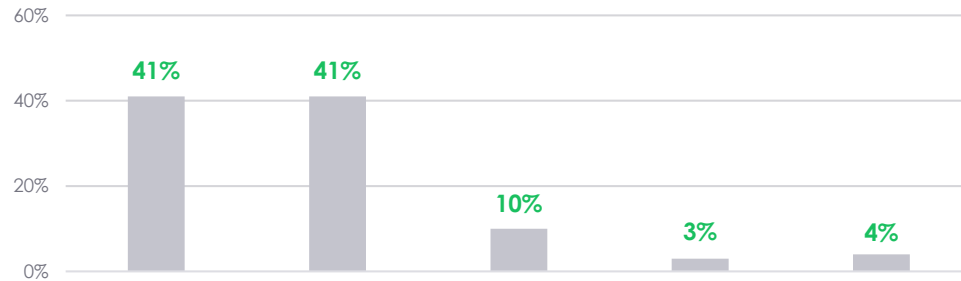
CRA needs to view taxpayers as customers when it comes to service, with expectations of effective, efficient and timely methods of communication

2

Corresponding with the CRA

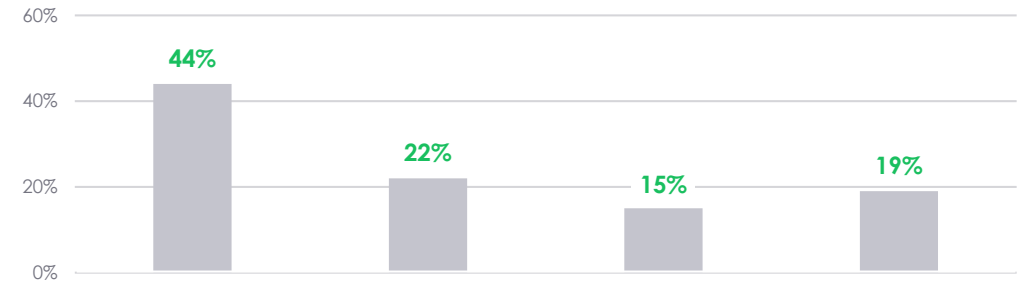
Summary of respondents' experiences

Improving Communication when corresponding with the CRA: Respondent preferences



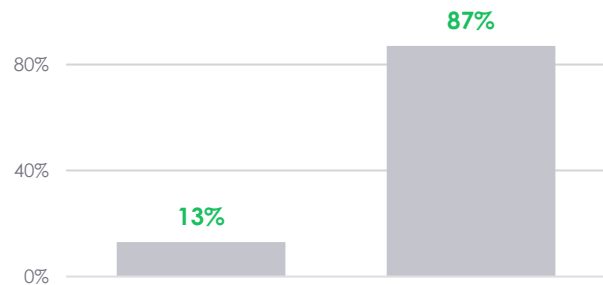
Total responses: 90

Respondents' expected turnaround time for mailed documents



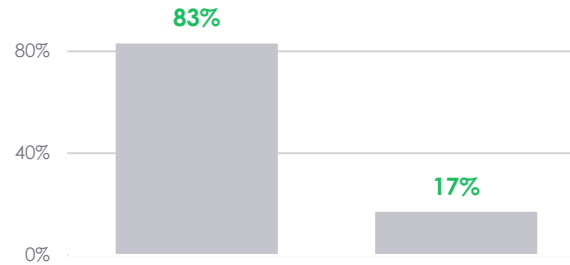
Total responses: 68

Respondents' satisfaction with turnaround time for documents mailed to the CRA



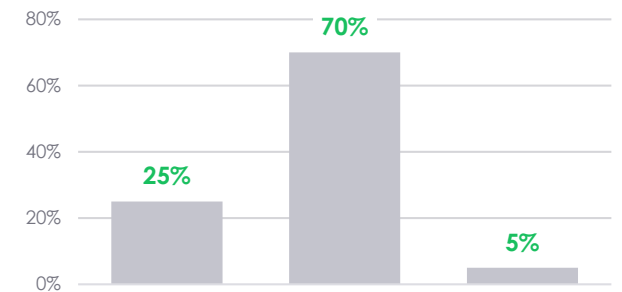
Total responses: 78

Understanding whether it would make it easier to obtain prompt CRA responses and assign an agent's name as a reference for transparency and accountability



Total responses: 84

My Business Account: Respondents' experience



Total responses: 83

2

Corresponding with the CRA: Sample Scenario

Company B receives correspondence from CRA requesting more information and supporting documentation on corporate tax returns that were filed for the last 3 years. The letter indicated a 30-day turnaround time for a response to be delivered to CRA with all supporting documentation (by mail).

Current State	Impact	Recommended State
The correspondence is received by the main authorized person on CRA's records for Company B. The date on the CRA letter is at least one week before it is physically received by Company B.	The correspondence is not initially directed to the right person who can respond to the CRA request.	The CRA letter should be directed to the correct stakeholder at Company B who can respond to the letter, to avoid any delay in receipt.
It has to be re-directed internally to the corporate tax function to respond.	This causes a time delay.	It is important for CRA to follow a customer centric model with transparency in process and timing. To facilitate this, it is recommended that CRA initiate:
The 30 day expected turn-around time does not take into account - vacations or specific busy periods for the team.	Limited awareness that companies and resources have other work priorities and peak periods.	<ul style="list-style-type: none"> • Date stamped acknowledgment to confirm receipt of documents sent • Adhere to a strict response timeframe for the file review, similar to the timeline provided to taxpayers to respond • Assign the file to a CRA officer, so that direct contact is feasible • Periodic updates from CRA to Company B on the status of the file review and issue resolution based on an established timeframe
Amidst the busy period at Company B, the team consolidates the supporting documents, reviews them for completeness and is sent to CRA.	Effort is made to adhere to the 30 day deadline that has been indicated by CRA.	
Once all documents are mailed in bulk, a timely response is not received.	There is no expected turnaround time for CRA's review, even though 30 days response time was requested from Company B.	
Follow up is done multiple times with CRA agents with no proper status update.	There is no tracking mechanism to understand status on CRA's end.	

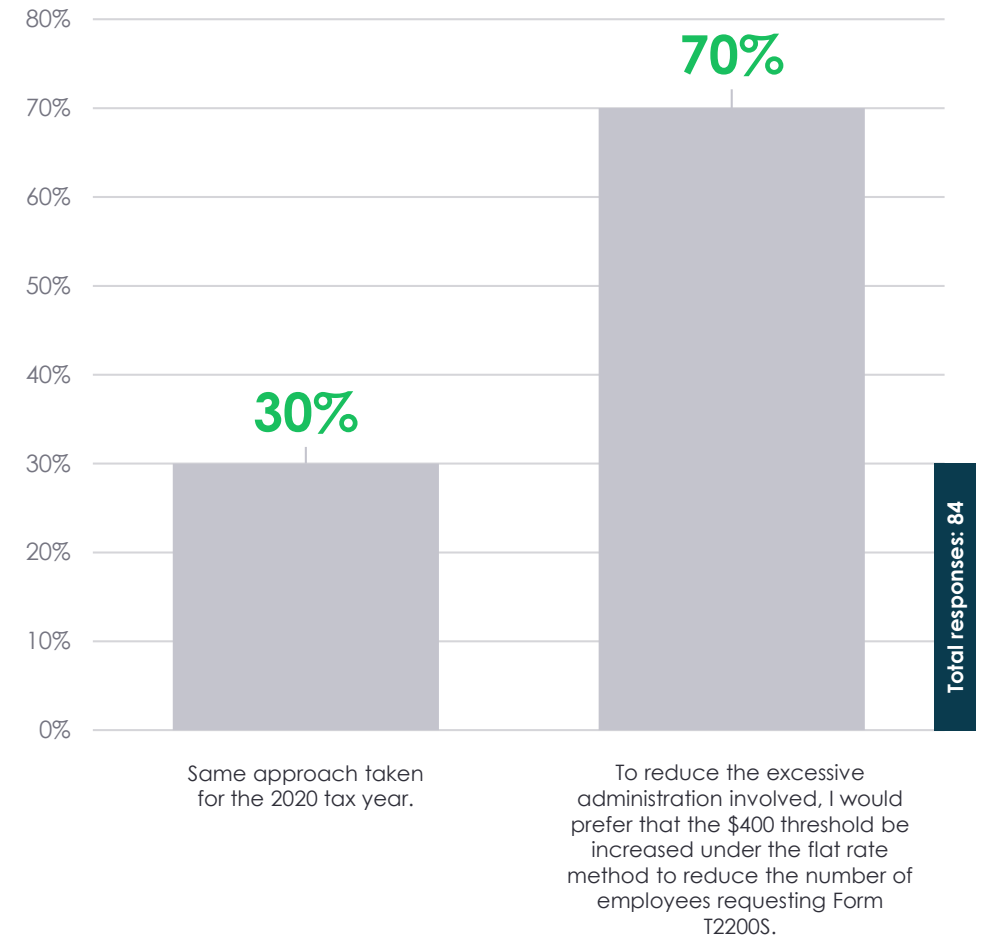
3

Rightsizing opportunities and suggestions

The following suggestions were made to improve experience and outcomes for businesses:

- Merge T106 and NR4 forms
- T1044 information can be obtained from T2
- T400A and GST159 should be one form
- Schedule 25 information is also found on Form T1134
- Schedule 33 to be streamlined so that only certain categories of taxpayers (e.g. small businesses and financial institutions) complete this
- Many elections can be done directly on tax return
- TD1 and the provincial equivalent should be simplified
- Increase the \$400 threshold to reduce number of employees requesting Form T2200S
- Elimination of the RC1 Form as this can be facilitated through My Business Account
- Consider easing aggressive response times provided by the CRA

What is your preference with the Form T2200 approach for 2021 and beyond?



3

Balancing compliance with administrative burden: Sample Scenario

Company C has been impacted by the COVID pandemic. Since revenues significantly declined, Company C had to reduce their workforce in the corporate and administrative functions. Most of the remaining employees (approx. 1,000) had to mostly work from home from March 2020 onwards. Company C had not provided home office expense forms to employees before COVID, but have to now.

Current State	Impact	Recommended State
Company C was not aware which function within their corporate team should own the home office expense process (HR, Payroll, Finance, Tax).	This was a new requirement for 2020 (and potentially beyond) that Company C had to find a team to execute.	The CRA in consultation with Finance should consider eliminating the need for a signed prescribed form to be required due to the remote work transformation that has taken place in 2020, and will most likely continue in the long-term. If the requirement for this prescribed form cannot be eliminated, then the threshold to needing a Form T2200S should be increased significantly, to avoid the need for Company C having to complete a large number of signed forms for employees (i.e. the flat rate method and eligible amount to be increased).
Even though the information was released only on December 15, 2020, this responsibility was delegated to payroll to understand and implement a plan.	Researching and understanding new rules in the busiest time of the year for payroll is challenging.	
The policy and approach that Company C was hoping for, was that employees would not have had home office expenses more than \$400 / year and would not need a signed Form T2200S.	There is a greater probability of employees that pay rent for their home, to have more eligible expenses and need Form T2200S.	
Unfortunately, majority of the employees came back requesting the forms, and the payroll team at Company C had to manually complete and provide it on a timely basis.	More employees requesting forms creates an administrative burden and challenges to execute timely.	
Some employees requested Form T2200S late in 2020 (when they decided to file their tax return), so Company C had to periodically prepare these forms even beyond the usual expected timeframe	The administrative burden does not stop within a specific timeframe but continues dependent on when employees decide to prepare their tax return	

Appendix

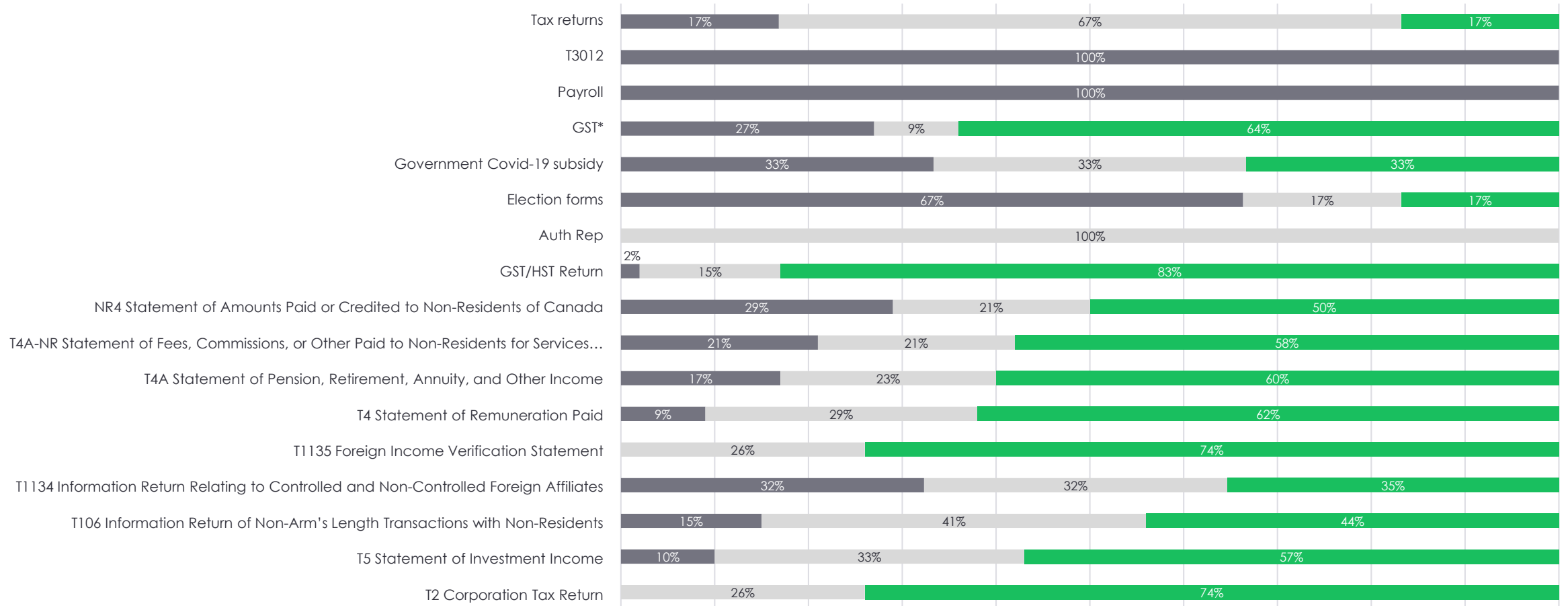
Selected Comments from Respondents



Electronic Filing: Detailed Responses by Form Type

Total responses: 82

● Poor ● Moderate ● Excellent



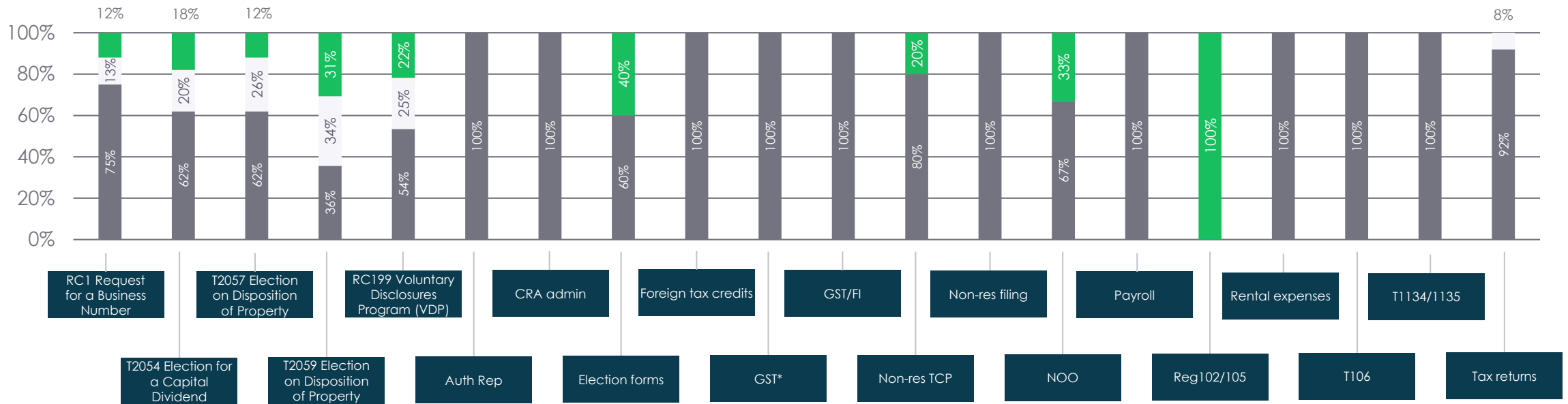
*GST forms are shown as an aggregate. For individual GST form ratings see next slide



Certain forms (e.g., Form RC199, Voluntary Disclosures Program (VDP) Application), as well as special elections/designations and returns (e.g., T2054), may not be submitted electronically, and the CRA is currently working on enabling electronic submission for some of these forms.

Total responses: 84

Please provide a ranked list of forms you file, for which you would like electronic submission to be enabled.

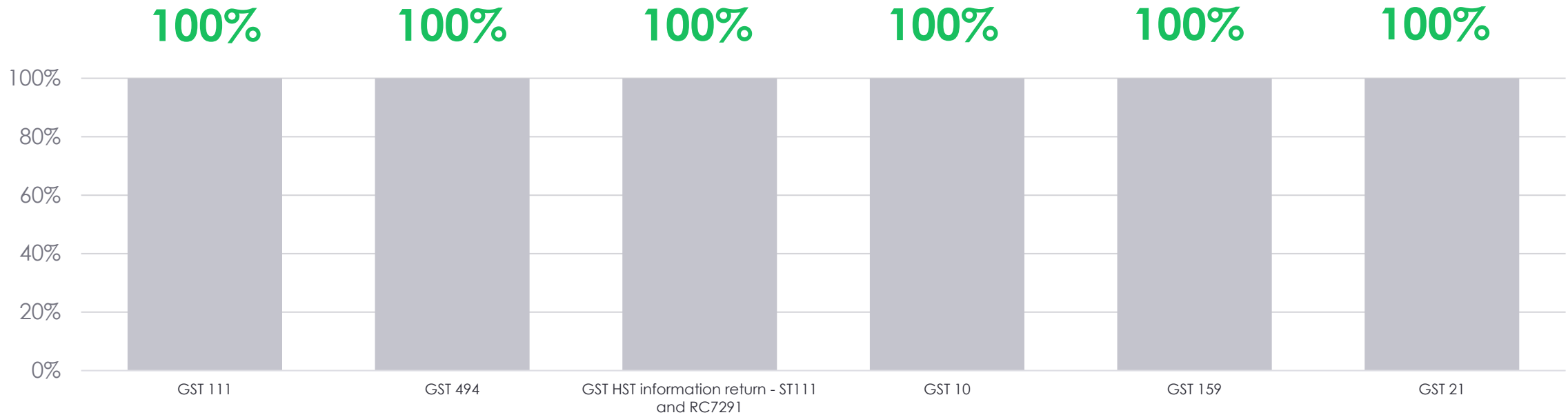




GST Forms : Digital Enablement

Total responses: 6

Please provide a ranked list of forms you file, for which you would like electronic submission to be enabled.

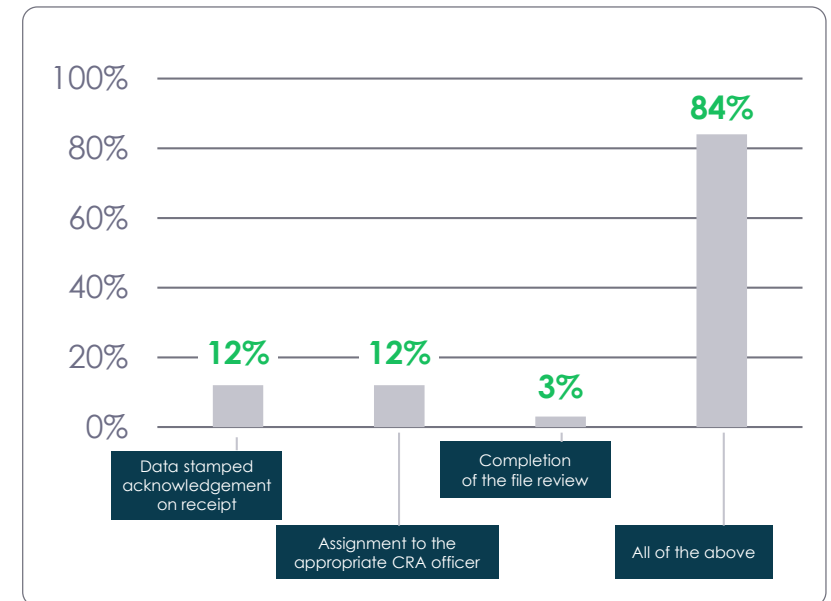


All 84 respondents in the previous slide indicated that they would prefer electronic submission and **6 respondents** out of the **84** specified that electronic submission is enable for the above forms.

2

Improving communication and understanding – Example #1

- Confirmation of receipt of important information and transparency regarding the status of audits and timeline for resolution of issues. 84% of the respondents were not satisfied with the turnaround time of important tax files or audit responses and support a better process.
- Some options suggested for improvement were:
 - Date stamped acknowledgment on receipt of documents and contents.
 - Assignment of information to the appropriate CRA officer.
- Respondents felt that communication was a critical part of a positive audit experience and that frequency of communication could be improved.
- Potential benefit for agency include faster resolution of audits and thus improvements in audit collections and time.



3

Rightsizing opportunities: TD1 Process and beyond

Are you satisfied with the current TD1 process?

Total responses: 84

