



**EFILE Association of Canada / Association de TED du Canada**

**Submission to the Canada Revenue Agency  
on the proposed  
Registration of Tax Preparers Program**

**MAY 2014**

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## **About Us**

### **EFILE Association of Canada / Association de TED du Canada (EAC/ATC)**

Established in 1993, the EAC/ATC is a federally registered non-profit corporation. The EAC/ATC is a member driven association that promotes the use of the electronic media in the tax service industry and is a conduit for members back to the CRA.

Our mission statement is “to further and promote honesty, truthfulness, and integrity in the preparation and filing of tax returns and other financial information, and to discourage misleading and deceptive practices and thereby increase public confidence in the services offered by members”.

The EAC/ATC fully represents the tax preparation industry: from one person ‘shops’ to large national firms. Approximately 1/3 of all T1 EFILED returns are filed by EAC/ATC member firms. A broad spectrum of professional designations are held by our members and include: CA, CGA, CMA, CPA, CFP, CIM, CFA, RPA, PFP, TEP.

The EAC/ATC is governed by a national 15 member Board of Directors elected by the membership of the EAC/ATC at the Annual General Meeting. Members of the Board of Directors serve renewable 3-year terms.

We survey our membership every June and gather information about “issues and irritants” faced by tax preparers. This forms part of our Annual Submission to the CRA and is the basis for our annual EFILERS conference with the EAC/ATC Board of Directors and CRA Management.

## **Our Mission Statement**

1. To communicate the wishes and concerns of members to CRA and MRQ, and to request remediation.
2. To promote, both to the public and to government, the electronic filing of personal and corporate tax returns and related information.
3. To encourage proficiency in our members, and to assure the public of the integrity of members.
4. To provide members with information and resources.



## **RTPP Submission**

As provided in our 2009 EAC/ATC Annual Submission to the CRA, **the EAC/ATC supports tax preparer certification initiatives that will improve the quality of work completed by tax preparers.** Indeed tax preparer proficiency and ensuring quality tax preparation form part of our mission statement.

While we support an initiative such as the proposed RTPP, our support is qualified. The EAC/ATC surveyed its membership in January 2014 about the proposed RTPP. The responses to our survey highlighted the many concerns our membership has about the proposed RTPP. The major themes for concern are listed in this submission.

One of the prominent concerns was that the CRA has not defined or qualified the term “error” in its proposal. CRA’s broad approach implies all errors, however defined, are caused by tax preparers.

Once the CRA has properly defined “error”, the CRA must complete more robust analysis as to the source and reasons behind the errors. A thorough level of analysis is required prior to the development of policies to address perceived problems. Examples of the list of the basic questions the CRA must answer include:

- How many errors occur in returns filed during the last two weeks of April?
- How many errors are as a result of differences in interpretation with the CRA?
- How many errors are from returns prepared where the client engagement is ‘without audit, prepared from information provided by the taxpayer’?
- Which sections of the ITA create the most errors?
- Is there a difference in error rates for new EFILERS versus more experienced EFILERS?

This submission highlights the feedback from our membership. The EAC/ATC submits that many of the CRA concerns as outlined in the RTPP Consultation Paper can be addressed without the creation of additional regulatory oversight.

Our response is divided into two sections, Part 1: Concerns about the proposed RTPP and Part 2: Correcting systemic issues that contribute to errors.



## **Part 1: Concerns about the proposed RTPP**

The EAC/ATC surveyed its membership in January 2014 on the proposed RTPP. Outlined below is a synopsis of the responses received from hundreds of EAC/ATC members from across Canada.

### **Communication issue**

Many tax preparers responded negatively to the proposed RTPP, as it is perceived that it will simply increase the burden of red tape on businesses.

Many ask why the CRA is creating more identification numbers. Why not consolidate EFILE, PIN and EIN?

The negative response to the RTPP is in contrast to our previous surveys that indicate tax preparers are in agreement with certification initiatives that will improve the system and outcomes. This suggests the CRA must change its communications to provide better and more complete information to tax preparers.

The CRA must do a better job of communicating its strategy and proposing a well thought out strategy. The proposed RTPP does not instill the confidence of our membership in the CRA as:

- the most basic of questions (an adequate definition of what constitutes an error) is not properly addressed; and
- the proposal tends towards increasing red tape.

Many feel the CRA is out of touch and is willing to use a broad policy tool to fix undefined errors while not fully and properly researching the issues and their specific causes.

The EAC/ATC submits that **many issues that lead to errors are systemic in nature**. Adding to the regulatory burden will never solve issues that are systemic in nature. An increase in regulation will not root out errors until the systemic issues are addressed.

### **Increase in red tape**

The additional burden of red tape is a great concern for tax preparers. To lessen the addition to red tape associated with the RTPP, **registration should be restricted to those who are ultimately responsible for the preparation of the tax return**.



The tracking of all who work on a tax return only adds to the red tape. Employees providing administrative assistance in assembling the tax return and individuals reporting to a superior within the firm should be excluded from registration. The tax preparation firm is best positioned to ascertain why the error took place and put adequate protocols in place.

### **Properly define the problem – what constitutes an error?**

The CRA must specifically qualify “errors” before it can address the source of the error.

Many EAC/ATC members are concerned that an error can simply be defined as anything that CRA disagrees with. Given the complexities of the Income Tax Act and the fact that many sections involve a level of interpretation, tax preparers feel it makes them vulnerable to the whim of CRA interpretation.

The EAC/ATC submits that **an error (resulting from an interpretation) should not be ruled as such unilaterally by the CRA.**

### **Tax preparers do not want to become agents of the CRA**

It is common for tax returns to be prepared without audit based on information provided by the taxpayer. While tax preparers exercise due diligence to complete a tax return, tax preparers rely on clients to provide all the pertinent information.

In a perfect world, all taxpayers would have complete and accurate records and all information slips. Unfortunately this is not the reality. EAC/ATC members ask – to what extent does CRA expect them to go to ensure all receipts are accounted for? Under the proposed RTPP, tax preparers are at risk if errors emerge. Should tax preparers turn away clients because of the risk that the client’s recordkeeping does not meet CRA’s standards?

The **CRA needs to address the issue of what constitutes an error as well as taxpayer liability for errors when the client relationship is to simply process the return.**

### **Oversight for sanction and redress**

Tax preparers are rightfully concerned about the process for any sanctions or redress. This is particularly so given the impact of any sanctions, such as deregistration, on a tax preparer’s reputation and ability to earn an income.



Notwithstanding that “error” in the context of the proposed RTPP has not been developed, the process is skewed with the CRA as sole arbitrator.

Tax preparers have also voiced concerns about the fairness and uniformity in applying sanctions.

The **EAC/ATC recommends the creation of a Peer Review Panel that can adjudicate any sanctions.** The proposed Peer Review Panel should include a cross section of representative tax preparers as well as senior CRA representatives. **As a professional, member led industry association, the EAC/ATC requests full participation on this panel.**

### **Concerns about segregated registration**

Concerns were raised as to the drawbacks of segregation of tax preparer registrants based on professional affiliations. The EAC/ATC submits that **if a registration system is implemented it should apply to all tax preparers on a uniform basis.**

A number of concerns were raised by tax preparers. Firstly, the CRA does not have data that demonstrates a better track record of one professional group over others.

Secondly, it implies to the public that all members of a professional association are active tax preparers. This is obviously not the case.

Lastly, the segmentation may lead to greater confusion for consumers. It could be perceived as implicit endorsement of one group over another (implying that the CRA favours some tax preparers over others). As such, it does not serve the public interest and is bad public policy to differentiate tax preparers in this manner.

### **Publication of registrants list**

The **EAC/ATC does not support the creation of a registrants list** without greater detail on its purpose. We do support the creation of a list of firms providing tax preparation, but not to the level of listing individual tax preparers within firms.

The publication of an individual registrants list can be perceived by the public as validation, implying the listed preparers are endorsed by the CRA.

It would also be cumbersome for the CRA and tax preparation firms to maintain and would require additional filings by firms, adding to the burden of red tape.



## **Part 2: Correcting systemic issues that contribute to errors**

Many issues that lead to errors are systemic in nature. An **increase in regulation will never root out errors until systemic issues are addressed**. These systemic issues and suggested solutions to the systemic issues have been previously submitted by the EAC/ATC as part of our Annual Submission to the CRA.

### **Late issuance of tax slips**

As provided in our 2008 EAC/ATC Annual Submission to the CRA, one systemic issue that likely contributes to errors is the compression of the tax year as a result of the late issuance of income tax slips.

CRA analysis should track errors for T1s filed during the last two weeks versus the remainder of year and complete variance analysis to ascertain the error rate contributable to the compression of the tax season.

Our members have been clear in consecutive EAC/ATC annual tax preparer surveys: the number one irritant affecting a vast majority of tax preparers in Canada is the late issuance of investment related tax slips. Indeed, our analysis of the data validates the thesis that the problem is getting worse and not better. There is a trend towards a general compression of the tax season into the last two weeks of April, indicating a significant shift in the tax filing profile.

One of the main sources of this problem is the late issuance of investment related income tax slips. While other factors are contributing to this trend, the late issuance of investment tax slips is without doubt a contributing factor. When our members ask their clients why they wait until near the end of April to file their taxes, inevitably the answer is “waiting for investment tax slips to arrive”.

**Will the CRA consider legislative change to ensure timely distribution of all tax slips** in an effort to lessen the compression of the tax season towards the last two weeks of April?

### **Evolution of services available through the EFILE Help Desk**

One of the most frequent complaints we receive is that it is very difficult to get through to CRA General Enquiries. This issue is one that has been made worse with the policy shift at CRA to move away from TSO ‘drop in’ counter service to ‘phone in’ service.

As part of our 2009 annual submission to the CRA we requested that **the EFILE Help Desk system be expanded to allow for general enquiries from registered EFILERS**.





A similar system is currently in use. The IRS Practitioners Priority Service system is an excellent model to emulate. Practitioner Priority Service is a toll-free, accounts-related service for all tax preparers. It is the tax preparers' first point of contact for assistance regarding taxpayers' account-related issues.

We submit that this would provide an excellent return on investment for the CRA.

### **Direct access to tier two agents**

While we wait for the evolution towards a service like that of the IRS Practitioners Priority Service, the EAC/ATC requested in 2010 that **a protocol be established such that tax preparers can request direct access to tier two agents through the General Enquiries line.**

When calling General Enquiries, tax preparers should be permitted to ask to be transferred directly to a tier two agent, without the delay of having tier one agents gather in all the information, do some initial research and then realize that the query must go through to a tier two agent after all.

This would facilitate the processing of tax returns and provide benefits to both tax preparers and CRA. Benefits to tax preparers include access to more experienced agents, ensuring greater consistency in guidance provided, and the subsequent reduction in tax filing errors. Benefits would also accrue in reducing the time spent by tax preparers accessing the information they require (which in the end comes from a tier two agent).

A clear benefit to CRA would be the reduction of time tier one agents spend dealing with calls from tax preparers that inevitably end up being redirected to a tier two agent. This will have the impact of reducing the number of calls that are receiving a busy signal when contacting general enquiries.

### **Enhanced online services and access**

Added services and access to online services for tax preparers could help to lessen overall error rates. Facilitating the ease by which tax preparers can access all client documents is a step towards facilitating compliance.

**Online access should be broadened to include all tax related slips issued to taxpayers.**



### **Recognizing tax preparers' work cycle**

Adding to the workload of tax preparers during the busiest time of year by requesting copies of T183, T1013, and issuing audit requests (particularly between February and April) does nothing to lessen the error rate.

The EAC/ATC requests that **CRA consider the work cycle of tax preparers when developing compliance programs.**

### **Common format tax slips**

The EAC/ATC has promoted the development and enforcement by the CRA of standardized tax slips (including RRSP slips). Standard format slips not only facilitate data entry for tax preparers but also assist clients in identifying the importance and nature of the slip.

The EAC/ATC requests that **CRA consider standardized formats for all commonly issued tax slips.**

### **Contact details**

For more information contact:

Steve Watson MA, CFP, FMA  
Executive Director, EAC/ATC

Toll free: 1-866-384-4066  
Mobile: 250-718-3022  
E-mail: [swatson@efile.ca](mailto:swatson@efile.ca)  
Web: [www.efile.ca](http://www.efile.ca)

Mailing address:  
EAC/ATC  
PO Box 20040  
Kelowna, BC V1Y 9H2

