



Canada Revenue Agency Impact on Small Business

Issue

Though the Canada Revenue Agency has conducted many studies in the last number of years to identify ways to improve its systems and service, 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.

Background

As small business accounts for 98 per cent of business in Canada, employing 48 per cent of the labour force, it is apparent that small businesses are the backbone of Canada's economy.¹

There are few businesses that at some point in time have not had to correspond with the Canada Revenue Agency (CRA) over some matter related to their business, whether by letter, fax, telephone, online or in person. Inquiries typically centre around issues related to corporation income taxes, the goods and services tax, payroll taxes, customs and excise taxes, or even 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 strong timelines placed on correction and response; however, when the CRA is in error, a small business person 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 Canadian Department of Finance established the *Action Task Force on Small Business*.² A *Final Report on Action Items*³ was released, in which the CRA committed to:

- Reduce the frequency of small business interactions with the CRA
- Improve how and when it communicates with small businesses
- Make "burden reduction" systemic within the CRA

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.³

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

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

³ CRA maintains regular updates of "ongoing action items" which it updated in November of 2009. No further updates have been published since that time.

With the Government of Canada's Red Tape Reduction Commission, opportunity exists to advocate for meaningful CRA reform.

The Alberta Chambers of Commerce recommends that the Government of Canada:

1. Incorporate flexibilities into Canada Revenue Agency (CRA) systems to allow frontline CRA staff to manage communications between CRA streams on behalf of small business owners, and take initiative to resolve small issues in a timely fashion, maintaining with proper technical supervision a client-oriented, customer-service approach.
2. Implement a case management process for small business in order to improve communications flow and make compliance faster, cheaper and simpler.
3. 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.