



December 10, 2015

Hon. Bradish Chagger, P.C., M.P.
Minister of Small Business and Tourism
235 Queen Street
Ottawa, Ontario K1A 0H5

Dear Minister:

In October, the Canadian Chamber of Commerce concluded its 86th Annual General Meeting (AGM) in Ottawa. A major highlight of the Canadian Chamber's AGM is the Policy Session. It is during the Policy Session that resolutions submitted by local chambers of commerce and boards of trade from throughout Canada are debated and voted on by accredited delegates. Once approved, these resolutions become policy of the Canadian Chamber for the following three years. In 2015, our delegates issued a clear and decisive national policy mandate that we intend to pursue vigorously with the federal government over the coming months.

Our renewed national policy mandate includes the following issues that fall within your portfolio.

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.

The Canadian Chamber recommends 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.

Office of the President and Chief Executive Officer | Cabinet du président et chef de la direction

The Canadian Chamber of Commerce | La Chambre de commerce du Canada

420 - 360 rue Albert Street | Ottawa, ON K1R 7X7 | T: 613.238.4000 | F: 613.238.7643 | info@chamber.ca

Chamber.ca |  CanadianChamberofCommerce |  @CdnChamberofCom

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.

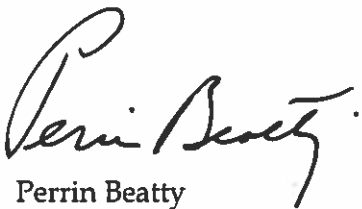
Fair Tax Process for Small Business

The protections of Administrative Law, which ensure that all Canadian citizens benefit from a fair and due process when denied or granted government benefits do not cover the activities of the Canada Revenue Agency (CRA). While rigorous enforcement of tax laws is imperative, small businesses require some form of intermediary assistance to understand and navigate issues when dealing with the CRA.

The Canadian Chamber recommends the federal government CRA's internal policies for small business and implement common administrative law practices into its procedures so that there is assistance for small business to resolve conflicts with the CRA with the protection of due process.

Copies of the complete texts of these resolutions are attached. I have also written to the Minister of Finance and the Minister of National Revenue since these resolutions fall within their portfolios.

Sincerely,



Perrin Beatty
President and Chief Executive Officer

Attachments

*Every good wish
for success in your
new role!*



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.

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-ctntmspdt-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.

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.**
- 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.**

Fair Tax Process for Small Business

Issue

Canadian courts, through an area of common law rights called Administrative law, hold most government agencies accountable to basic procedural safeguards to ensure that all Canadian citizens benefit from a fair and due process when denied or granted government benefits.

These protections do not, however, cover the activities of the Canada Revenue Agency (CRA) wherein citizens must understand the complicated details of the Income Tax Act and escalate concerns to the courts.

While rigorous enforcement of tax laws is imperative since taxes are critical for the maintenance of public services that allow for a prosperous Canadian society, small businesses require some form of intermediary assistance to understand and navigate issues and deal with the CRA. This assistance should be structured to enable greater effectiveness and should not require the additional expense of a tax accountant and lawyer to resolve.

Background

The problem is quite widespread. The following comments made by Chief Justice Gerald Rip in *Pytel v. The Queen*, 2009 TCC 615 provide the best explanation for prevalence of the problem:

[42] The vast majority of informal appellants in this Court act for themselves or are represented by persons without any legal background. This, the Tax Court has in common with all other Canadian courts. Employees of the Tax Court try to assist the appellants and prospective appellants in getting their appeal to trial. The Court has produced a video describing the conduct of an appeal. Judges try to help the taxpayers subject to their limits of judicial impartiality. Nevertheless taxpayers and their lay representatives are often intimidated by the process and are unable to fully prosecute [defend] the appeals. This is what happened here.

[43] I am informed that the Legal Aid programs of the provinces do not provide assistance to taxpayers who cannot afford legal representation in income tax appeals. The rationale, I could only guess, is that if a person has a tax problem, the person must have money. There are appeals before the Court that are family related matters, such as Canada Child Tax benefits, and if disputed before a Family Court judge, may entitle the parties to legal aid. There are also appeals claiming medical expenses, Unemployment Income benefits, Canada Pension Plan benefits, among others, that impact upon low income persons.

[44] A need for taxpayers to be better prepared for their appeals before this Court is obvious. Legal Aid programs must consider extending their assistance to taxpayers, notwithstanding current budgeting issues. Dealing with a government bureaucracy, the CRA, for example, and then with a court is very stressful even on the most experienced persons. Unjust tax assessments may cause strain on the family relationship and ought to be challenged with public support when appropriate. Law firms and law schools also have the capacity to help.

Subsequent to the *Pytel* case, Chief Justice Rip wrote a letter to every law dean in Canada to see if there was anything they could do within the law schools to help address this growing problem. He also raised the issue in a meeting with the Canadian Bar Association's tax court bench and bar committee.

Recommendation

That the federal government review the Canada Revenue Agency's (CRA's) internal policies for small business and implement common administrative law practices into its procedures so that there is assistance for small business to resolve conflicts with the CRA with the protection of due process.