

Canada Revenue Agency Impact on Small Business

The Canada Revenue Agency (CRA) has conducted many studies in the last number of years to identify ways to improve its systems and service; however, small businesses in Canada continue to report frustration and a need to commit significant time, often at considerable expense, to deal with taxation and filing issues.¹

Small businesses are the backbone of Canada's economy. According to Industry Canada, small businesses account for 98 per cent of businesses in Canada, and employ 48 per cent of the private sector labour force.

Most businesses, at some point in time, have had to correspond with the CRA over matters related to their business, whether by letter, fax, telephone, online or in person. Inquiries typically centre on issues related to business income taxes, the goods and services tax, payroll taxes, customs and excise taxes, or personal income taxes.

Although there is one basic number for business inquiries and one for inquiries regarding personal income tax, which should make for efficient, effective interaction with the CRA, many small businesses find themselves spending exorbitant amounts of time dealing with the CRA. When a business makes an error in filing, there are tight timelines placed on correction and response; however, when the CRA is in error, a small businessperson may invest significant amounts of time communicating with CRA officials and being transferred from department to department. In many cases an accountant is required to handle the matter, creating more cost and more red tape.

In 2006 the Department of Finance established the Action Task Force on Small Business.² A Final Report on Action Items was released in November 2008 followed by an Update on the Final Report on Action Items in November 2009 and Closing Report on Action Items in October 2011. Another Red Tape consultations report was completed for 2014. The 2015 – 2017 red tape reduction action plan highlights include many areas for improvement such as improved telephone and online service, accessible, clear, and understandable tax information, reduced filing requirements, more information sharing among levels of government, and an improved audit experience.³

Unfortunately, business owners still report significant administrative burden, lack of timeliness, professionalism and predictability when dealing with regulators, lack of coordination between regulators, and a lack of fundamental understanding of the realities of small business.⁴

With the release of the Red Tape Reduction Commission's January 2012 report "Cutting Red Tape...Freeing Businesses to Grow", opportunity exists to advocate for meaningful CRA reform.

Recommendations

That the federal government:

1. Instill flexibilities into Canada Revenue Agency (CRA) systems to allow frontline staff to manage communications amongst CRA streams on behalf of small business owners, and take initiative to resolve small businesses' issues in a timely fashion, maintaining a client-oriented, customer-service approach.
2. Assign a case officer, with the appropriate training, to small business files to make compliance faster, cheaper, and simpler.
3. Instruct the CRA to correct and respond regarding CRA errors within 30 days of notification by the taxpayer or taxpayer's representative.

¹ Industry Canada Key Small Business Statistics July 2010. http://www.ic.gc.ca/eic/site/sbrprppe.nsf/eng/h_rd02488.html

² Canada Revenue Agency Form RC4483. <http://www.cra-arc.gc.ca/formspubs/pbs/rc4483-ctntmispdt-eng.html>

³ "We heard you: Cut Red Tape for Small and Medium Businesses." <http://www.cra-arc.gc.ca/gncy/rdtprdctn/rprt2014-cra-arc-eng.html>

⁴ "Focusing on Small Business Priorities: Canada Revenue Agency Consultations on Cutting Red Tape." 12 November 2012. http://www.cra-arc.gc.ca/gncy/rdtprdctn/rprt2012-eng.html#_Toc227916449 Canada Revenue Agency. Retrieved on 10 February 2015.

4. Hold the CRA accountable for its actions and decisions by implementing open government practices, and by correcting and corresponding regarding CRA errors within 30 days of notification by the taxpayer or taxpayer's representative.