

Standardized Accounting: Reducing Administrative Burden for Business and Government

The introduction of the standardized accounting initiative by the Canada Revenue Agency (CRA) is intended to simplify tax compliance for businesses by harmonizing accounting, interest, and penalty provisions. It has, however, resulted in a significant increase in the transfer of funds between taxpayer accounts. The result is a significant administrative burden on taxpayers (both large and small) and governments as they try to unravel the trail and rationale behind these transfers.

Large taxpayers have a multitude of accounts, often maintained by different areas within a business. Small taxpayers, while perhaps not having the same volume of accounts, face the burden of trying to identify the cause of, and resolution to, the transfers with a limited staff who could be better employed in more productive matters.

Revenue Quebec has also implemented a revenue accounting system that facilitates the offsetting of overpayments of one tax against unpaid liabilities for other taxes. In doing so, it notifies the taxpayer of any deficiencies in filing and identifies the provision that the taxpayer has failed to comply with. This type of notification allows the taxpayer to rectify the error or notify the government where specific returns have been filed, but not yet processed.

Implementing a process to notify taxpayers of the transfer being contemplated and the reason behind the transfer would save a considerable amount of time and frustration for both taxpayers and government.

Recommendations

That the Canada Revenue Agency (CRA):

1. Where it deploys a large file case manager to a taxpayer's account, allow him/her to approve all transfers, notify the taxpayer of the contemplated transfer and ensure that it is understood and is correct.
2. Where it does not deploy a large file case manager to a taxpayer's account, provide a written notification to the taxpayer to explain the transfer being contemplated. The transfer should not be made until 30 days after the mailing of the notification to ensure the taxpayer has time to respond to the notification and provide information pertinent to the proposed transfer.