

Canada Revenue Agency Report Card

CRA's Performance from the Small Business Perspective

*Isaac Turner, Public Policy and Entrepreneurship Intern
Michelle Auger, Coordinator, National Affairs*

This report is the sixth in a series of publications that examine the performance of the Canada Revenue Agency (CRA) in its dealings with small-and medium sized-enterprises (SMEs). Overall, CRA received a grade of “C” for “satisfactory” from business owners and tax professionals that were surveyed. This is the same grade that was given in the last edition of this report, and indicates that, while the majority of SME owners and tax practitioners are relatively satisfied with the services offered by CRA, there is still work to be done.

Introduction

Small-and-medium sized businesses play a significant role in the Canadian economy. As of 2015, 99.7% of employer businesses were SMEs that employed 90.3% of the total private sector workforce (10.5 million individuals).¹ These small business owners face many challenges in their day-to-day and year-to-year operations that are unique to them and their businesses.

In 2017, 78%, or three-quarters, of our members cited their overall tax burden as being a serious concern to their business. By comparison, government debt/deficit and government regulation and paper burden were the next highest, at 66% and 62%, respectively.²

CRA is the government agency that administers tax laws for the Government of

Canada and most provinces and territories, and manages various social and economic benefit and incentive programs delivered through the tax system. In fulfilling this role, CRA frequently interacts with SMEs. It is for this reason that CFIB has committed to work alongside CRA to improve the services it offers to SMEs, and in turn, improve tax compliance and make it easier to do business in Canada.

“I would expect that generally most small businesses are stressed just trying to make it through each day; tough economic times make it key to support partnerships that help each other survive (strength in numbers) - and yes both are needed CRA/Small Business!”

**Retail Business,
Newfoundland & Labrador**

¹ Innovation, Science and Economic Development Canada, Key Small Business Statistics, June 2016.

² CFIB, Our Members Opinion (OMO) Survey 80, January – June 2017.

Methodology

This report is the sixth that CFIB has published on the performance of CRA in its dealings with small business. The last surveys were conducted in 2001, 2004, 2008, 2011, and 2014. As was done in previous years, information was collected using two surveys that were distributed to CFIB members from May 4 to June 2, 2017. The first was sent to the general small business population and the second to tax professionals.

The number of responses from small business owners was 8,324. Findings are statistically accurate within +/- 1.1 percentage points, 19 times out of 20. The number of responses from tax practitioners was 334. Findings are statistically accurate within +/- 5.4 percentage points, 19 times out of 20.

CRA's Overall Grade: "C"

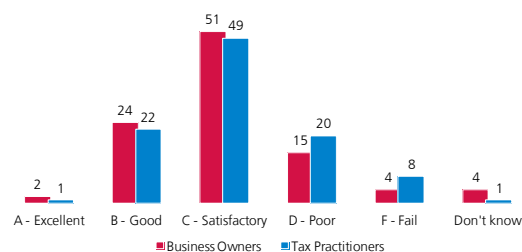
In their responses to the survey, just over half of small business owners (51%) gave CRA a grade of "C," with most saying that they felt its overall service was "satisfactory." The remaining responses were split between positive and negative. Two per cent of small business owners gave CRA's overall service a rating of "A" (excellent) and 24% gave it a rating of "B" (good), versus 15% that gave it a rating of "D" (poor) and 4% that gave it a rating of "F" for "fail" (Figure 1).

Similarly, 1 in 2 tax practitioners (49%) gave CRA a grade of "C" (satisfactory), and, again, the remaining responses were split between positive and negative. On the positive side, 1% of tax practitioners gave CRA a rating of "A" (excellent), and 22% gave it a rating of "B" (good). Furthermore, 20% of tax practitioners rated CRA's overall service to small business as a "D" (poor) and 8% gave it a rating of "F" for "fail" (Figure 1).

In terms of deviations between small business owners and tax practitioners, like in past reports, tax practitioners were slightly more critical of the overall performance of CRA. This distinction was most obvious among those that selected "D," with 15% of business owners saying that CRA's overall service to small business was "poor," compared to 20% of tax practitioners (Figure 1).

Figure 1

How would you grade CRA's overall service to small business? (% response)



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 8,324 responses, and *Tax Administration Survey 2017*, 334 responses, June 2017.

Note: Respondents were asked to select one answer only. The total cannot be 100 because the numbers have been rounded.

Regarding how service has changed over the past three years, the results were similar to those from the 2014 survey for SME owners. One in ten said that the service they received was "better" and approximately 1 in 5 said the service they received was "worse" (Figure 2).

Unlike the response from business owners, there was a noticeable decline in satisfaction from tax practitioners, with a decrease of five percentage points among those that felt CRA's service was "better" to 27% and an increase of four percentage points to 47% for those that felt it was "worse" (Figure 2). These numbers represent the highest proportion of tax practitioners that have felt CRA's service was "worse" in the past three years, since the 2008 survey (Figure 2). If this continues, it would be a concerning trend, and is something that CRA should consider in developing the approaches that it takes with its SME-centered initiatives.

"I have had good agents that were realistic, polite and informative, and I have had agents that were rude and difficult to deal with."

Automobile Industry Business,
Alberta

Figures 2a and 2b

How has the service you received from CRA changed over the past 3 years? (% response)



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 8,324 responses, and *Tax Administration Survey 2017*, 334 responses, June 2017.

Notes: Respondents were asked to select one answer only.

SME/CRA Relations

Given the close proximity with which small business owners and CRA operate, it is critical that they maintain a good relationship. To measure the health of this relationship, respondents were given a series of statements and asked to select their level of agreement, from *strongly agree* to *strongly disagree*.

The response from business owners was mixed. On the positive side, 64% felt that CRA treated them with respect (Figure 3). This result does not represent any change since the 2014 survey, but is part of a larger, overall

increase of 12 percentage points since the 2011 survey.³

On the more negative side, 58% of SME owners that were surveyed felt intimidated by CRA and 54% felt as if they were treated like they did something wrong. Equally troubling, only 23% felt that CRA is accountable for its mistakes, and just 25% felt that CRA is making an effort to be small business friendly. Evidently, while there has been improvement in recent years (e.g. the level of respect business owners feel they are receiving), the quality of the relationship between CRA and SME owners still has significant room to grow.

"I think there is a sense that the CRA is like the boogeyman. People are nervous to contact them yet most people like ourselves are trying to do the right thing."

**Technology Company,
British Columbia**

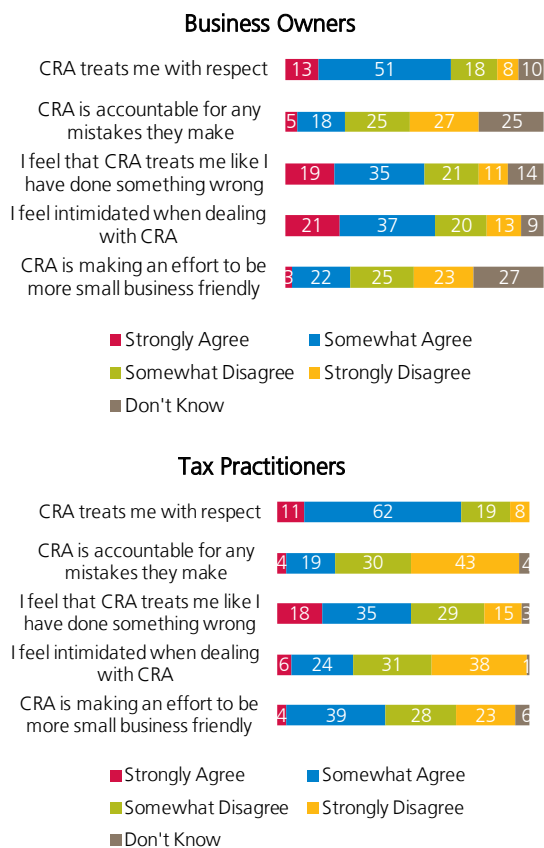
Among tax practitioners, 73% strongly or somewhat agreed that CRA treated them with respect (Figure 3), which represents a 4% increase since the last survey. Unfortunately, this positive response was tempered by the fact that over half (53%) identified themselves as feeling that CRA treats them like they did something wrong, and less than half (43%) felt that CRA is making efforts to be small business friendly (Figure 3).

In addition, 30% of tax practitioners surveyed said that they feel intimidated by them, and only 23% felt that CRA is accountable for its mistakes (Figure 3). These results are particularly concerning because they indicate that even those expected to understand and be comfortable with navigating the tax system are in some cases intimidated or made to feel like they have done something wrong in their interactions with CRA.

³ CFIB, CRA Report Card, January 2012.

Figures 3a and 3b

To what extent do you agree or disagree with the following statements? (% response)



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 8,324 responses, and *Tax Administration Survey 2017*, 334 responses, June 2017.

Note: Respondents were asked to select an answer for each line.

Service Quality

CRA is publically committed to ensuring a certain level of service standards, which it seeks to achieve under normal circumstances. For example, in 2017/18, CRA has set a goal of responding to phone calls within two minutes of callers choosing to speak to an agent, 80% of the time, and to respond to enquiries submitted through *My Business Account* within two weeks, 95% of the time.⁴

How do these service standards align with the expectations of small business owners and tax practitioners, and are they sufficient to ensure user satisfaction? In order to better understand how CRA can improve the quality of its service to small business owners and tax practitioners, we need to first examine what elements of service are perceived as most important.

To accomplish this, our survey asked a range of questions that were designed to measure the quality of the service business owners received in their various interactions with CRA. To these ends, the following three major areas of customer service were examined: **staff, knowledge, and clarity and efficiency.**

(a) Staff

In their interactions with CRA, it is almost inevitable that business owners and tax practitioners will engage with CRA staff. These interactions may be fleeting, especially given the gradual shift toward electronic services, but have the potential to leave strong, lasting impressions and are an important piece of any customer service model. To assess these interactions, respondents were asked to rate the accessibility of staff, the knowledge of staff, and the treatment by staff as being good, acceptable, or poor.

For accessibility of staff, 10% of business owners said it was “good,” 42% said that it was “acceptable,” and 33% rated it as “poor.” These results were similar to the last edition of this report. Tax practitioners, however, felt differently, with only 7% rating accessibility of staff as “good,” 35% rating it as “acceptable,” and 56% rating it as “poor.” This last result, the percentage of tax practitioners that selected “poor,” represents an increase of 10 percentage points since the 2014 survey and is a significant departure from past findings which should be highlighted (Figure 4).

Regarding knowledge of staff, 16% of business owners felt that it was “good,” 50% thought that it was “acceptable,” and 20% reported it being “poor.”

⁴ Canada Revenue Agency, *Service Standards 2017-18*, Online: <https://www.canada.ca/en/revenue->

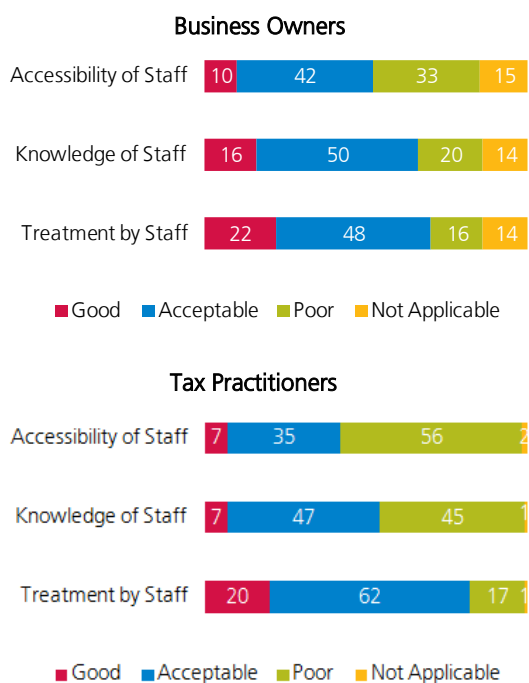
[agency/services/about-canada-revenue-agency-cra/service-standards-cra/service-standards-2017-2018.html](https://www.canada.ca/en/revenue-).

Conversely, 7% of tax practitioners held that knowledge of staff was “good,” 47% felt that it was “acceptable,” and 45% said that it was “poor” (Figure 4). None of these results represent any major shifts from our previous report.

Lastly, on the question of treatment by staff, 22% of business owners felt that it was “good,” 48% felt that it was “acceptable,” and 16% reported it being “poor.” This was largely echoed by the response from tax practitioners, with 20% holding that their treatment by staff was “good,” 62% saying that it was “acceptable,” and 17% rating it as “poor” (Figure 4). These results reflect a marginal decrease in the number of tax practitioners that felt treatment was “poor,” but there was little change elsewhere.

Figures 4a and 4b

How do you rate the current service of CRA on each of the following measures? (% response)



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 8,324 responses, and *Tax Administration Survey 2017*, 334 responses, June 2017.

Note: Respondents were asked to select an answer for each line.

To build on this information, respondents were then asked to identify whether they had experienced various situations in the past three years when in contact with CRA by phone. Here, the results for business owners remained relatively unchanged since the 2014 survey.

On the positive side, only around 1 in 10 business owners reported being disconnected during their conversation with CRA (Figure 5). However, 41% said that they had been placed on hold for an unacceptably long period of time and 40% said they had to call multiple times before getting through (Figure 5). These results mark a shift downwards from 49% and 47%, respectively, since the 2011 survey, but almost no change since the 2014 survey which indicates that progress has slowed.⁵

Lastly, the percentage of small business owners reporting that agents were giving them their agent ID and first name remained almost unchanged since the 2014 survey. In fact, only 33% of business owners received identification numbers, which is worrisome because SME owners are less likely to know their rights than their tax practitioner counterparts who deal with CRA on a more regular basis. CRA should continue to ensure that its staff shares this information with callers (Figure 5).

The response from tax practitioners was notably different from business owners. Positively, there was a slight increase in agents that provided their first name and identifier number, from 83% in the 2014 survey to 87%. Also, the percentage of those that felt the agent they interacted with was friendly was 72%, which has slightly decreased from 78% in the 2014 survey, but still accounts for almost 3 in 4 tax practitioners. Finally, there was a decrease of six percentage points among those that were disconnected, from 45% in 2014 to 39% in 2017, which remains too high, but is a step in the right direction.

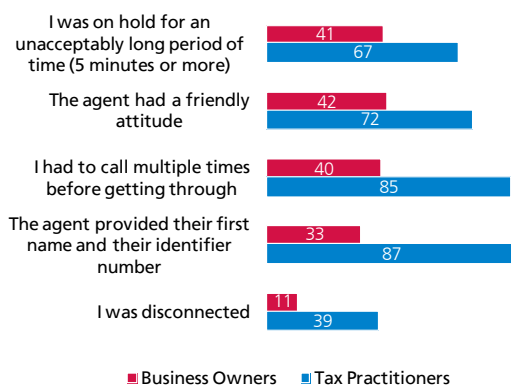
On the more negative side, 85% of tax practitioners said that they had to call multiple times before getting through, up from 80% in the 2014 survey, and 67% said they were on hold for an unacceptably long period of time (Figure 5). Based on this response, both of

⁵ CFIB, CRA Report Card, January 2012.

these should be priority areas to address, which could be achieved by measures that reduce confusion, rather than add to it, like working to ensure that rules and rulings are made in plain-language online or otherwise.

Figure 5

In the past 3 years, have you experienced any of the following when you contacted CRA by phone? (% response)



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 8,324 responses, and *Tax Administration Survey 2017*, 334 responses, June 2017.

Note: Respondents could select as many answers as apply.

(b) Knowledge & Information

For business confidence to be maintained, it is crucial that business owners and tax practitioners be provided with clear, concise information by CRA. Without it, time and money are wasted that could be better spent elsewhere, and frustrations quickly mount.

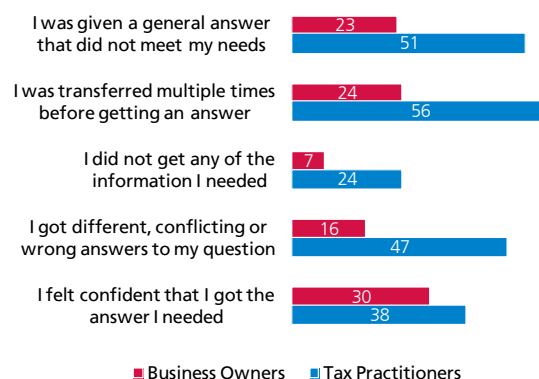
To gauge the quality of information that is provided by CRA, CFIB asked respondents to identify whether or not they had experienced five different situations in the past three years.

The results from this part of the survey showed clear improvement in some areas since the previous survey in 2014, where twenty-three per cent of business owners, and 51% of tax practitioners, felt that they were given a general answer that did not meet their needs, which marked a reduction of 6% and 7%, respectively. While still a concerning proportion, it is a positive sign that changes are being made.

Otherwise, there was very little movement in most areas. The percentage of those that believed they were given different, conflicting or wrong answers to their question was 16% for business owners and 47% for tax practitioners, which was similar to the 2014 survey.

Figure 6

In the past 3 years, have you experienced any of the following when you contacted CRA by phone? (% response)



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 8,324 responses, and *Tax Administration Survey 2017*, 334 responses, June 2017.

Note: Respondents could select as many answers as apply.

Similarly, 7% of business owners and 24% of tax practitioners reported not getting the information they needed when they called, and 24% of business owners and 56% of tax practitioners said that they were transferred multiple times before getting an answer (Figure 6). Again, these results have stayed almost the same over the past three years. However, there is certainly room for improvement in those areas and CRA should continue to work on making improvements to service quality to ensure it is meeting the needs of small business owners.

"Agents that answer calls should be knowledgeable to answer questions the first time. It shouldn't require 3 phone calls with 3 different answers before the correct answer is returned."

**Financial Services Business,
Saskatchewan**

Finally, on the question of whether business owners and tax practitioners were confident that they got the answer they needed, there was some change from previous years. For business owners, those who were confident in the answer they received increased by 6% from 24% to 30%, and for tax practitioners, the response went down by the same amount from 44% to 38% (Figure 6). Unfortunately, these shifts made little difference overall as the majority of respondents evidently do not feel confident in the answers they received.

(c) Clarity & Efficiency

The final service standard measured by the survey was focused on the clarity and efficiency of the information given to business owners and tax practitioners. This assessment is similar to the previous measure of knowledge and information, but differs in that it places a greater focus on written responses than verbal. The results in this section were largely unchanged from the last report.

In this area, the category in which CRA performed best was the speed of refunds, although, as indicated by the results below, there is certainly still significant room for improvement. On this measure, 19% of business owners rated it as "good," and 47% said it was "acceptable." The response from tax practitioners was even more positive, with 38% rating it as "good," and 49% saying it was "acceptable" (Figure 7).

Insofar as the other categories are concerned, the majority of small business owners and tax practitioners felt that user friendliness of the CRA website, readability/ simplicity of information from CRA, and availability of information on the CRA website was "good" or "acceptable," although there were some clear shortcomings with a significant proportion of each giving ratings of "poor."

For business owners, only 10% said that user friendliness of the CRA website was "good," 7% said that readability/ simplicity of information from CRA was "good," and 11% said that availability of information on the CRA website was "good" (Figure 7).

The results were more positive for tax practitioners, likely because they are more likely to have a good working knowledge of the website because they use it more frequently. Twenty-eight per cent said that user friendliness was "good," 13% said that readability/ simplicity of information was "good," and 25% said that availability of information on the CRA website was "good." These results reflect no change since the last report, which should be a red flag for CRA, especially given the commitments it has made to adopt measures which will help to provide better service for small businesses.

"I am not always able to find what I want in CRA website. I usually end up running in circles to the point of exasperation. Not always user friendly for the average citizen."

**Automobile Industry Business,
Manitoba**

The lowest ranking categories overall were promptness of written responses and clarity of written responses. On promptness of written responses, 6% of business owners said it was “good,” and 31% rated it as “acceptable,” versus 31% that said it was “poor.” For clarity of written responses, 7% said it was “good,” and 35% rated it as “acceptable,” versus 28% that selected “poor” (Figure 7).

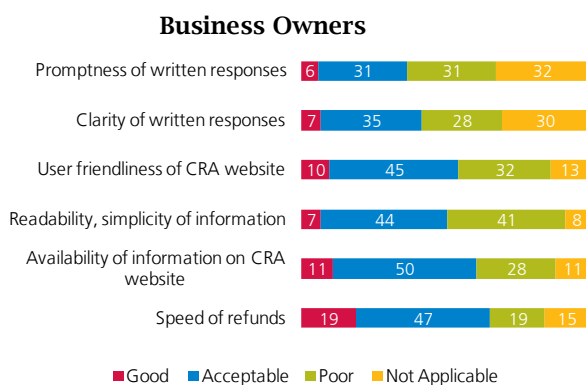
For tax practitioners, only 3% felt that promptness of written responses was “good” and 16% rated it as “acceptable” compared to a noteworthy 70% who said it was “poor.” Similarly, on clarity of responses, 5% said it was “good” and 44% rated it as “acceptable” versus 41% who said it was “poor” (Figure 7).

The levels of satisfaction with each of these categories were reflective of the interactions each set of respondents are most likely to have with CRA. While business owners were most concerned with ensuring that the information available on CRA’s website is easy to find and understand by all users, not just tax experts, tax practitioners were more concerned with the promptness and clarity of responses.

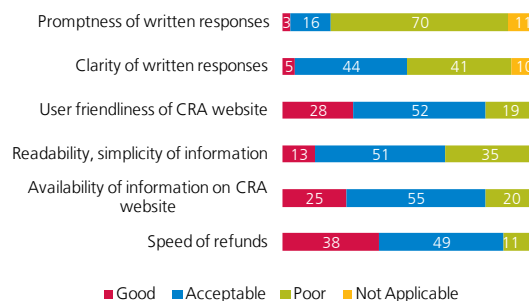
Looking forward, efforts to encourage more small businesses to go online are welcome, but must be done alongside changes that improve user friendliness of the CRA website, readability/ simplicity of information from CRA, and availability of information on the CRA website.

Figures 7a and 7b

How do you rate the current service of CRA on each of the following customer service measures? (% response)



Tax Practitioners



Source: CFIB, Canada Revenue Agency (CRA) 2017 Survey, 8,324 responses, and Tax Administration Survey 2017, 334 responses, June 2017.

Note: Respondents were asked to select an answer for each line.

Auditing the Auditor

When CRA audits a small business, it does so to ensure compliance with Canada’s tax laws and to maintain public confidence in the fairness of the system. CFIB is supportive of these goals, but cautions that if audits are not done in a courteous and timely manner they may negatively impact the relationship between SMEs and CRA.

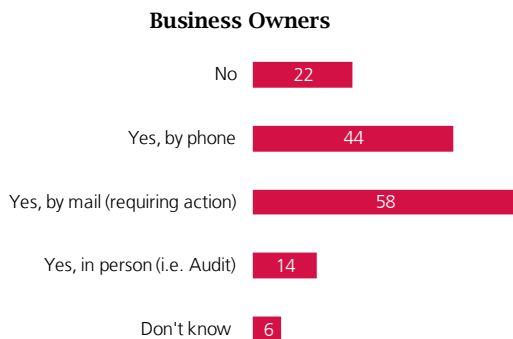
It is not uncommon for members to describe audits as “arbitrary,” and for interactions to leave them feeling “guilty until proven innocent.” This has been an ongoing trend since the original CRA Report Card, and should be flagged as an area for CRA to work on making major improvements. That said, we do want to acknowledge the recent commitments by CRA that aim to improve the audit experience, including post-audit surveys of small business owners.

(a) Contact with Small Business

In the past three years, 44% of small business owners reported CRA contacting them by phone, 58% by mail, and 14% in person (Figure 8). This represents an increase of 14% of business owners that are contacted by phone and 29% of those contacted by mail — both of which are significant shifts upward — since the 2014 survey. Those contacted in person, on the other hand, saw no significant change.

Figure 8

Has your business been contacted by CRA during the past 3 years? (% response)



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 8,324 responses.

Note: Respondents could select as many answers as apply.

What has caused this jump in contact? There is no shortage of factors at play, and it would be difficult to identify each one. What is clear, however, is that every time a business owner is contacted by CRA, they are forced to devote time to answering questions and completing tasks that they would otherwise dedicate to operating their businesses. This puts an enormous strain on small business owners, which is, unsurprisingly, the most costly when contact is for the purposes of an audit.

(b) Time Spent with Compliance

Since the 2001 survey, there has been a slow but steady uptick in the number of days spent by SMEs complying with CRA audits, which culminated in 2017 at 11.5 days (Figure 9).

For the purpose of this report, complying was defined for business owners in the survey as “anything [the business owner] is asked to do to meet the demands of the auditor.”

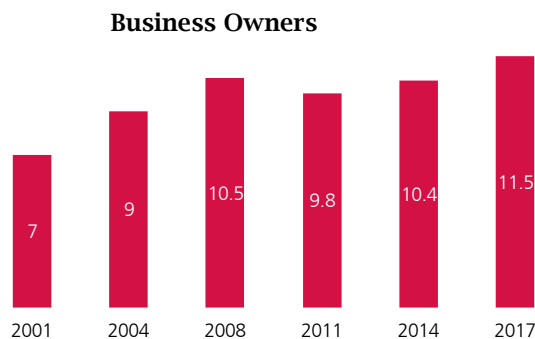
“CRA’s penchant for sending form letters creates a huge waste of time and money. They demand every document, invoice, journal, statement and filing for three years for every type of audit and when the auditor arrives they apologize profusely for the wasted effort.”

Building Supplies Company, Ontario

Similar to the increase in businesses that have been contacted by CRA in the past three years, this increase to 11.5 days spent by SMEs complying with a CRA audit in 2017 is troubling and, for this reason, should be flagged as an area of concern given its slow but consistent rise.

Figure 9

Average number of days spent by SMEs complying with CRA audit during the past 3 years



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 341 responses. Findings are statistically accurate within +/- 5.3 percentage points

Note: Respondents are those that have been contacted for an audit with CRA. Respondents were asked to enter the total number of days.

(c) Auditor Quality

We also asked business owners and tax practitioners to rate the CRA audits they have experienced. We found that there have been some improvements from the perspective of

small business, but major shortfalls still exist. On overall professionalism, 44% of business owners selected “good,” up from 35% in the 2014 survey. While still less than half, this signals a positive change.

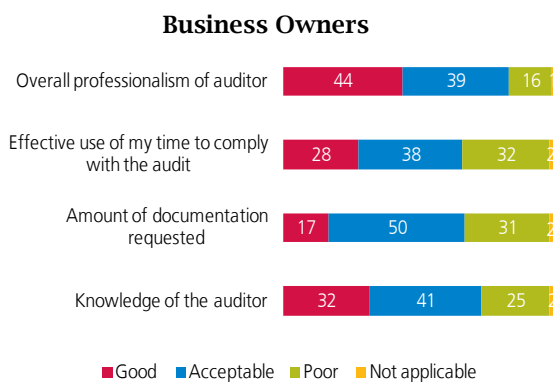
Unfortunately, this was mirrored by a shift in the opposite direction for tax practitioners whose rating of overall professionalism as “good” decreased from 22% to 17%.

Regarding knowledge of the auditor, 32% of business owners felt that it was “good,” which was a decrease of 10 percentage points since the 2014 survey. Similarly, the percentage of tax practitioners that felt knowledge of the auditor was “good” decreased by six percentage points to 10%.

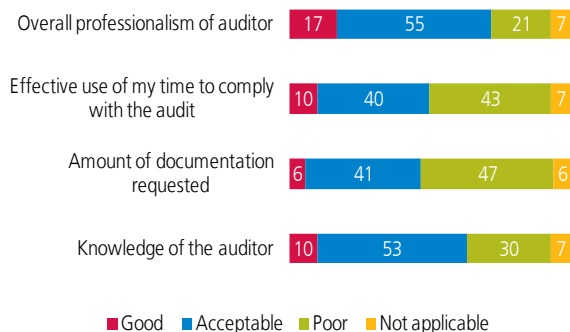
On the question of whether the time used to comply with their audit was effective, the response from business owners remained relatively static, with 32% rating it as “poor.” However, there were variations depending on the size of the business that were noteworthy. Among small businesses with 0-4 employees, 37% rated time used to comply with their audit as “poor.” This makes sense given the more limited resources that smaller businesses have at their disposal. Unlike with small business owners, there was a significant shift in the tax practitioners’ overall response, with 43% rating this measure as “poor.” This is an increase of five percentage points since the 2014 survey.

Figures 10a and 10b

How would you rate the CRA audit on each of the following? (% response)



Tax Practitioners



Source: CFIB, Canada Revenue Agency (CRA) 2017 Survey, 858 responses, and Tax Administration Survey 2017, 334 responses, June 2017.

Note: Respondents were asked to select an answer for each line.

(d) Amount of Documentation Requested

Additionally, a new category was added in this year’s survey which asked respondents to rate the amount of documentation that was requested. For this measure, 17% of business owners responded that it was “good” and 50% said that it was “acceptable.” Comparatively, only 6% of tax practitioners felt it was “good,” and 41% said it was “acceptable,” with 47% saying it was poor (Figure 10). All of these results point to a clear need for CRA to continue to work on improving its auditing process.

Ongoing Initiatives

Since the first survey produced by CFIB in 2001, CRA has developed various initiatives designed to improve the services offered to small business. Many of these initiatives have been supported by CFIB, including many of those that were introduced in the *Serving You Better* report which was released in June 2017.

(a) Awareness & Support of CRA Initiatives

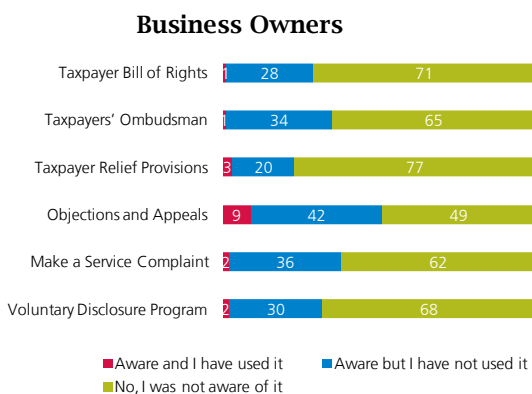
Unfortunately, these initiatives can only help those small business owners that are aware of them, and while support is high for many programs, awareness is not. The program that business owners were found to be most aware of was objections and appeals, with slightly less than half (49%) reporting that they were not aware of it. Building on this, 62% were not aware that they could make a service complaint, 65% were not aware of the

Taxpayers' Ombudsman, and 68% were not aware of the Voluntary Disclosure program (Figure 11).

Worse still, 71% said they were not aware of the Taxpayer Bill of Rights and 77% reported not being aware of the Taxpayer Relief Provisions. These results indicate that CRA needs to continue its work to improve its communication with small business owners (Figure 11).

Figure 11

CRA has a variety of tools designed to address taxpayer fairness. Are you aware of each of the following? (% response)



Source: CFIB, Canada Revenue Agency (CRA) 2017 Survey, 8,324 responses.

Note: Respondents were asked to select an answer for each line.

Despite awareness of many of CRA's initiatives being low among business owners, support is, generally, relatively high. For example, although 79% were not aware that they could receive written advice through *My Business Account*, 82% of those surveyed said that they supported the initiative (Figure 12).

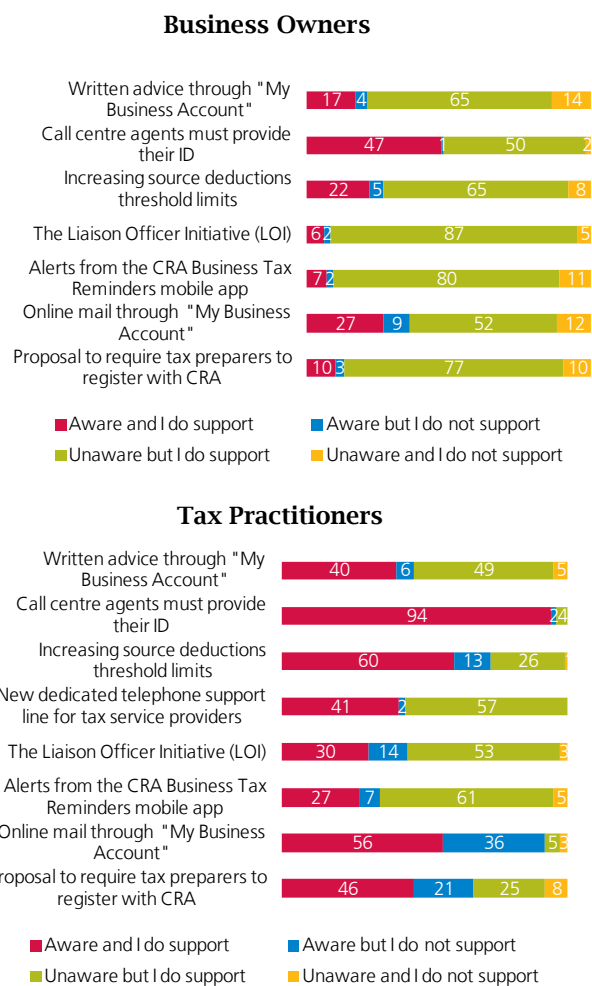
Similarly, 92% and 91% of small business owners, respectively, were not aware of the Liaison Officer Initiative or that they could get alerts from the CRA Business Tax Reminders mobile app, but 93% and 87% said that they supported the initiatives (Figure 12).

These are important findings to highlight because they show that one of the biggest challenges CRA currently faces is finding ways to ensure that business owners are aware of the programs that are available to them.



Figure 12

CRA has developed a number of initiatives. Indicate whether you are aware and support each of the following (% response)



Source: CFIB, Canada Revenue Agency (CRA) 2017 Survey, 8,324 responses, and Tax Administration Survey 2017, 334 responses, June 2017.

Note: Respondents were asked to select an answer for each line.

Compared to small business owners, there were some categories where tax practitioners were significantly more likely to be aware of initiatives offered by CRA. For example, 96% of tax practitioners were aware that CRA agents must now provide their agent ID and 92% were aware that online mail could be accessed through *My Business Account*. Similarly, 73% knew that source deduction thresholds had been reduced and 67% were aware of the proposal to require tax practitioners to register with CRA (Figure 12).

On other initiatives, awareness was still higher for tax practitioners than business owners, but did not exceed 50%. These included 46% being aware that you can get written advice from *My Business Account*, 44% being aware of the Liaison Officer Initiative, and 43% knowing about the new pilot project which has dedicated telephone support line for tax service providers (Figure 12).

The lowest amount of awareness among tax practitioners was regarding the CRA Business Tax Reminders mobile app, with only 34% indicating that they were aware they could receive alerts using it (Figure 12).

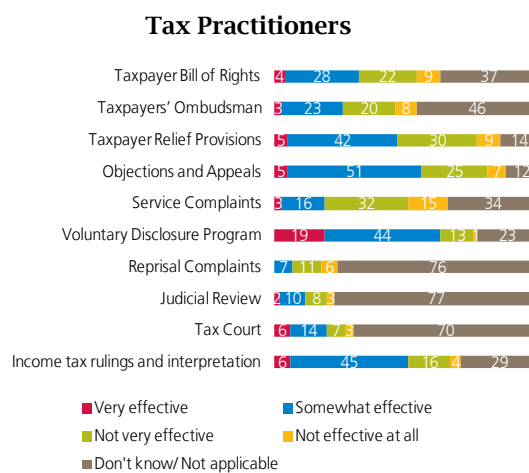
In terms of support for each of the initiatives featured in Figure 12, over half of tax practitioners surveyed were in favour. The lowest levels of support were for online mail through *My Business Account* and the proposal to require tax preparers to register with CRA, with 39% and 29% saying they did not support them, respectively (Figure 12).



Taken one step further, tax practitioners were also asked to weigh in on which of the tools designed to address taxpayer fairness were the most effective. This led to some interesting results. The Voluntary Disclosure Program (VDP), which is currently undergoing review, was identified as being “very effective” by 19% of respondents and “somewhat effective” by 44% (Figure 13). Based on this response, as the review process moves forward, government should be cautious not to make changes which will negatively impact the effectiveness of the VDP. The next highest rating regarding effectiveness of tools for addressing taxpayer fairness was Objections and Appeals, which was rated “very effective” by 5% of respondents and “somewhat effective” by 51% (Figure 13).

Figure 13

There are a variety of tools designed to address taxpayer fairness. How would you rate the effectiveness of each of the following programs? (% response)



Source: CFIB, *Tax Administration Survey 2017*, 334 responses, June 2017.

Note: Respondents were asked to select an answer for each line.

(b) Electronic Tools

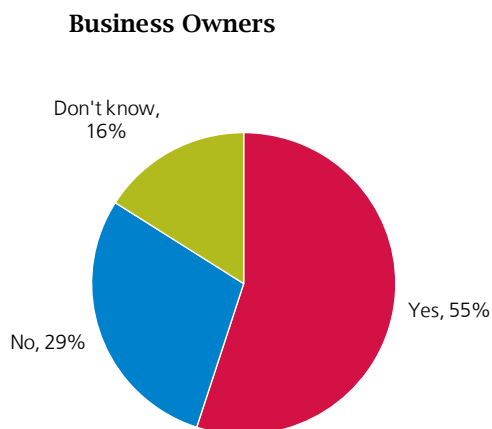
In recent years, CRA has actively begun to make many of its services available online. CFIB supports these efforts because they help to reduce the costs associated with the tax system and, with time, will hopefully increase the systems transparency and accountability.

Using My Business Account

One of the main online services offered by CRA is *My Business Account*. It allows business owners to interact electronically with CRA on various business accounts, which can include GST/HST, payroll, corporate income taxes, excise taxes, and more. This platform gives business owners an easy-to-access and consolidated location for many of their tax needs, and has the potential to reduce the time and effort that is required for them to file their taxes, thus reducing their overall burden.

Figure 14

Does your business have an online *My Business Account* with CRA? (% response)



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 8,324 responses.

Note: Respondents were asked to select one answer only.

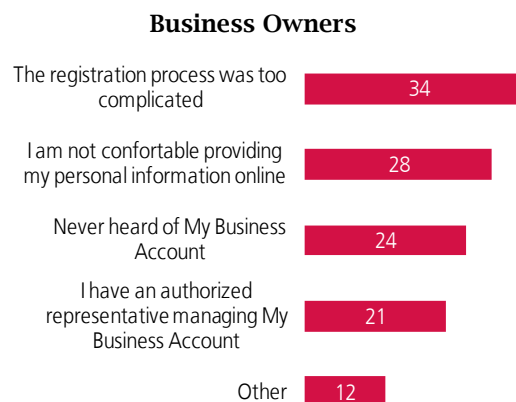
Today, over half (55%) of small business owners use *My Business Account*. This is an increase of 10 percentage points since the 2014 survey and while 29% still do not use *My Business Account* and 16% “don’t know”, this number is likely to rise as awareness grows and a new generation of business owners begins to emerge (Figure 14).

Among those business owners that do not use *My Business Account*, the most oft-cited reason is that “the registration process was too complicated” at 34%. The second most selected response was “I am not comfortable providing my personal information online” at 28%. The third most prevalent response was that business owners had “never heard of *My Business Account*” at 24%. The fourth was “I

have an authorized representative managing *My Business Account*” at 21% (Figure 15). These results differ from the previous report card, when “never heard of *My Business Account*” was the most selected answer and “the registration process was too complicated” was second (Figure 15). This result indicates that awareness is increasing, but that there are other reasons why business owners choose not to use *My Business Account*. To address this, CRA must continue to listen to small business owners, as it did with its recent move to make it possible to receive a CRA security code by email.

Figure 15

Why have you not used *My Business Account*? (% response)



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 1,760 responses. Findings are statistically accurate within +/- 2.3 percentage points.

Note: Respondents are those who have confirmed not using *My Business Account*. Respondents could select as many answers as apply.

Satisfaction with My Business Account and Other Electronic Tools

Generally speaking, the electronic services offered by CRA are well-liked when used by small business owners and tax practitioners. As has been previously discussed, awareness is often lacking for many of CRA’s initiatives, but for those that are aware of, and have used, CRA’s electronic services, the majority consider them to be either “good” or “acceptable.”

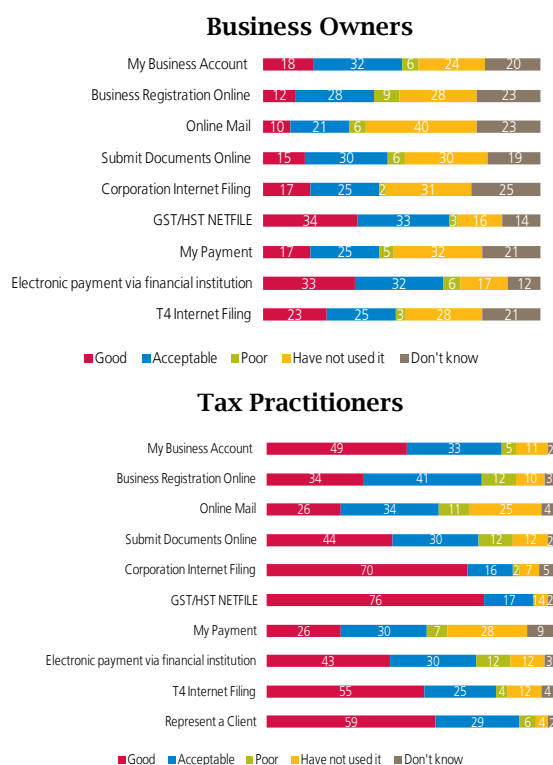
Among small business owners, the most popular electronic service offered by CRA is the GST/HST NETFILE, which was rated as

“good” or “acceptable” by 67% of respondents (34% and 33%, respectively). The results from tax practitioners were also positive for this service, with 93% rating it as “good” or “acceptable” (76% and 17%, respectively).

For *My Business Account*, the results of the survey were also largely positive, although there is still room for improvement. There were 18% of business owners that rated it as “good” and 32% that rated it as “acceptable.” For tax practitioners, 49% rated it as “good” and 33% rated it as “acceptable” (Figure 16). This data shows a marginal increase in satisfaction for both business owners and tax practitioners since 2014.

Figures 16a and 16b

How would you rate the following CRA electronic services? (% response)



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 8,324 responses, and *Tax Administration Survey 2017*, 334 responses, June 2017.

Note: Respondents were asked to select an answer for each line.

In addition to GST/HST NETFILE and *My Business Account*, the response from small business owners and tax practitioners who have used CRA's other electronic services was

also mainly positive. For example, 33% of business owners felt that the service which allowed for electronic payment via financial institutions was “good,” and 32% said that it was “acceptable.”

Similarly, 43% of tax practitioners felt that the service which allowed for electronic payment via financial institutions was “good,” and 30% deemed it to be “acceptable.”

Also receiving a relatively strong review was the T4 internet filing service, with 23% of business owners rating it as “good,” and 25% felt it was “acceptable.” Even better, from the perspective of tax practitioners, over half (55%) said that the quality of the T4 internet filing service was “good,” and a quarter (25%) felt that it was “acceptable.” It is also noteworthy that the ability to represent a client, which is only applicable to tax practitioners, received a rating of “good” from 59% of respondents, and a rating of “acceptable” from 29% (Figure 16).

Of those that had used the services in question, the highest level of dissatisfaction for business owners was with business registration online, with 9% giving it a rating of “poor.” For tax practitioners, there were four categories with “poor” ratings that exceeded 10%. These were submitting documents online and business registration online at 12%, as well as online mail and electronic payment via financial institution at 11% (Figure 16). Similarly to other CRA initiatives, the biggest issue appears to be that many are simply not aware that these services exist, which is something that CRA should continue to work toward improving.

(c) Costs & Burden

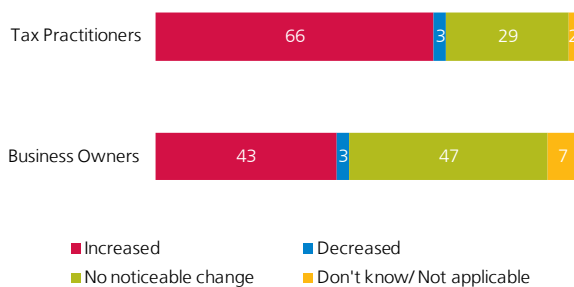
For small business owners, the cost of compliance with tax obligations can significantly affect their competitiveness. These costs are more burdensome for small businesses than for large businesses because they do not have the same resources to dedicate to them. From the perspective of small business, any excessive amount of money, time and/or resources allocated to doing taxes could be used elsewhere to grow their business.

To measure whether these costs have increased or decreased, we asked respondents

whether or not they felt the overall administrative burden of tax obligations had changed in the past three years.

Figure 17

How has the overall administrative burden of tax obligations on your business changed during the past 3 years? (% response)



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 8,324 responses, and *Tax Administration Survey 2017*, 334 responses, June 2017.

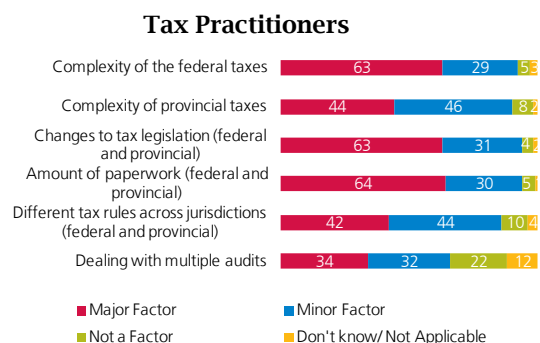
Note: Respondents were asked to select an answer for each line.

Approximately two-thirds of tax practitioners (66%) felt that there was an increase in the overall administrative burden of tax obligations being placed on them in the past three years. Further, 43% of business owners also felt that there was an increase (Figure 17). These numbers are higher than in the 2014 survey, albeit only marginally, by two percentage points for business owners and seven percentage points for tax practitioners. Worth noting, that two sectors, agricultural and construction were significantly more likely to have felt there was an increase, at 50% and 48%, respectively.

From here, we also surveyed tax practitioners to find out what they think is the largest contributing factor to the cost of complying with the tax system for their clients.

Figure 18

To what extent are each of the following a contributing factor to the cost of complying with the tax system for your clients? (% response)



Source: CFIB, *Tax Administration Survey 2017*, 334 responses, June 2017.

Note: Respondents were asked to select an answer for each line.

Their responses were telling, with 63% saying that complexity of federal taxes was a major factor, 63% saying changes to tax legislation was a major factor, and 64% stating that amount of paperwork (federal and provincial) was a major factor (Figure 18). By comparison, areas that tax practitioners were more likely to identify as being minor factors or not factors at all included multiple audits, complexity of provincial taxes, and different tax rules across jurisdictions. This is not to say that these are not problems areas, but rather, that from their perspective, it is rules at the federal level that are the most costly to comply with.

Lastly, we asked business owners and tax practitioners to provide us with what, in their view, is the most important thing CRA could do to reduce the tax burden on small businesses and improve service.

“The whole tax system has to be overhauled and simplified. Regulations keep getting added and he old ones are seldom cancelled. The act was overhauled in 1971 and I think it is passed time to start with a new simple system and keep it that way.”

Tax Service Business, Quebec

"As a small business owner I find it very difficult to navigate through all of the red tape that is required with the CRA... In their efforts to collect more taxes and enforce compliance in all areas they are effectively discouraging honest entrepreneurs from expanding their businesses."

**Supply Store Business,
New Brunswick**

Here, 36% of small business owners and tax practitioners felt that the most important thing CRA could do to improve its service to small business and lower their tax compliance burden was to improve the clarity and quality of information provided (Figure 19).

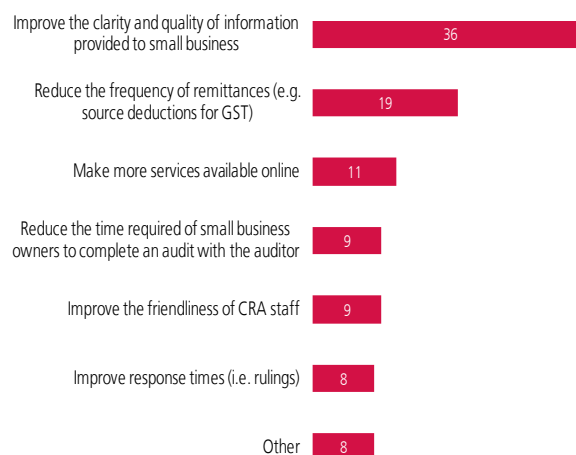
The next most popular response from business owners was to reduce the frequency of remittances at 19% and to make more services available online at 11%. These were followed closely by those who felt that the most important thing CRA could do to improve its services to small business owners was to improve the friendliness of CRA staff and to reduce the time required of small business owners to complete an audit with an auditor, both at 9% (Figure 19).

For tax practitioners, the next most selected responses were to improve response times at 29%, to reduce the time required of small business owners to complete an audit with an auditor at 15%, and to reduce the frequency of remittances at 9% (Figure 19).

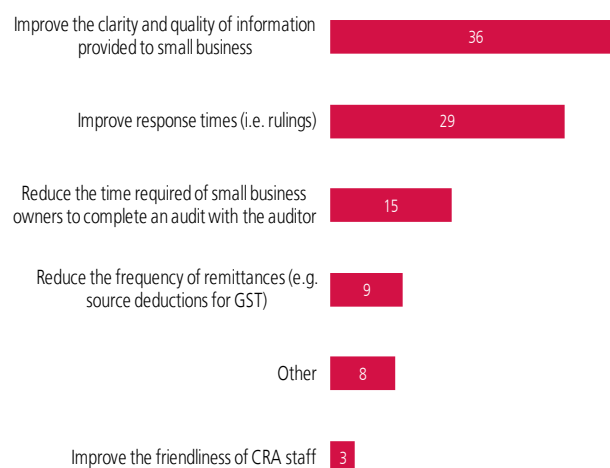
Figures 19a and 19b

What is the most important thing CRA could do to improve its service to small business and reduce your tax compliance burden? (% response)

Business Owners



Tax Practitioners



Source: CFIB, *Canada Revenue Agency (CRA) 2017 Survey*, 8,324 responses, and *Tax Administration Survey 2017*, 334 responses, June 2017.

Note: Respondents were asked to select an answer for each line.

Conclusion & Recommendations

Since CFIB's first Report Card, CRA has made some notable improvements in regard to how it interacts with SMEs. Examples of this include an increase in the number of agents that use their ID numbers and the development of new online tools.

Most recently, these efforts culminated with the *Serving You Better* report, in which CRA set out various new initiatives that it has developed after consulting with small-and medium-sized businesses. Some of these initiatives, like allowing for business owners to receive a CRA security code by email (as previously discussed), a new dedicated telephone service for tax preparers, being able to request a Liaison Officer visit, and the introduction of short "how-to" videos, are all positive steps that reflect changes previously advocated for by CFIB.

These efforts, past and present, should be applauded as they show a willingness on the part of CRA to work with small-and medium-sized business owners to offer better customer service, and more importantly, recognition that changes were needed.

However, as indicated by this report, there is still work to be done. Looking forward, CRA must continue to strive to improve the services that it offers. To achieve this, CFIB makes the following recommendations:

(1) Communication: Small business owners and tax practitioners are generally supportive of measures taken by CRA to make it easier for them to do business. The problem is that many, small business owners in particular, are either unaware of these services or do not know how to access them. To improve awareness about the services that are available and to improve CRA-SME relations, CFIB recommends the following:

- Continue to make efforts to communicate CRA services on a range of platforms, electronic or otherwise, such as letter, social media, and over the phone.

- Make sure that rules and rulings are communicated in plain language, where possible include multiple examples, to provide complete clarity.
- Invest in new telephone infrastructure, as committed to in the *Serving You Better* report, and in doing so develop innovative ways to improve telephone communication between callers and CRA staff (e.g. call-back features).
- Work to ensure more widespread awareness about the dedicated telephone service for income tax preparers, as discussed in the *Serving You Better* report.
- As outline in the *Serving You Better* report, CRA should continue looking at ways to design a program for new small business owners to help them understand their tax obligations, similar to *Community Volunteer Income Tax Program*.

"I'm a new business owner and found it somewhat overwhelming to get all the paper work in order. It would be nice to have a section for new businesses where all the required forms are together and explained."

Retail Business Owner,
British Columbia

(2) Accountability & Enforcement: Small business owners work hard to meet their tax obligations. In doing so, they dedicate time and capital that could otherwise be invested in growing their businesses. Understandably, this means that they are left frustrated when CRA does not process requests in a timely manner or sends auditors that are ill-equipped to understand the nature of their business. To help address these issues, CFIB recommends the following:

- Meet or exceed the target of processing low-complexity objections within 180 days, 80% of time, for the 2017/18 Fiscal Year, as committed to

in CRA's response to the 2016 Fall Reports of the Auditor General.⁶

- Offer more flexible timelines for businesses to file taxes (e.g. owners that pay themselves irregularly, seasonal businesses, etc).
- Improve the training of auditors, as was promised in the *Serving You Better* report.
- Introduce specialized auditors for certain sectors (e.g. agriculture).
- Expand the Liaison Officer Service to allow all small business owners, including incorporated businesses, to have the ability to request free in-person help to understand and meet their tax obligations.

"I appealed a review. I was told it could take up to 9 months... One and a half years later my appeal has gone through two different provinces before someone has contacted me to discuss it... I only had 90 days to file my appeal.

Financial Services Business,
Nova Scotia

(3) Policy Reform: Improving service is important, and small business owners and tax practitioners, alike, appreciate these efforts. Nevertheless, more needs to be done to make it easier for small business to succeed in Canada and to reduce the unnecessary burdens that are placed on them by our cumbersome tax system. To accomplish this, CFIB recommends the following:

- Expand One-for-One rule to include *Income Tax Act* to help reduce regulatory burden on small businesses by removing one rule for every new rule that is added.
- Ease the regulatory burden on small business owners with the creation of a

standard tax deduction for small business owners with less than \$300,000 in revenue which gives them the option to claim a standard percentage of their income as expenses rather than itemize each business expense (e.g. transportation, home office expense, travel expenses).

- Waive interest charges that are less than \$100.
- Ensure that interest charged when you owe money is not higher than the interest paid when CRA owes you money.
- Update thresholds for GST and source deductions on a more regular basis to account for inflation.

(4) Other Recommendations: In addition, we also recommend that CRA do its part to adopt rules which better reflect the modern realities of operating a small business. To do this, CFIB recommends the following:

- Amend rules on passive versus active businesses to reflect present-day realities (i.e. recognize that campgrounds and storage facilities are not "passive" businesses).
- Update the rules on personal service businesses (PSBs) to recognize the often transitory nature of modern work and encourage innovation rather than stifle it.

"CRA should not charge 5% interest on arrears, and then only give 1% on credit balances. That is not fair at all."

Health Food Business,
British Columbia

⁶ Office of the Auditor General of Canada, 2016 Fall Reports of the Auditor General, Report 2 – Income Tax Objections – Canada Revenue Agency.