

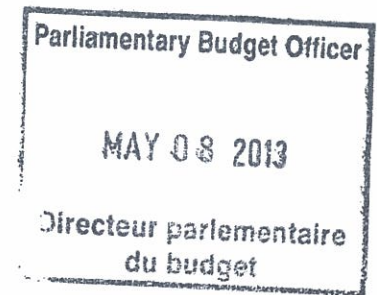


Canada Revenue Agency Agence du revenu
du Canada

Commissioner Commissaire

Ottawa, Canada
K1A 0L5

Ms. Sonia L'Heureux
Parliamentary Budget Officer (interim)
Library of Parliament
Parliament of Canada
Ottawa ON K1A 0A9



Re: PBO Information Request IR0112: Tax Compliance Programs

Dear Ms. L'Heureux:

Further to your request of April 17, 2013, regarding the Canada Revenue Agency (CRA) Tax Compliance Programs, I am pleased to provide you with the following information.

Economic Action Plan 2013 said that the CRA will make greater use of advanced data analysis and will make improvements to its compliance programs to generate additional revenues of \$550 million per year by 2014-15. We will do this by more effectively targeting non-compliance in areas that present the highest risk of tax avoidance, while maintaining the integrity of Canada's tax system.

The CRA's strategy is to make its compliance programs more effective through enhanced intelligence. Better information will lead to improved risk assessment, which will ultimately generate additional revenues.

To estimate the additional revenues from this strategy, we calculated the likely fiscal impact of additional federal and provincial tax, penalties, and interest from our compliance activities. The amounts used in the calculations are based on historical results rather than economic data. As a starting point, the CRA used the results from its Annual Report to Parliament, which reported fiscal impact of our compliance activities of \$8.9B in 2010-2011 and \$8.7B in 2011-2012.

The additional revenues of \$550 million will be delivered gradually, beginning in the 2012-2013 fiscal year and reaching its full amount by 2014-2015. It will come from three program areas; The International and Large Business Directorate, the Small and Medium Enterprises Directorate, and the GST/HST Directorate. Each directorate used a specialized approach to calculate its portion of the additional revenues.

The International and Large Business Directorate expects an increase in results by shifting resources toward the highest-risk files. The directorate's new approach to large business compliance strengthens the risk-assessment process and enables the CRA to focus more effectively on entities that present a higher compliance risk.

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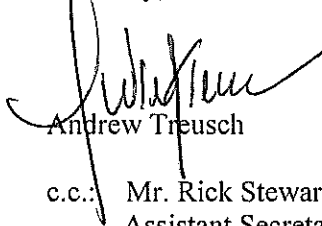
The Small and Medium Enterprises Directorate expects an increase in results by shifting resources from an approach based on coverage to one based on highest risk. The directorate adjusted its historical calculations of fiscal impact per full-time equivalent to reflect the shift in resources to higher-risk files.

The GST/HST Directorate expects an increase in results by shifting from lower-risk to higher-risk collection activities. It will also centralize certain workloads to improve its audit results. Each program adjustment was analyzed to calculate the increased revenue per full-time equivalent that could be expected over previous years.

The results of the CRA's analysis were then added together and adjustments were made to reflect possible reductions: some tax reassessments can be reversed if a taxpayer's appeal is successful and other amounts cannot be collected. The results were calculated on a program-specific basis, supplemented by our experience in each program, to arrive at the estimated increase in revenues.

This, in essence, is the method used to calculate the additional revenues we expect to generate from these improvements to the CRA's compliance programs. I trust you will find this information useful.

Sincerely,



Andrew Treusch

c.c.: Mr. Rick Stewart
Assistant Secretary to the Cabinet
Liaison Secretariat for Macroeconomic Policy
Privy Council Office

Mr. Michael Horgan
Deputy Minister
Department of Finance Canada