

Correspondence between CRA and PBO – Appendices

You will find in this document relevant correspondence between the Canada Revenue Agency (CRA) and the Parliamentary Budget Officer (PBO) regarding the PBO's request for income tax data. In addition to the correspondence, also attached are draft table layouts, a list of requested data elements and the activities to be performed by CRA to complete the request.

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Appendix A - PBO initial request for aggregate data

Below is the request that the CRA received from the PBO:

From: PBO Officer
Sent: February 25, 2014 12:47 PM
To: CRA Officer
Cc: CRA Officer; Jean-Denis, Fréchette: HOC / CDC; PBO Officers
Subject: (2013-367) Data request - Tax gap

Good afternoon,

Regarding our request, our office continues to welcome access to CRA micro-data should it become available in the future. However, in accordance with the series of CRA responses to our tax gap information request and your suggestions at our meeting yesterday, we propose the following data arrangement:

(A) Personal income tax

Aggregated T1 data of the full personal income taxpaying population for the most recent and complete tax year, stratified into four dimensions and listed in order of priority for our research purposes:

1. Ranked income group – according to total income from line 150 from the T1 return, classified into 3000 evenly 'n'-weighted groups
2. Province or territory or residence classification (Note 1)
3. Age group (Note 2)

*Note 1: as defined by the province key listed on CRA's website (<http://www.cra-arc.gc.ca/gncy/stts/gb09/pst/lcsts/csv/prv-eng.txt>).

*Note 2: as defined on the CRA website (<http://www.cra-arc.gc.ca/gncy/stts/gb10/pst/fnl/clssf-eng.html#4>)

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(B) Corporate income tax

Aggregated T2 data of the full corporate income taxpaying population for the three most recent and complete tax years, stratified into four dimensions and listed in order of priority for our research purposes:

1. Ranked income group – according to net income (or loss) for income tax purposes from line 300 of the T2 return, classified into 300 evenly 'n'-weighted groups

2. Corporation type (Note 3)
3. NAICS industry code (Note 4)
4. Residency (Note 5)

*Note 3: as categorized by line 040 of the T2 Corporate Income Tax Return

*Note 4: as defined on the CRA website (<http://www.cra-arc.gc.ca/gncy/stts/gb06/pst/t2/dsm-eng.html#footnote7>)

*Note 5: as categorized by line 082 of the T2 Corporate Income Tax Return

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(C) GST/HST

Aggregated GST/HST data of the full GST/HST return filing population for the most recent and complete tax year, stratified into two dimensions and listed in order of priority for our research purposes:

1. Ranked income group – according to total sales and other revenue from line 101 of the GST/HST return for registrants and non-registrants, classified into 500 evenly 'n'-weighted groups
2. Major industry group, according to Standard Industrial Classification (Note 6)

Note 6: as defined on the CRA website (http://www.cra-arc.gc.ca/gncy/stts/gb02/pst/gst_hst/clssf-eng.html)

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For all PIT, CIT and GST/HST data requested, we require both initially assessed data as well as the most recent assessment. Data required for each observation is detailed in an attachment to this email, according to line categorization on CRA's T1, T2 and/or GST/HST return forms. For each stratum please provide the number of audits undertaken, the number of audits resulting in a change and the number of voluntary disclosures resulting in self-correction.

Please contact me or PBO Officer (PBO Officer's email or PBO Officer's Phone Number) to discuss our request in greater detail. I ask that you provide a response by Friday, February 28.

Thank you,
PBO Officer
(PBO Officer's Phone Number)

Appendix B - CRA response from the Assistant Commissioner, Strategy and Integration Branch

From: CRA Officer **On Behalf Of** CRA Officer
Sent: April 16, 2014 1:28 PM
To: Jean-Denis, Fréchette: HOC / CDC
Cc: CRA Officers; PBO Officers;
Subject: Re: (2013-367) Data request - Tax gap

Mr. Fréchette:

The CRA has reviewed the detailed data request received on February 25, 2014, from your staff member PBO Officer. We estimate that it will take approximately six months to produce the requested data, at an estimated cost of \$141,000.

You requested information relating to three main tax sources – individual income tax (T1), corporation income tax (T2) and Goods and Services Tax/Harmonized Sales Tax (GST/HST) – sorted according to different categories, such as income group, for specified fields of the tax returns for each type of tax. You also requested information about the number of audits undertaken, the rate of change resulting from audits, and the number of voluntary disclosures. As you are aware, the CRA is obliged by section 241 of the *Income Tax Act* and section 295 of the *Excise Tax Act* to protect taxpayer information. Due to the extensive combination of data requested, we would be implementing augmented confidentiality controls to protect against residual disclosure. Residual disclosure occurs when, due to small numbers of records making up aggregate data, it could be possible to attribute the data to specific taxpayers.

The CRA would be able to provide the T1 data as requested. The proposed table layouts are provided in the attached spreadsheet. Please note that the T1 tables would contain over 100 million data points. This is significantly more data than the CRA has ever produced in response to requests for similar data tables. For comparison, the largest previous request we have responded to comprised approximately 2.6 million data points.

The T2 data could only be sorted by income group and industry type. You requested corporation type but we note that Canadian Controlled Private Corporations comprise approximately 95% of corporations. This would leave too few corporations of other types to guarantee the confidentiality of taxpayer information. Similarly, we are unable to provide requested information on corporations in each income group and industry type claiming an exemption under an income tax treaty (which you described as 'residency'). About 1% of corporations would claim this exemption and, with such small numbers, it could be possible to identify specific corporations from the aggregate data. The table layout for T2 is provided in the attached spreadsheet.

We would be able to provide the GST/HST information according to the strata requested. The table layout for GST/HST is provided in the attached spreadsheet.

The CRA could provide the requested information regarding audit and voluntary disclosure. The table layout for these is provided in the attached spreadsheet. I note that we have interpreted "audit" to mean the CRA's field audit activities, which represent only part of the total post-assessment review and verification conducted by the CRA: our compliance efforts extend beyond the two areas you have identified.

I have outlined below four specific limitations to illustrate how challenging it will be for the PBO to derive an accurate or reliable estimate of non-compliance from the available data. The CRA is not aware of a methodology that could be used to overcome these data limitations in order to assess the 'tax gap'.

1. Blanking out data points to protect confidential taxpayer information

If you were to proceed with your request, our obligation to protect confidential taxpayer information will result in many of the cells in all tax source tables being 'blanked out' – that is, data will not be provided – because the small number of records could lead to residual disclosure. For example, there are too few T1 records to populate any tables for the territories, when divided into the requested 3,000 income ranges. As a result, you will be working with partial data and could draw incorrect conclusions.

2. Variety of potential reasons for change to initial assessment

As stated by the Commissioner, Andrew Treusch, in his letter of August 1, 2013, the difference between initially assessed data and final assessments could be due to a large range of changes, not all of which are related to anyone's conception of the tax gap. Changes will include actions such as taxpayer requested adjustments, reassessments after court decisions or appeals, applications of losses from other tax years, and reassessments following an audit or other post-assessment verification carried out by the CRA. Given that the data will be aggregated, some of these actions may offset each other (for example, the positive revenue impact of an audit being offset by the revenue loss from a carry-back). As already noted, the audit data requested does not reflect the full range of verification activities carried out by the CRA that could result in a change to the assessment. Further, the CRA selects its audit candidates based on their confidential risk assessment criteria. This means that the probability of finding additional tax revenue is greater among those selected than in the population at large. We are concerned that extrapolating these data to the whole population would overestimate non-compliance.

3. Complexity of data

The data is complex and may be subjected to varying degrees of quality checking by the CRA, depending on its importance in calculating tax liability. For example, the T2 tax return field 652 (investment tax credit) may include credits carried forward from prior years in addition to credits earned in the current year, and recent analysis of the industry classification code (which does not affect a corporation's tax liability) shows that this field is not always correctly filled and is sometime missing. This could lead to mistaken assumptions and inaccurate conclusions being drawn. Another example of the complexity is around the GST/HST data. We would provide data for 2008. However, the rate dropped from 6% to 5%

in July that year, which meant some firms needed time to adjust their accounting systems. Although the firms would have collected the correct amount of GST in their registers, they might have continued remitting to CRA at the higher rate until their accounting system was updated. Their payments would be adjusted in future months. These delays may have caused some discrepancy that in the PBO's analysis may appear as tax gap.

4. Completeness and timeliness of data

You have requested T1 and GST/HST for the most recent and complete tax year, and T2 data for the three most recent and complete tax years. We could provide T1 and GST/HST data for 2008, and T2 data for 2006, 2007, and 2008. As you are aware, audits can result in changes to assessments for several years after a tax year. Actions such as appeals can result in further elapsed time before an assessment is finalized. While we believe that 2008 is the most recent year for which audit information is reasonably complete, the values contained in the final assessment could continue to change. For this reason, an assessment of non-compliance based on 'final' assessments would be inaccurate.

In summary, while the CRA could provide the requested data, we do not consider that it will be possible to produce an accurate or reliable compliance analysis based on the available data, which would be incomplete, complex and open to misinterpretation. Should you decide to proceed, we could begin production once you accepted the estimated cost. We would monitor the actual costs being incurred carefully and, should unforeseen challenges arise and cause a significant increase in the final cost, we would consult with you before proceeding with the work.

Should you require additional information or wish to discuss further, please contact me at (CRA Officer's phone number).

CRA Officer

CRA Officer's Title

CRA Officer's Branch

Canada Revenue Agency / Agence du revenu du Canada

Tel: (CRA Officer's phone number)

Appendix C – CRA table layout examples provided to the PBO

Table Layout Examples

(A) Personal Income Tax

Assessment Statistics, by Province or Territory, Age, and Total Income, Tax Year 2008

196 tables (one table for each of 14 age categories, for each of 14 residency jurisdictions)

Province/Territory Age	Initial Assessed Values					Final Assessed Values				
	101	104	...	479	482	101	104	...	479	482
Ranked Income Group	Data (aggregate dollar amounts)									
Group 1 (less than -\$xxx,000)										
Group 2 (-\$xxx,000 to -\$yyy,000)										
...										
Group m (\$0 to \$0)										
...										
Group m+n (\$0 to \$0)										
...										
Group 2999 (\$vvv,000 to \$zzz,000)										
Group 3000 (more than \$zzz,000)										

Audit Statistics, by Province or Territory, Age, and Total Income, Tax Year 2008

196 tables (one table for each of 14 age categories, for each of 14 residency jurisdictions)

Province/Territory Age	Total Number of Taxpayers	Number of Audits Undertaken	Number of Reassessments	Number of Voluntary
	Ranked Income Group	Data (aggregate counts)		
Group 1 (less than -\$xxx,000)				
Group 2 (-\$xxx,000 to -\$yyy,000)				
...				
Group m (\$0 to \$0)				
...				
Group m+n (\$0 to \$0)				
...				
Group 2999 (\$vvv,000 to \$zzz,000)				
Group 3000 (more than \$zzz,000)				

Notes

- 1 Income groups are ranked into 3000 'n'-weighted groups by total income from line 150 from the initially-assessed T1 return.
- 2 Income ranges vary between tables, based on the distribution of total incomes within each jurisdiction and age group.
- 3 Cells representing fewer than 10 returns or otherwise posing a risk to confidentiality are suppressed.

Table Layout Examples

(B) Corporate Income Tax

Assessment Statistics, by Industry and Net Income, Tax Years 2008-2010

63 tables (one table for each of three tax years for each of 21 NAICS categories)

Tax Year Industry	Initial Assessed Values					Final Assessed Values				
	300	360	...	840	890	300	360	...	840	890
Ranked Income Group	Data (aggregate dollar amounts)									
Group 1 (less than -\$xxx,000)										
Group 2 (-\$xxx,000 to -\$yyy,000)										
...										
Group m (\$0 to \$0)										
...										
Group m+n (\$0 to \$0)										
...										
Group 299 (\$vvv,000 to \$zzz,000)										
Group 300 (more than \$zzz,000)										

Audit Statistics, by Industry and Net Income, Tax Years 2008-2010

63 tables (one table for each of three tax years for each of 21 NAICS categories)

Tax Year Industry	Total Number of Accounts	Number of Audits Undertaken	Number of Reassessments	Number of Voluntary
Ranked Income Group	Data (aggregate counts)			
Group 1 (less than -\$xxx,000)				
Group 2 (-\$xxx,000 to -\$yyy,000)				
...				
Group m (\$0 to \$0)				
...				
Group m+n (\$0 to \$0)				
...				
Group 299 (\$vvv,000 to \$zzz,000)				
Group 300 (more than \$zzz,000)				

Notes

- 1 Income groups are ranked into 300 'n'-weighted groups by net income from line 300 from the initially-assessed T2 return.
- 2 Income ranges vary between tables, based on the distribution of net incomes within each industry category.
- 3 Cells representing fewer than 10 returns or otherwise posing a risk to confidentiality are suppressed.

Table Layout Examples
(C) GST/HST

Assessment Statistics, by Industry and Total Sales, Tax Year 2008

21 tables (one table for each of 21 NAICS categories)

Industry	Initial Assessed Values					Initial Assessed Values				
	101	105	...	114	115	101	105	...	114	115
Ranked Income Group										
Group 1 (\$0 to \$0)										
...										
Group n (\$0 to \$0)	Data (aggregate dollar amounts)									
...										
Group 499 (\$vvv,000 to \$zzz,000)										
Group 500 (more than \$zzz,000)										

Audit Statistics, by Industry and Total Sales, Tax Year 2008

21 tables (one table for each of 21 NAICS categories)

Industry	Total Number of Accounts	Number of Audits Undertaken	Number of Reassessments	Number of Voluntary
Ranked Income Group				
Group 1 (\$0 to \$0)				
...				
Group n (\$0 to \$0)	Data (aggregate counts)			
...				
Group 499 (\$vvv,000 to \$zzz,000)				
Group 500 (more than \$zzz,000)				

Notes

- 1 Income groups are ranked into 500 'n'-weighted groups by total sales from line 101 of the Initially-assessed GST/HST return.
- 2 Income ranges vary between tables, based on the distribution of total sales within each Industry category.
- 3 Cells representing fewer than 10 returns or otherwise posing a risk to confidentiality are suppressed.

Appendix D - PBO response to CRA letter dated April 16, 2014 including email dated April 24, 2015

Expéditeur : Agent du DBP
Envoyée le : 25 avril 2014 à 8 h 37
Destinataire : Agent de l'ARC
Objet : Réponse à votre lettre du 16 avril 2014 - DPB Demande d'information IR0102 /
Response to your letter 16 April 2014- PBO Information Request IR0102
Pièces jointes : Response_CRA_Apr_24_14 JR0102_Tax_Gap_data_CRA Agent
_EN.pdf; Response_CRA_Apr_24_14 JR0102_Tax_Gap_data_Agent l'ARC_FR.pdf
[La version anglaise suit]

Madame,

Au nom de Jean-Denis Fréchette, directeur parlementaire du budget, vous trouverez ci-joint la réponse à votre lettre du 16 avril 2014 relative à la demande d'information IR0102.

Une copie papier en anglais et en français de la lettre sera envoyée par la poste.

Je vous remercie de votre attention à cette correspondance.

From: PBO Agent
Sent: April 25, 2014 08:37 AM
To: CRA Agent
Subject: Reponse a votre lettre du 16 avril 2014 - DPB Demande d'information IR0102 /
Response to your letter 16 April 2014- PBO Information Request IR0102
Attachments: Response_CRA_Apr_24_14 JR0102_Tax_Gap_data_CRA Agent_EN.pdf;
Response_CRA_Apr_24_14 JR0102_Tax_Gap_data_Agent de l'ARC_FR.pdf

Dear CRA Agent:

On behalf of Jean-Denis Fréchette, Parliamentary Budget Officer, please find attached response to your letter dated 16 April 2014 pertaining to Information Request IR0102.

An English and French copy of the letter will be sent to you by mail.

Thank you for your attention to this correspondence.

BPO Agent

24 April 2014

CRA Officer

CRA Officer's Title

CRA Officer's Branch

Canada Revenue Agency / Agence du revenu du Canada

CRA Data Request 2013-367 - Tax Gap

RE: PBO Information Request IR0102

Dear CRA Officer:

I have reviewed your response to our tax gap data request, received on 16 April 2014. I wish to proceed with the request and agree to the cost and timelines you have provided.

My staff and I will await your direction on the administrative details and procedures required to establish a contract and deliver payment. PBO staff may wish to discuss minor revisions to the request to reduce the impact of some of the limitations cited in your response. Should actual costs or timelines deviate from those that you have indicated in your response, I ask that you consult PBO staff as soon as possible. I would also appreciate that CRA staff provide clarification regarding the interpretation and use of the data set when requested.

As you know, this is one of several PBO requests for access to CRA tax data. I continue to remain open to access to taxpayer micro-data should it become available, for this or other PBO requests. As you pointed out, there are known and yet unknown limitations inherent in this approach that will, by definition, limit our ability to provide analysis. Given this, I hope that this data access arrangement is a first step in establishing an ongoing and productive exchange between my office and the CRA.

Yours sincerely,

Jean-Denis Fréchette
Parliamentary Budget Officer

Appendix E – CRA Commissioner letter to the PBO in response to comments made at Standing Committee on Finance April 29, 2014

Mr. Jean-Denis Fréchette
Parliamentary Budget Officer
50 O'Connor Street, Suite 919
Ottawa ON K1A 0A9

Dear Mr. Fréchette:

I am writing in response to comments made during the proceedings of the Standing Committee on Finance on April 29, 2014, concerning the use by the Canada Revenue Agency (CRA) of s.241 of the *Income Tax Act* (ITA) to deny sharing confidential taxpayer information with your office.

During the proceedings, reference was made to section 241, specifically paragraph 241(4)(k), and that it, in conjunction with section 79.3 of the *Parliament of Canada Act*, would enable the CRA to disclose confidential taxpayer information to the Parliamentary Budget Office (PBO). Paragraph 241(4)(k) allows the disclosure of taxpayer information to any person otherwise legally entitled to it under an Act of Parliament, solely for the purpose for which that person is entitled to the information.

As you are aware, the CRA has a legal obligation to protect taxpayer and confidential information under section 241 of the ITA and section 295 of the *Excise Tax Act* (ETA). These acts prohibit the disclosure of taxpayer and confidential information respectively, to any person unless specifically authorized by the ITA or the ETA. The confidentiality regimes in these acts require the CRA to be absolutely scrupulous with respect to the protection and security of taxpayer and confidential information. The CRA rigorously protects taxpayer information, both internally and in its use by third parties. Whenever disclosing taxpayer information, the CRA always seeks to limit the information to that which is specifically required.

In addition, to further ensure protection of taxpayer information shared with third parties, the CRA requires comprehensive memoranda of understanding (MOUs) with information recipients. These MOUs set out roles and responsibilities, and data exchange mechanisms, and include security and audit provisions to ensure that the recipient has adequate process and system protections in place.

.../2

Under the *Parliament of Canada Act*, subsection 79.3(1), the PBO is authorized to obtain financial or economic data from departments, in support of its mandate. However, subsection 79.3(2) provides that this access does not apply to “information the disclosure of which is restricted under section 19 of the *Access to Information Act* or any provision set out in Schedule II to that Act”. Section 241 of the ITA is included in Schedule II. Therefore, the PBO does not have the right to access confidential taxpayer information.

Once taxpayer or confidential information is aggregated, such that it is no longer possible to identify individuals either directly or indirectly, it is no longer subject to the provisions of section 241 of the ITA or section 295 of the ETA because it no longer falls within the definition of taxpayer or confidential information. The CRA is able to provide such aggregate data to the PBO.

In your letter of April 24, 2014, you accepted the CRA’s cost and timeline for the provision of aggregated data, and I understand that our officials are working to formalize this arrangement in writing. I am pleased that the CRA is able to respond to your office’s request for information, and I appreciate your understanding of the CRA’s legal obligation to protect taxpayer information.

Should you require additional information, please do not hesitate to contact me or Ms. Catherine Bennett, Assistant Commissioner, Strategy and Integration Branch, at 613-952-3660.

Sincerely,

Andrew Treusch

Appendix F – Letter of Agreement, with attachments (list of data elements that the CRA will provide, and list of activities required to complete the request).

Mr. Jean-Denis Fréchette
Parliamentary Budget Officer
50 O'Connor, Suite 919
Library of Parliament
Parliament Buildings
Ottawa ON K1A 0A9

Dear Mr. Fréchette:

Further to your letter, received on April 25, 2014, this Letter of Agreement details the provision of aggregate data by the Canada Revenue Agency (CRA) to the Parliamentary Budget Officer (PBO). These data will allow the PBO to undertake research and provide independent analysis about the state of the nation's finances, the estimates of the government and trends in the national economy.

In providing this information, the CRA will safeguard the confidentiality of taxpayer information as required by section 241 of the Income Tax Act and section 295 of the Excise Tax Act. The CRA will ensure that the data (described in Appendix A) will not allow specific taxpayer information to be identified.

As agreed, the data is being provided subject to the following conditions:

- The data will only be provided for the purposes of the above-noted research and analysis, and the use or disclosure of the data is restricted to the purpose for which the data was provided.
- The CRA will apply standard confidentiality controls before the data is provided to protect against residual disclosure.
- The PBO will not attempt to identify taxpayers using the data provided or by matching or linking the data to information from other sources.
- The data tables will not be shared with any other person or entity outside of the PBO in any form other than as final analytical results.

The PBO will reimburse the CRA for incremental costs incurred as outlined in Appendix B. Determination of these costs is consistent with the Treasury Board Secretariat guide to costing, as well as related CRA policy instruments. The CRA will deliver the data as soon as it is available and will advise the PBO of any unforeseen issues that could result in delays.

If you concur, I would ask that you please sign the four original letters, two in English and two in French, and return one countersigned original in each language to my office at the address provided on the enclosed label.

Should you have any questions, you may contact CRA Officer, CRA Officer's Title & Branch, at (CRA Officer's phone number).

CRA Officer
CRA Officer's Title
CRA Officer's Branch

Attachments

I concur:

Jean-Denis Fréchette
Parliamentary Budget Officer

Date

Appendix A – Data elements to be provided by the CRA

The confidentiality measures in this arrangement apply to all data being provided by the Canada Revenue Agency (CRA) to the Parliamentary Budget Officer (PBO).

Data will be aggregated by income or revenue range and are subject to CRA confidentiality standard.

The following data elements will be provided as aggregate amounts, both as initially-assessed and currently-assessed values as of April 01, 2014.

T1 Elements	Description
Tax year	2008
Total income groups	3,000 evenly n-weighted groups based on total income (line 150)
Taxpayer age	14 age groupings [under 20, 20-24, 25-29, 30-34, 35-39, 40-44, 45-49, 50-54, 55-59, 60-64, 65-69, 70-74, 75-79, 80 and over]
Province or Territory	14 residency jurisdictions [NL, PE, NS, NB, QC, ON, MB, SK, AB, BC, YT, NT, NU, NR (non-resident)]
Line 101	Employment income
Line 104	Other employment income
Line 113	Old Age Security pension
Line 114	CPP or QPP benefits
Line 115	Other pensions or superannuation
Line 116	Elected split-pension amount
Line 117	Universal Child Care Benefit
Line 119	Employment Insurance and other benefits
Line 120	Taxable amount of dividends from taxable Canadian corporations
Line 121	Interest and other investment income
Line 122	Net partnership income: limited or non-active partners only
Line 125	Registered disability savings plan income
Line 126	Net rental income
Line 127	Taxable capital gains
Line 128	Taxable support payments received
Line 129	Registered Retirement Savings Plan income
Line 130	Other income
Line 135	Net business income
Line 137	Net professional income
Line 139	Net commission income
Line 141	Net farming income
Line 143	Net fishing income
Line 162	Gross business income
Line 164	Gross professional income
Line 166	Gross commission income
Line 168	Gross farming income
Line 170	Gross fishing income
Line 144	Workers' compensation benefits
Line 145	Social assistance payments
Line 146	Net federal supplements
Line 147	Total support payments

Line 150	Total income
Line 206	Pension adjustment
Line 207	Registered pension plan deduction
Line 208	Registered Retirement Savings Plan deduction
Line 210	Deduction for elected split-pension amount
Line 212	Annual union, professional, or like dues
Line 213	Universal Child Care Benefit repayment
Line 214	Child care expenses
Line 215	Disability supports deduction
Line 217	Business investment loss, allowable deduction
Line 219	Moving expenses
Line 220	Support payments made, allowable deduction
Line 221	Carrying charges and interest expenses
Line 222	Deduction for CPP or QPP contributions on self-employment earnings
Line 224	Exploration and development expenses
Line 229	Other employment expenses
Line 231	Clergy residence deduction
Line 232	Other deductions
Line 233	Total net income deductions
Line 234	Net income before adjustments
Line 235	Social benefits repayment
Line 236	Net income after adjustments
Line 244	Canadian Forces personnel and police deduction
Line 248	Employee home relocation loan deduction
Line 249	Security options deductions
Line 250	Other payments deduction
Line 251	Limited partnership losses of other years
Line 252	Non-capital losses of other years
Line 253	Net capital losses of other years
Line 254	Capital gains deduction
Line 255	Northern residents deductions
Line 256	Additional deductions
Line 257	Total taxable income deductions
Line 260	Taxable income assessed
Line 266	Foreign property ownership code
Line 420	Net federal tax
Line 421	CPP contributions on self-employment earnings
Line 430	Note that self-employment earnings were not insurable in the year 2008. Line 430 was not included on the 2008 tax return and will be omitted from the results.
Line 422	Social benefits repayment
Line 428	Net provincial tax
Line 435	Total tax payable
Line 437	Total income tax deducted
Line 440	Refundable Quebec abatement
Line 448	CPP overpayment
Line 450	Employment Insurance overpayment
Line 452	Refundable medical expense supplement
Line 453	Working Income Tax Benefit
Line 454	Refund of investment tax credit
Line 456	Part XII.2 trust tax credit
Line 457	Employee and partner GST/HST rebate
Line 476	Tax paid by instalments
Line 479	Provincial or territorial credits
Line 482	Total credits
Various Counts	Counts of the following: total taxpayers, audits, reassessments, and voluntary disclosures

T2 Elements	Description
Tax year	2008-2010
Net income groups	300 evenly n-weighted groups based on net income (line 300)
Industry	21 major industries by 2-digit NAICS codes [11, 21, 22, 23, 31-33, 41, 44-45, 48-49, 51, 52, 53, 54, 55, 56, 61, 62, 71, 72, 81, 91, missing/invalid]
Line 300	Net income or loss for income tax purposes
Line 360	Taxable income
Line 370	Income exempted under section 149(1)(t)
Line 400	Income from active business carried on in Canada
Line 430	Small business deduction
Line 440	Aggregate investment income
Line 445	Foreign investment income
Line 450	Refundable portion of Part I tax
Line 485	Refundable dividend tax on hand at the end of the tax year
Line 550	Base amount of Part I tax
Line 602	SR&ED ITC Recaptured
Line 604	Refundable tax on CCPC's investment income
Line 608	Federal tax abatement
Line 616	Manufacturing and processing profits deduction
Line 620	Investment corporation deduction
Line 624	Taxed capital gains
Line 628	Additional deduction - Credit Unions
Line 632	Federal foreign non-business income tax credit
Line 636	Federal foreign business income tax credit
Line 638	Accelerated tax reduction: 92000073 times 7% (ATR amt O)
Line 639	General tax reduction-other: 92000078 times 1% (GTR-other amt I)
Line 640	Federal logging tax credit
Line 648	Federal qualifying environmental trust tax credit
Line 652	Investment tax credit
Line 700	Part I tax payable
Line 708	Part II tax payable
Line 710	Part III.1 tax payable
Line 712	Part IV tax payable
Line 716	Part IV.1 tax payable
Line 720	Part VI tax payable
Line 724	Part VI.1 tax payable
Line 727	Part XIII.1 tax payable from Schedule 92
Line 728	Part XIV tax payable
Line 770	Total tax payable
Line 780	Investment tax credit refund
Line 784	Dividend refund
Line 788	Federal capital gains refund
Line 792	Federal qualifying environmental trust tax credit refund
Line 796	Canadian film or video production tax credit refund
Line 797	Film or video production services tax credit refund
Line 800	Tax withheld at source
Line 801	Total Payments on which tax has been withheld
Line 808	Provincial and territorial capital gains refund
Line 812	Provincial and territorial refundable tax credits
Line 840	Tax instalments paid
Line 890	Total credits
Various Counts	Counts of the following: total taxpayers, audits, reassessments, and voluntary disclosures

GST/HST Elements	Description
Tax year	2008
GST/HST sales and other revenue groups	500 evenly n-weighted groups based on GST/HST sales and other revenue (line 101)
Industry	21 major industries by 2-digit NAICS codes [11, 21, 22, 23, 31-33, 41, 44-45, 48-49, 51, 52, 53, 54, 55, 56, 61, 62, 71, 72, 81, 91, missing/invalid]
Line 101	Sales and other revenue
Line 105	Total GST/HST and adjustments for period
Line 108	Total ITCs and adjustments
Line 109	Net Tax
Line 110	Instalments and other payments
Line 111	Rebates
Line 205	GST/HST due on acquisition of taxable real property
Line 405	Other GST/HST to be self-assessed
Line 114	Refund claimed
Line 115	Payment Enclosed
Various Counts	Counts of the following: total taxpayers, audits, reassessments, and voluntary disclosures

Appendix B – Activities to be performed by the CRA

Activity	
1	Preparation
1.1	Communication and administration
1.2	Define requirements and specifications
1.3	Development of data-masking standards
2	Data Production
2.1	Preparation of data extraction
2.1.1	Search data sources and finalize variables
2.1.2	Prepare System Record Description(SRD)
2.1.3	Prepare test scripts and test run
2.1.4	Finalize SRD
2.1.5	Request written approval for data-viewing
2.1.6	Prepare final scripts for data extraction
2.2	Data extraction and output check
2.2.1	Run scripts for data extraction
2.2.2	Check raw outputs and check null values
2.2.3	Application of data-masking algorithms
3	Quality Assurance
3.1	Review and approval
3.1.1	Review of outgoing file to ensure confidentiality
3.1.2	Data quality review and feedback
3.1.3	Finalize dataset for release
4	Communication with Client Services
5	Feedback
5.1	Prepare responses to questions from client
5.2	Close request and document
Cost	\$141,000

Appendix G – PBO Response to CRA letter dated May 20, 2014

29 July 2014

Mr. Andrew Treusch
Commissioner and Chief Executive Officer
Canada Revenue Agency
555 MacKenzie Avenue, 7th Floor
Ottawa, Ontario K1A 0L5

Re: PBO Information Request IR0102: Tax Gap Estimate

Dear Mr. Treusch:

Thank you for your letter dated 20 May 2014 in relation to my request for access to taxpayer information needed to estimate the tax gap.

The Parliamentary Budget Officer ("PBO") is, like Canada Revenue Agency ("CRA"), bound to protect the confidentiality of taxpayer information by s 241 of the *Income Tax Act* and s 295 of the *Excise Tax Act*. I am also prohibited from releasing the data we receive except where essential for the performance of my mandate under s 79.4 *Parliament of Canada Act*. To ensure that CRA and the PBO can meet their obligations to protect the security of taxpayer information under these provisions, we would be willing to enter into a comprehensive memorandum of understanding of the type you suggest. As we have suggested before, we would be willing to perform our analysis on CRA premises to allow CRA to maintain complete control over the security of taxpayer information. The PBO has no intention of identifying taxpayers or of releasing information that could allow them to be identified.

You indicated that it is the CRA's policy to provide only as much tax data as is strictly necessary. Based on methodologies used in other jurisdictions, the PBO requires access to taxpayer-level information to prepare a credible estimate of the tax gap. Your staff have stated that CRA's "standard confidentiality controls" will likely result in virtually all of the aggregate data we requested being suppressed. Further, CRA staff have acknowledged that this would render the dataset ineffective for the purpose of analyzing the tax gap. It has been further suggested by CRA staff that a higher level of aggregation would do little to reduce data suppression, while undermining the reliability of any conclusions drawn about the entire population based on the non-representative sample audited by CRA. It is simply not possible to produce a reliable estimate of the tax gap without access to taxpayer information.

Aggregation also introduces an inordinate delay; the Assistant Commissioner proposes six months to deliver the data. As you are likely aware, the PBO's results are used to help parliamentarians scrutinize the nation's finances and hold the government to account. The Assistant Commissioner is currently proposing to deliver the data six months from the signing of a memorandum of understanding at a cost of \$140,000. Since the PBO first requested this data in December of 2012, the government has had an opportunity to introduce two budgets, both of which have committed to closing tax loopholes and improving the fairness and integrity of the tax system, which were made without the benefit of analysis of the tax gap. A six-month delay would allow the government to release a third such Budget. As such, both the delay and the cost appear disproportionate to me as it may very well appear to Parliament.

It is also important that the PBO have as much control as possible over the analytical process to assure parliamentarians that strategic decisions are not biased by the organization's own interests. Aggregation thus also jeopardizes the timeliness and integrity of the PBO's analysis.

Moreover, the PBO's analysis will help maintain the integrity of the tax system. I'm sure you are aware of the finding in your 2013 CRA Corporate Research that, among intermediaries,

[...] there was a perception that as soon as tax lawyers are brought in by the wealthy, the CRA backs off, and in the eyes of those people, the CRA needs to follow through on some of those 'larger fish' to preserve the integrity of the system.¹

The Honourable Senator Downe expressed similar concerns when asking the PBO to estimate the tax gap. Catching those 'larger fish' requires that Parliament and CRA understand the scope and nature of tax evasion and the financial yield of resources allocated to enforcement programs. This has certainly been the experience in other comparable jurisdictions. For example, the US Department of the Treasury's Office of Tax Policy has stated:

Understanding the tax gap and what its components are allows the legislative and executive branches of government to make better decisions about tax policy and the allocation of resources for tax administration.²

Your letter expressed concern that s 241 of the *Income Tax Act* may bar CRA from disclosing taxpayer information to the PBO. That section allows you and your officials to:

(k) provide, or allow inspection of or access to, taxpayer information to or by any person otherwise legally entitled to it under an Act of Parliament solely for the purposes for which that person is entitled to the information (emphasis added)

In the absence of s 241 of the *Income Tax Act*, the PBO is clearly entitled to the information requested under s 79.3(1) of the *Parliament of Canada Act*. Therefore CRA may provide the PBO with access under s 241(4)(k) of the *Income Tax Act*. An identical exception exists under s 295(5)(c)(ii) of the *Excise Tax Act*. Nevertheless, CRA officials have suggested to us that this section does not apply because the PBO s 79.3 does not specifically entitle the PBO to taxpayer information. I'd be grateful if you could clarify.

For now, it seems to me that the CRA is authorized to disclose tax data required for the performance of my mandate, and that doing so in this case is consistent with CRA policies and interests. I would appreciate that you direct your staff to proceed on that basis.

Yours sincerely,

Jean-Denis Fréchette
Parliamentary Budget Officer

c.c.: Mr. Douglas Nevison, Assistant Secretary to the Cabinet, Privy Council Office, Liaison Secretariat for Macroeconomic Policy
Ms. Catherine Bennett, Assistant Commissioner, Strategy and Integration Branch,
Canada Revenue Agency

¹ Page 30

² United States, US Department of the Treasury Office of Tax Policy, *Understanding the Tax Gap*, on line <<http://www.irs.gov/uac/Understanding-the-Tax-Gap>>.