



IMPACT

The Newsletter of the
EFILE Association
of Canada /
Association de
TED du Canada

November 2008

No. 43

EAC/ATC Board Meets with CRA Management

The Board of Directors of the EAC/ATC held a full day of meetings with senior managers of the CRA in Victoria, British Columbia on Saturday, October 25, 2008.

We are happy to report that CRA was well represented by senior managers from many sections including:

- Tax Filer Services;
- Validation and Evaluation;
- Third Party Privilege Management;
- Individual Identification (T1013); and
- Small Business Relations.

Many issues were discussed, covering a broad range of topics, from administrative reporting requirements to broader policy issues that affect all tax practitioners.

The EAC/ATC provided to CRA a list of issues identified by our Members, and CRA has provided written response to the issues presented. The full EAC/ATC 2008 Submission and CRA response is included with this newsletter.

The EAC/ATC will continue to work with the CRA to resolve any outstanding issues and, of course, take up the cause of issues that our members identify as a priority. ★

2009 AGM set for September 2009 in St. John's, Newfoundland and Labrador

Mark your calendars for the 2009 Annual General Meeting of the EAC/ATC. The meeting will take place in September in St. John's, Newfoundland and Labrador.

The exact date and location will be determined in the coming months and official notice will be provided to all members.

We hope to see you there. ★

Time To Join: Annual Membership Drive Underway

Tax practitioners can renew their annual EAC/ATC membership directly at efile.ca. The annual membership fee remains unchanged at \$125 if renewed by December 31 (\$5 less if renewed on-line).

Alternatively, the 2009 Membership application form is reproduced on the last page of this newsletter.

Thank you all for your continued support. We could not do it without you. ★

2007 AGM Board of Directors Election Results

The AGM and a meeting of the Board of Directors took place in Victoria, British Columbia on Friday, October 24, 2008. Five Board positions were up for election this year while six candidates from across Canada ran for election to the Board of Directors.

All EAC/ATC members in attendance at the AGM participated in the vote to elect five new members to the Board of Directors. Elected to a three year term were: **Shakila Ahmed** (Montreal, QC), **Tim Elhatton** (Lethbridge, AB), **Heather Sheppard** (Calgary, AB), **Ron Van Rooyen** (London, ON) and **George Warren** (St. John's, NL).

Appointed to the Board as an ex-officio member was **David Baanstra** (Victoria, BC). Mr. Baanstra represents National Money Mart Company.

The complete list of members of the Board of Directors is included on page 6 of this newsletter.

Copies of the minutes of the recent AGM as well as the financial statements to June 30, 2008, are available upon request.

The next AGM is scheduled for September 2009 in St. John's, Newfoundland and Labrador. ★

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2009 Annual Tax Software Review

Included in this newsletter is this year's review of some of the most popular professional grade tax software.

You will note that some providers did not increase prices this year. Could it be they are listening to their clients?

The EAC/ATC made a point of letting the major software developers know that our members (their clients) are not happy about the aggressive price increases in the past few years.

We also took the opportunity to remind them that EAC/ATC members add value to their product – by finding and reporting the glitches that exist and by suggesting practical improvements.

We let them know that **46%** of EAC/ATC members indicated that the steep increases in the price of professional grade software is an irritant – to be blunt, members feel gouged.

Now, we at the EAC/ATC don't suffer from hubris to the point that we feel we can take ownership of the fact that most of the developers did not increase the price of their software this year.

Perhaps it was CRA clamping down on software developers who produced retail level software that provided virtually unlimited NETFILE ability. Possibly the threat of cooling economy has them concerned about sales. Maybe the threat of pre-populated tax returns has them pulling back a little.

We can't say for certain, but we will keep the heat on them - reminding them that losing market share is easy, gaining market share is not. They seem to understand that equation. ★

EFILE by the Numbers

	2008 Season Actual	Increase from previous year
TOTAL T1 Returns Filed	25,746,904	0.0 %
EFILE Returns	9,608,375	9.0 %
NETFILE Returns	4,311,854	4.6 %
Discounted Returns	913,434	- 0.3 %
Registered Discounters	2,247	14.0 %
EFILE Certified Software	22	46.0 %
Registered EFILERS	26,894	16.0 %
Total T1013s processed by CRA	3,995,570	N/A
Duplicate T1013s sent to CRA	599,336	N/A

Certainly the data shows promise for the EFILE side of the tax preparation industry.

For starters, estimates are that EAC/ATC members account for nearly one third of EFILED T1 returns in 2008. That's a significant number, and it is not lost on the CRA. Senior managers from the CRA eagerly attend our meetings, knowing they are getting valuable insight into the industry.

The increase in the use of the electronic medium is up from 12.2 million returns to 14.0 million returns, increasing the percentage of T1s electronically filed from 52% of the total T1s filed to 54%. Simple trend analysis indicates that at this rate, the use of the electronic medium could reach 75% of T1s filed by tax year 2013.

It is also good to see that the percentage growth in the use of EFILE increased at twice the rate of NETFILE last year. Both media had grown at similar rates in the past few years (roughly 5%).

The number of registered EFILERS has also grown significantly – although the total number is deceptive as many EFILERS have more than one number.

It is interesting that over 913,000 T1 returns were discounted last year and that the number of registered discounters actually increased by 14%.

We don't have access to the raw data behind those

totals but the numbers here are deceiving as well.

The increases are notwithstanding the inherent risks of discounting, the added administrative burden and the fact that the Tax Rebate Discounting Act (TRDA) has not been updated in 22 years. It is hard to imagine the take-up continuing with discounting given the issues outlined.

Our members have been clear in correspondence to the EAC/ATC: as entrepreneurs they don't mind the risk, and can handle the paperwork, but the antiquated TRDA must be revised to at least reflect the cost of doing business today.

The rates that can be charged under the TRDA are fixed in 1986 dollars. Simply with the effect of inflation, a \$30 fee in 1986 is now nearly \$55. Yet under the TRDA, you can only charge \$30, so the profit contribution gets squeezed, while the risk and administrative burden has not changed. Not a sustainable model.

Without an update to the TRDA, discounting will likely become a thing of the past.

From a public policy point of view, we wonder why the Feds don't act on this. Our system of income tested benefit programs, transfer payments between the Feds and the Provinces etc., require a high level of tax filing compliance. Discounting provides an excellent vehicle to ensure the system functions efficiently. ★

Compliance Rates Still Not Improving

At our annual meeting with CRA managers, results of CRA's random sample from the Processing Review Programs were provided.

The random sample of the 2006 data indicate very similar non-compliance levels for EFILE (14.9%) and Paper (12.7%) returns (data for NetFile was not released).

CRA analysis of the random sample data indicates that the overall non-compliance rate for all filing methods combined has remained constant from 2005 to 2006 (at 14.8%). However, the overall non-compliance rate remains high in comparison to prior years. Data provided by CRA is provided on the next page.

The data essentially says that we, as professional tax practitioners, miss the mark as often as individuals who prepare their own tax return.

This is perplexing, as one would expect professional tax practitioners to have a far better rate of compliance given our level of training, education, experience and ongoing professional development – as well as a profit motive. Certainly we do not engage in this business to be mediocre or to fail.

The CRA data is troubling.

A full 36% of the adjustments were made because no response was received to the CRA request letter (up from the 32% no-response rate in 2005 and 29% in 2004). **The above relates to those tax practitioners who indicated they wanted the review letters.**

All of us in the industry should be concerned about this: it is a sad indictment of the service quality provided by some practitioners.

The impacts from the dreadfully poor response rate:

1. The incorrect updating of a taxpayer's compliance history could impact the individual's subsequent tax year (in terms of potential for selection);
2. Actioning reversal requests can delay the processing of current inventories (i.e. pre-assessments); and
3. Represents poor service for taxpayers (CRA will send a letter to the taxpayer if the preparer does not respond).★

Avoidable Reject Messages from Tax Year 2007

The CRA has provided data on some of the most common reasons T1 returns are rejected when EFILED (sorted by error code).

As part of our continued effort to improve your bottom line, we provide the information for your consideration as you prepare your administrative protocols for the upcoming tax season.

Error Code	Occurrences	Specifics
78	176,000	Document Control Number has already been used
43	164,000	Incorrect surname
72	58,000	Incorrect postal code
57	49,000	Invalid city name
2252	29,000	HBP problems
2197	17,000	Undeducted RRSP
180004	14,000	Invalid postal code on selected financial data record
430	13,000	Disability Amount first time claim
22	12,000	Bankrupt status

Percentage of EFiled Returns Changed Upon Review

Top 10 EFile Adjustments	2006 returns	2005 returns	2004 returns
Disability support deduction	65%	-	-
Public Transit passes	62%	-	-
Moving expenses	45%	44%	46%
Other deductions	29%	39%	30%
Ontario property tax credit	41%	39%	35%
Infirm dependants 18 or older	37%	37%	32%
Additional deductions	36%	36%	33%
Medical expenses	36%	35%	31%
Union dues	-	27%	-
Support payments	31%	27%	28%
Foreign tax credits	-	25%	-
Student loan interest deduction	-	25%	25%

Tax Preparation Software Price Review – Yr. over Yr.

(NOTE: the Tax Year 2008 T1 Software Review is included on a separate sheet)

Software	Products	Increase 07 to 08	Tax Year 2008 Price	Tax Year 2007 Price	Tax Year 2006 Price
CANTAX	T1 Plus w/EFILE	5%	\$589	\$559	\$559
	Tax Suite - Silver	6%	\$1,049	\$992	\$949
	Tax Suite - Gold	6%	\$1,269	\$1,199	\$1,049
	Tax Suite - Platinum	6%	\$1,549	\$1,460	\$1,389
	add CIF to Tax Suite	9%	\$249	\$229	\$229
DT Max	T1 w/EFILE	0%	\$800	\$800	\$800
	T1/T1P w/EFILE/NFQ	0%	\$1,230	\$1,230	\$1,230
Profile	T1 basic w/EFILE	0%	\$500	\$500	\$500
	T1 premier w/EFILE	0%	\$900	\$900	\$800
	T1/T1P basic w/EFILE/NFQ	0%	\$600	\$600	\$600
	T1/T1P premier w/EFILE/NFQ	0%	\$1,100	\$1,100	\$1,000
TaxPrep	T1 w/EFILE - single	5%	\$1,255	\$1,195	\$1,120
	T1 w/EFILE - site	11%	\$1,715	\$1,540	\$1,455
	T1/T1P w/EFILE- single	5%	\$1,630	\$1,555	\$1,460
	T1/T1P w/EFILE - site	5%	\$1,990	\$1,900	\$1,795
TaxTron	T1 Windows	0%	\$195	\$195	\$195
	T1 Mac	0%	\$595	\$595	\$595
	T1/T1P w/EFILE/NFQ	0%	\$595	\$595	\$595
Visual Tax	T1 50 w/EFILE	25%	\$149	\$119	\$119
	T1 Unlimited w/EFILE	10%	\$219	\$199	\$199
	T1 Power w/EFILE	0%	\$349	\$349	\$319
	T1 + T2 w/EFILE	8%	\$678	\$628	\$599



EFILE Association of Canada / Association de TED du Canada

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2008

EFILE Association of Canada / Association de TED du Canada
Annual Submission to the Canada Revenue Agency



Issue 1

CRA Electronic Transmission System shutdown in April 2008. EAC/ATC Request – Information on shutdown.

The EAC/ATC requests information as to causes for the shutdown of electronic filing services in April 2008 and any remedial work being completed by the CRA to bolster the system. This information is for public distribution by our membership to taxpayers and is intended to promote confidence in the use of the electronic medium by tax filers across Canada.

CRA Response.

All EAC members and their clients should continue to maintain the utmost confidence in the use of the agency's electronic filing services. From time to time we experience problems with our systems and this was one of those occasions. Due to internal security procedures, we are not at liberty to discuss the particulars of this event. What's important for the members and their clients to remember is that no confidential taxpayer information was at risk as a result of this incident. Furthermore, given the proximity to the filing deadline, efforts were immediately taken to ensure that no one was penalized for transmission problems under which they had no control.

Post season efforts will concentrate on capacity planning and stress testing the system components. Should any inadequacies be identified corrective action will be taken prior to the upcoming filing season.

Issue 2

Shift in tax administration policy at the MRQ. EAC/ATC Request - Feedback on policy shift toward pre-populated tax forms and broadened electronic services.

On December 2nd 2007, the Government of Quebec announced the implementation of a pilot project using "pre-completed" income tax return forms. The Government of Quebec also outlined a fairly aggressive timeline for the development and implementation of a new suite of electronic services by 2011. The services will ultimately allow Quebecers to view, directly manage and file their personal income taxes online.

The EAC/ATC requests information from the CRA regarding the CRA's position on the use of pre-populated forms and the development of a full suite of electronic services intended to allow taxpayers to view, directly manage



and file their personal income taxes online. Does the CRA have any plans to implement a similar project?

CRA Response.

The CRA currently allows taxpayers to view and manage some information online via the My Account Option. In addition, the Agency has been offering certain fillable forms through its Website since February 2000. These forms can be filled in on-screen, and then printed so the paper copy is ready to be submitted.

The CRA has considered providing a fillable income tax return on the Internet; however, our research shows that Canadians are only interested in a fillable form if it enables them to make detailed tax calculations. Due to cost and system constraints the CRA has determined that is not a viable option at this time.

Issue 3

**Letters to taxpayers with subject heading “Authorizing a representative for online access” (sample attached as Appendix A).
EAC/ATC Request - Change CRAs practice of using a form of “Negative Option Billing” when dealing with taxpayers and their representative.**

One important T1013 related issue to EAC/ATC members is letters being sent from CRA to taxpayers asking them to contact the CRA and confirm they have authorized a specific individual or firm to have online access.

The letters from the CRA contain the following language:

“The CRA is taking an extra step in protecting the confidentiality of your tax information by requiring you to contact us to confirm that you have authorized the above representative to access your tax information online”.

The client is asked to call the 1-800 general enquiries line.

Over **30%** of member emails about various CRA issues and irritants from the previous tax year specifically identified this CRA administrative policy as a problem. Clients are confused by the content of the letter, and many simply put it aside and do not act on it, directly hindering the work of tax practitioners, adding to the cost of doing business. This administrative policy is simply not efficient or effective in meeting the CRA objective of protecting the confidentiality of taxpayer information.



The EAC/ATC strongly disagrees with this approach and the wording of these letters. We suggest the CRA reconsider this approach and in the interim, at a minimum, the EAC/ATC suggests changing the wording to the effect that, *if the client does not agree with allowing access*, the client should contact CRA and rescind the authorization.

The EAC/ATC requests that CRA change the methodology used for the verification of authorization for client access by not using a “negative option billing” methodology.

CRA Response.

The confidentiality of taxpayer information is taken very seriously and a number of security measures are in place to ensure that we do not release confidential taxpayer information without the proper consent of the taxpayer.

In this respect, one of the security measures in place in connection with the Represent a client (RAC) service consists of the mailing of a letter directly to a client when they authorize a representative for online access to their tax information and use the T1013 in order to grant this access. Normally referred to as a “letter of intent” (LOI), this letter provides an extra level of security by confirming directly to the taxpayer that they have authorized the representative who is named in the letter. The taxpayer in this case need not contact the CRA; online access is immediate.

The paragraph quoted in the above EAC/ATC question refers to letters sent to clients with a care of (c/o) address. Clients who do not have a c/o address receive an alternate letter containing the following:

“You recently signed a consent form that authorizes the following representative to deal with the Canada Revenue Agency (CRA) on your behalf for your income tax matters for all tax years. This allows your representative to deal with us on your behalf using our electronic Represent a client service, as well as by telephone, in person, and in writing..... If you agree with this authorization, do not reply to this letter, but keep it for your records”

Prior to February 2007 clients with c/o addresses were not able to authorize a representative via a T1013. Their only option was authorization through the My Account web site. In response to feedback from representatives, a modification to this security measure was introduced in February 2007. For taxpayers with a c/o address, online access through the use of the T1013 authorization will be granted, but only once the taxpayer contacts the CRA to confirm the authorization.



Since February 2007 the CRA has sent approximately 1,800,000 letters of which 34,000 were for taxpayers with a c/o address. We understand the concerns of the EAC/ATC however we feel this security measure is appropriate to protect the confidentiality of taxpayer information.

Issue 4

Language in correspondence for recalculations as shown on the Notice of Assessment.

EAC/ATC Request - Change to current language used in Notice of Assessment.

Currently CRA language on the NOA when a recalculation by CRA occurs and the return is not assessed as filed:

“As a result of a calculation error, we have adjusted...”.

The EAC/ATC submits that this is a poor choice of language as it implies that the tax practitioner’s skills are subject or that the software used is creating errors.

It would be more accurate to state:

“As a result of the change to income at line 101, we have adjusted your claim...”.

Will the CRA implement this change in language of correspondence on the NOA?

CRA Response.

While we appreciate your concerns, we cannot always indicate on the notice the precise nature of the error, but we provide a paragraph that informs the client of the correction. These paragraphs are usually an indication that a calculation error was made on the return, either on that specific item or on a related item. We can also assure you that we review our verses on a consistent basis in order to improve the information provided to the taxpayers.



Issue 5

T183 Requests in April.

EAC/ATC Request - Addition of information on request to EFILE users.

The EAC/ATC continues to receive many complaints from members who feel they are being unjustly bothered to supply signed T183s at a busy and difficult

time of year (most notably during April. One member reported receiving a request dated April 3rd with a 15-day deadline).

The EAC/ATC does not object to the CRA targeting EFILE users who are not compliant. Integrity of the system is paramount.

The EAC/ATC suggests that better communication between the CRA and the EFILE recipient would ease much of the tension that is caused by these requests. The EAC/ATC has found that when recipients are reminded of the most recent request for documentation and the result of the audit, there is a better understanding of why they are being asked to provide selected T183 forms.

The EAC/ATC proposes that the CRA indicate in its correspondence to EFILE users, when requesting a T183, why they are being targeted (i.e. because they did not pass the previous year's audit for T183 vs. random verification). This would go a long way towards reducing the ill will caused by these requests. When Efilers know a request is made because of their previous compliance history it connects their past administrative behaviour with the current request and mitigates the aggravation. Better communication is key.

The EAC/ATC is keen to work with the CRA to ensure better practice management skills for Efilers and welcomes any dialogue toward this end.

CRA Response.

Part 1: We are aware that this has been an ongoing challenge for some offices, however due to the fact that some offices close right after tax season; we are limited to the timeframes that we use for the monitoring letters. It should be mentioned that the EFILE helpdesks are there to assist you. If it is necessary for you to have an extension, the helpdesk can grant this to you. The monitoring process is an integral part of our program and it helps us to identify early problems and reporting of error trends.

Part 2: The CRA determines who is monitored based on several criteria. It should be understood by the EFILERS that our checks help to protect the integrity of the program. When the EFILER receives his/her results letter, it is



an opportunity for them to review their best practices. For some EFILERS that have been in business for awhile, it acts as a refresher of the rules for processing the T183/T1153's. We would hope that it is seen as a means of education, rather than a challenge.

Issue 6

Additional information available on SEND system. EAC/ATC Request - Update requested.

Our 2007 Submission included a request for a broadening of the functionality of the SEND system. Two of the examples provided by the EAC/ATC were inclusion of information on:

- The taxpayer is in receipt of lump-sum CPP benefits;
- The taxpayer is a first time filer (e.g. never filed a return)

The CRA responded that not all information can go on the SEND system and that resources limit the work that can be completed. The CRA did indicate, "we are prepared to review your suggestions concerning CPP and first time filers".

The EAC/ATC requests an update on the status of the two suggested changes noted above. The EAC/ATC also submits that information on tuition and education carry forward amounts would be a welcomed addition to the SEND system.

CRA Response.

Part 1: Slips issued for CPP are sent to us from HRSDC. As a result we have limited control as to when these slips are updated. Our influence relates to the date to have all slips sent to us for inclusion. That date is February 28.

Part 2: The issue of first time filers was looked at with our systems group. Currently, we access identification data to begin searches for such things as address changes, marital status, T slips issued, etc. When there is only a SIN and no other identification information, we are unable to return any data – such as identifying a first time filer. The information needs to be built first (or a return filed) for us to have any significant information to provide.

Additional Information:

If may be helpful for the EFILER to ask their client some basic information – such as "Is this your first return?" or "Is this the first time that you are filing a Canadian tax return?" First time filers with a date of entry into Canada should



be paper filed and sent to the International Tax Services Office (ITSO) for processing. ITSO does not process efiled returns. Please pay special attention to those clients that have a SIN that begins with a “9” as this could mean a delay in processing. It may also be useful for you to provide your paper T1013 with the paper return.

Part 3: Tuition/Education Amounts:

At this time we are unable to provide a clue for any carry forwards, although we are still investigating this possibility.

Issue 7

Busy FAX lines.

EAC/ATC Request - Update requested.

Part 1

Our 2007 Submission indicated our membership’s frustration with what is perceived to be continuously busy fax lines at the CRA. In response to our 2007 Submission the CRA indicated that individual Tax Centres are responsible for ensuring adequate access to fax machines. Further, the CRA suggested that individual preparers contact the Director of the applicable Tax Centre to confirm their fax access difficulties.

The EAC/ATC agrees with this approach and would like to provide contact details for the Director of each Tax Centre to our membership. Can the CRA provide an updated list for our members?

CRA Response.

Updated contact lists for each Tax Centre have been provided as requested via Q 12.

Part 2

Our 2007 Submission recommended two solutions for alleviating the burden of busy fax lines.

One solution we proposed was the shift by the CRA away from old technology of physical “fax machines” to a new technology: “internet fax”. Internet fax is widely available and used extensively in business. The internet fax technology uses an email address to send and receive faxes and supports 45 different document types. This new technology ensures that faxes are not missed due to busy fax lines or unattended fax machines. The CRA indicated it would study this option and provide an update. The EAC/ATC is requesting an update on the move towards adopting the internet fax technology.



Secondly, we proposed in our 2007 Submission that the CRA consider allowing the submission of scanned documents via e-mail to alleviate the problem of using old technology fax machines. The CRA indicated in 2007 it would study this option and provide an update. The EAC/ATC is requesting an update.

CRA Response.

We have researched the feasibility and costs associated with the implementation of new tools and technology to facilitate the receipt of electronic documents. This initiative is currently in the final research stage and involves various e-solutions, including both of the afore-mentioned concepts. Given the magnitude of system changes involved, if this initiative is implemented, it will likely be a multi-year initiative which will involve significant development funding.

Issue 8

Represent a Client.

EAC/ATC Request - Update requested.

Represent a Client has proven to be an extremely valuable tool for tax practitioners. The EAC/ATC applauds CRA for providing this system.

Our 2007 Submission stated that our membership have indicated that the system is at times very slow, with long wait times between screens. The CRA indicated it recognized the problem and requested assistance from the EAC/ATC to resolve the problem. The EAC/ATC was asked to provide a list of members who would agree to have the CRA test the system with their assistance. The EAC/ATC canvassed our membership and in December 2007 provided full contact details of members from different regions across Canada who were willing to participate in the review.

The EAC/ATC requests an update on this project.

CRA Response.

EAC/ATC provided contact information for seven volunteers from across the country to help the CRA test the system for performance issues. We have completed an on-site interview with one of the volunteers and based on the information gathered we created a questionnaire. The questionnaire was then sent to the remaining six volunteers. They were asked to complete the questionnaire and submit it back to us along with any comments they might have. To date we have received questionnaires from 5 of the 7 volunteers



and we are in the process of reviewing the results. Once the analysis is completed we will pursue possible enhancement to the system.

Issue 9

Late Issuances of tax slips (particularly T3 and T5 slips). EAC/ATC Request - Adequate measures in place to ensure compliance by issuers.

Our 2007 Submission provided the following:

“The problem of late issuance of tax slips (notably T3s) by third parties continues and seems to be getting worse.

This is a serious issue for taxpayers, tax practitioners and the CRA. The problems caused by this are many.

In the short term, it leads to additional resources being required by CRA for processing all the additional T1ADJs submitted after April 30th to CRA. Some would argue this is an indirect administrative subsidy to the financial services sector by the government of Canada. Further, interest penalties for late filing are assessed to tax filers who are caught in the middle.

The long-term harm is more subtle but nonetheless real.

Firstly, allowing this practice to continue sends the wrong message to individual Canadian taxpayers. The perennial late issuance of slips slowly contributes to undermining the integrity of the tax system. It tacitly implies that late filing or inaccurate filing is an acceptable practice, that CRA deadlines are meaningless. It also implies that big companies are above reproach by the CRA.

As we know, compliance is sensitive to many factors including perception of government and perception of our tax system. Allowing for the growth in the perception that some organizations can operate without concern for the legislation, or even the spirit and intent of the legislation, is not a message that tax practitioners or the CRA should want to become imbedded in the taxpayers’ psyche.

As professional tax preparers, we see this happening. Each year it seems that more individuals are willing to knowingly file without all their T3 slips, as they genuinely do not know when they will receive them. Taxpayers are frustrated by this. Certainly, penalties for the taxpayer are not the prescription.



Another significant impact of this relates to the ubiquitous nature of T3s. This is due to the fact that a large number of Canadians, of all generations, are involved in investments outside of registered accounts. The tardiness in

issuance of T3s has the effect of promoting the delay of filing individual tax returns. The CRA and experienced tax practitioners can attest to the shift in filing trends towards the April 30th deadline in recent years. While other factors are contributory to this trend, the late issuance of T3s is without doubt causal.

Given the negative effects of this trend, will the CRA look at developing real measures to ensure greater compliance by the financial services sector to enforce the issuing of T3 slips by the required deadline? We note that many of the institutions in question reported billions in profits last year. Perhaps they should spend some of the profits on developing operational procedures to ensure timely and accurate delivery of information to taxpayers rather than shifting the cost of their administrative needs onto CRA and Canadian taxpayers.”

The CRA responded that amendments to the Income Tax Act have been drafted that will make the tax system more efficient. They will reduce delays in the preparation and issuance of T3 information slips and T5013 information slips.

The EAC/ATC polled our membership in June 2008 on the issue of late tax slips. A full **63%** of members indicated that the issuance of late tax slips is a major issue in compressing the tax season to the last few weeks of April. Clearly the government’s announcement of draft legislation facilitating the issuance of T3, T5 and T5013 slips by financial intermediaries had little effect.

Can the CRA provide an update as to the status of the legislation?

CRA Response.

The announced legislation has been enacted and was effective for the 2007 tax year. A public trust or a public investment trust as defined in section 204.1 of the Regulations to the Income Tax Act was to make the information concerning income and capital distributions to its beneficiaries for the tax year available to the general public within 60 or 67 days of the end of the tax year. This means that a mutual fund trust which had units traded on a stock exchange was required to post the 2007 tax information on a per unit basis on the CDS Innovations Inc. website by February 29, 2008 (or by March 6, 2008 if the mutual fund trust invests in other mutual fund trusts and is a public investment trust), assuming that the trust has a tax year that ended on December 31.



The CDS website, <http://www.cdsinnovations.ca/cdsinnovationshome.nsf/Pages/-EN-Welcome?Open> is accessible to the general public and provides the 2007 tax information on a per unit basis on the following webpage: <http://www.cdsinnovations.ca/applications/taxforms/taxforms.nsf/PROCESSE-D-EN-?OpenView&RestrictToCategory=T3-2007>.

As 2007 was the first year with respect to the legislative change, it is still too early to comment on its success. We do know that not all entities were able to make the necessary changes to their systems to enable them to post the financial by the due date. However, in discussion with members of the Investment Industry Association of Canada (IIAC), they do believe the changes have helped their industry.

We are aware that there are still some concerns about the posting of the financial data and then making amendments after the 60/67 day deadline date. However, this is a situation that existed before the legislation was introduced and will continue to be an ongoing issue.

Will the CRA consider other enforcement measures to ensure timely distribution of tax slips?

As with the introduction of any new legislation, it takes time to put the structure in place to be able to administer the provisions as required. Therefore, as the Canada Revenue Agency (CRA) did not make the requirements, for reporting to CRA, known to the trustees in sufficient time for the trustees to comply for the 2007 taxation year, CRA did not enforce penalties for non-reporting of this information for the 2007 taxation year. However, procedures are now in place for the 2008 taxation year and CRA will be enforcing and will be penalizing for non-compliance.

What is the penalty is for non compliance? Does it increase with successive offences from the same issuer? Is there a methodology in place to determine worst offenders?

The penalty for non-compliance of Reg 204.1 is “a penalty equal to the greater of \$100 and the product obtained when \$25 is multiplied by the number of days, not exceeding 100, during which the failure continues”. This is the same computation used for 162.7(A) penalties and 205.1 filings. The legislation does not provide for any increase regarding successive offences. CRA will be monitoring offenders and seeking ways to further increase compliance.



Issue 10

Common format of T4 slips.

EAC/ATC Request - Enforcement of standard (sample attached as Appendix B).

Some employers are using a variation of the T4 slip. This issue is not limited to small firms. Some of the employers issuing variant T4 slips are very large organizations (BC Hydro, Canada Post, Best Buy). This is a concern, as the order of the box information provided is not aligned to the CRA approved tax software. This promotes the likelihood of errors in the data entry process. Samples of the variant T4s are attached.

Our 2007 Submission asked if the CRA would enforce the use of a standard T4. The CRA replied that “No the CRA will not enforce a standard” referring to the size of a T4.

We therefore re-submit the request, underlying that it is the format of the variant T4 that is in question, not its physical size.

Will the CRA review the attached variants of the T4 and indicate what actions it is willing to take to ensure a common look to the T4 to minimize the likelihood of data entry errors?

CRA Response.

As you are aware, the CRA requests that alternative formats for “T” information slips be approved by CRA before being used. However, it is clear that some businesses choose not to do so, as supported by the examples you provide.

While the CRA continues to employ educational practices to dissuade businesses from continuing to use incorrect slip formats, it is admittedly difficult to enforce from a slip processing perspective.

Issue 11

Update to EFILE Exclusions list.

EAC/ATC Request - Update on progress.

The list of EFILE exclusions has remained essentially the same for many years. The CRA indicated at our annual meeting in 2006 that a review would take place. At our 2007 meeting, the CRA indicated, “A review is currently under way”.



The EAC/ATC requests an update on the status of the review and an estimated timeline for the introduction of a revised EFILE exclusion list.

CRA Response.

For the 2008 tax filing season, the Canada Revenue Agency (CRA) will explore the electronic filing of 2 previous exclusions through EFILE: Pre-bankrupt returns for individuals and the Final return (Section 70(1)) for Deceased individuals. This will apply only to current year returns.

Issue 12

**Update TSO/TC Contact list.
EAC/ATC Request - Update required.**

The EAC/ATC request an updated version of contact details for the TSO/TC for distribution to our members. The current list has not been updated in over two years.

CRA Response.

A revised list will be provided.

Issue 13

**Improvement to online system to find proper TC for individual taxpayers.
EAC/ATC Request - Suggestion for system improvement.**

In an effort to have returns and other documents directed to the correct TC or TSO in a timely manner, a better list should be made available than that currently available on the CRA website. The list of TC and TSO provided on the CRA website is insufficient as it does not clearly delineate where a return should be sent, particularly when the taxpayer lives in a lesser known small town or village.

The EAC/ATC suggests that a “form field” in which the preparer can enter the taxpayer postal code or town name and the website would return the TC/TSO where the info should be sent. The analogous system is that of the postal code lookup function on the Canada Post website.

Will the CRA consider implementing a similar search feature on its website?



CRA Response.

We appreciate your suggestion for the search for TC by postal code. While it is not necessary to know a taxpayer's designated TC in order to EFILE a return, we will investigate creating a search tool for the website. In the interim, please refer to site: <http://www.cra-arc.gc.ca/cntct/tso-bsf-eng.html> for the current search/province and city facility.

Issue 14

Pre-assessment reviews. EAC/ATC Request – Information required.

EAC/ATC members are frustrated by the number of pre-assessment reviews received, the time it takes for the CRA to issue the notice of pre-assessment and further, the time taken by the CRA to process the tax return once the information required by the CRA is received. In many instances, the timeline extends the EFILE process into months.

What is the established service standard for the timeline between a return being EFILED and the notice of pre-assessment? Further, what is the established service standard for turnaround time once the information has been received by the CRA?

What advice can the CRA provide to tax practitioners in order to reduce the number of pre-assessment requests?

CRA Response.

The reviews conducted as part of our pre-assessment review (Confidence Validity) program are an integral part of our risk management strategy. It is through this program that the high risk claims are identified and verified. Only about 1% of the total T1 filing population is subject to review through this program.

Tax Centres are clearly aware of the priority of this program in terms of ensuring requests for information are sent and the processing of received information in response to these requests are processed as quickly as possible so as not to significantly impede return assessment timeframes. If some of your members are experiencing significant delays concerning this program, they should contact the relevant manager of the applicable taxation centre.



A number of factors come into play in terms of identifying a particular claim for review. However, one important way to reduce the potential for review is for Efile Preparers to reply to our requests for information. As has been identified in prior years, a significant percentage (36% re 2007 program) of our requests to Efile Preparers who have specifically requested that letters be sent to them, go unanswered.

Overall, our latest random sample results indicate that the non-compliance rate for our target population of Efile returns is 14.9% as compared to an overall non-compliance rate for all filing methods combined of 14.8%. We realize that many Efile preparers are very good at what they do and this translates into a relatively small number of contacts for their repeat clients. However, the numbers clearly indicate that for many Efile'd returns a considerable number of errors are being made. We would welcome any insight the Efile Association of Canada can provide in helping us address this situation.



EFILE Association of Canada / Association de TED du Canada

(A federally registered non-profit corporation)

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2008 T1 Software I will use _____

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MEMBER SURVEY

Tell us what are the most important issues you would like the Association to address to CRA, MRQ, tax software developers, or any other group. Attach additional pages if you wish.
