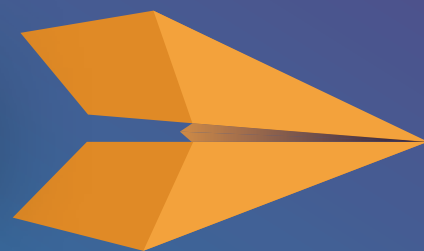


Transformation through **DISRUPTION**



Taxpayers'
Ombudsman

Independent + Objective = Fair

ANNUAL REPORT 2019–2020



Government
of Canada

Gouvernement
du Canada

Canada

Office of the Taxpayers' Ombudsman 1000-171 Slater Street

Ottawa, Ontario K1P 5H7 | Telephone: 613-946-2310 | Toll-free: 1-866-586-3839

Fax: 613-941-6319 | Toll-free fax: 1-866-586-3855

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TABLE OF CONTENTS

| | |
|---|-----------|
| Taxpayer Bill of Rights | 4 |
| Mandate | 8 |
| Transformation through disruption | 10 |
| Informing and making recommendations through meetings and memos | 11 |
| Resolving service complaints | 12 |
| Early intervention | 12 |
| On the line – calls and complaints | 13 |
| Complaint examination | 16 |
| Sample cases | 17 |
| Systemic transformation | 19 |
| Requests for Service Improvement | 19 |
| Systemic examinations | 22 |
| Published systemic examination report | 23 |
| Upcoming systemic examination reports | 23 |
| Open and ongoing examinations | 25 |
| Ensuring transformation – following up on recommendations | 26 |
| Making waves from coast to coast to coast and beyond | 28 |
| Connecting through outreach | 30 |
| The need for disruptive innovation | 33 |
| Addressing the disparity | 34 |
| Measuring our performance | 36 |
| Financial | 39 |
| Reflections of the Taxpayers’ Ombudsman | 40 |
| Contact us | 44 |



TAXPAYER BILL OF RIGHTS

The Taxpayer Bill of Rights has 16 rights describing the treatment to which taxpayers are entitled when dealing with the Canada Revenue Agency (CRA) as well as the CRA's Commitment to Small Business. The Taxpayers' Ombudsman is specifically mandated to uphold rights 5, 6, 9, 10, 11, 13, 14 and 15.

1. You have the right to receive entitlements and to pay no more and no less than what is required by law.
2. You have the right to service in both official languages.
3. You have the right to privacy and confidentiality.
4. You have the right to a formal review and subsequent appeal.
5. **You have the right to be treated professionally, courteously, and fairly.**
6. **You have the right to complete, accurate, clear, and timely information.**
7. You have the right, unless otherwise provided by law, not to pay income tax amounts in dispute before you have had an impartial review.
8. You have the right to have the law applied consistently.
9. **You have the right to lodge a service complaint and to be provided with an explanation of [the CRA's] findings.**
10. **You have the right to have the costs of compliance taken into account when administering tax legislation.**
11. **You have the right to expect [the CRA] to be accountable.**
12. You have the right to relief from penalties and interest under tax legislation because of extraordinary circumstances.
13. **You have the right to expect [the CRA] to publish [its] service standards and report annually.**
14. **You have the right to expect [the CRA] to warn you about questionable tax schemes in a timely manner.**
15. **You have the right to be represented by a person of your choice.**
16. You have the right to lodge a service complaint and request a formal review without fear of reprisal.

Commitment to Small Business

1. The CRA is committed to administering the tax system in a way that minimizes the costs of compliance for small businesses.
2. The CRA is committed to working with all governments to streamline service, minimize cost, and reduce the compliance burden.
3. The CRA is committed to providing service offerings that meet the needs of small businesses.
4. The CRA is committed to conducting outreach activities that help small businesses comply with the legislation [it] administer[s].
5. The CRA is committed to explaining how [it] conduct[s] [its] business with small businesses.

WHO WE SERVE

A “taxpayer” is anyone who interacts with the CRA, including individuals, businesses, corporations, charities, trusts, estates, persons who pay taxes or persons who are exempt from taxes, persons eligible to receive an amount as a benefit, persons who receive a service from the CRA, and their representatives.



A MESSAGE FROM THE TAXPAYERS' OMBUDSMAN

I am pleased to present this Annual Report highlighting the accomplishments of my Office during the 2019–2020 fiscal year (April 1, 2019 to March 31, 2020).

This is my final Annual Report as Taxpayers' Ombudsman, as my five year mandate comes to a close in July 2020. How quickly my time in this Office has passed. I look back very fondly on the many people and organizations with whom I have had the pleasure of meeting, connecting, and working. To my staff, I am proud of the work we have done together to resolve issues both large and small, individual and systemic. I am also proud of what we have done to raise awareness about the Taxpayer Bill of Rights and the role of the Office of the Taxpayers' Ombudsman.

You have all contributed to the success of this Office and our work together over the last five years in bringing about positive change to the level of service and fairness experienced by those who interact with the Canada Revenue Agency (CRA). I am thankful to have had the opportunity to work with this talented group of committed employees.

BUILDING TOGETHER

From taxpayers, benefit recipients, tax and legal professionals, to community groups, fellow ombuds, elected officials, the Minister of National Revenue and the CRA, each relationship fostered during my term as Taxpayers' Ombudsman was an opportunity to learn, bridge gaps, build, collaborate and work towards better service.

The relationships my Office and I built, both nationally and internationally, have helped us better understand the issues raised by complainants and stakeholders, and informed our examinations and recommendations for improvement,

both formal and informal. Every piece of information we gained from our individual interactions and outreach activities assisted us in identifying and championing changes people need and want in the treatment they receive from the CRA.

EMBRACING DISRUPTION

Conflict and disruption can be very stressful for those experiencing it, but can also be opportunities for change. Throughout my time as Taxpayers' Ombudsman, I have embraced disruption and used it as a catalyst for positive transformation, as a means to challenge the status quo and seek productive ways to collaborate and address issues that may otherwise be overlooked. My team works hard to help people navigate the complaint resolution process and reduce the amount of disruption complainants experience when attempting to resolve issues with the CRA.

I have used my unique position as an objective authority to bring disruption to that which does not function well, by examining issues using a different

lens. Together, my Office and I have pushed the envelope and driven systemic changes to the services the CRA delivers, and challenged the CRA to take a closer look at the ways in which it carries out its processes.

We have made a difference to the personal lives of many through resolving individual complaints. We have touched many more lives through changes in how the CRA administers its programs and services as a result of our recommendations for systemic changes.

RECOGNIZING THE IMPACTS OF EACH ACTION

The CRA is not simply a tax administrator. Its involvement in the average person's everyday life is far reaching. This includes areas one may not immediately think of as administered by the CRA (such as benefit administration, debt collection for programs such as student loans and employment insurance). As a result, the impacts of the work carried out by my Office are also far reaching. The more I examine the workings of



the CRA, the more I see how great an impact interactions with the CRA have on peoples' lives.

Recognizing these impacts, I have dedicated my time as Taxpayers' Ombudsman to not only resolving issues as they arise, but to critically assessing the CRA's policies, processes and the information it makes available to the public, and recommending changes to assist the CRA in proactively resolving issues before they arise. I remain as committed as I was on my first day as Taxpayers' Ombudsman, to helping people navigate the CRA and find a resolution to their service related issues.

FAIRNESS, EQUITY AND SERVICE TRANSFORMATION

Achieving fairness and equity often necessitates a shift in established process and procedures, including an openness to considering individual circumstances. A shift in perspective and mind-set is also required, to acknowledge that equal or the same does not mean fair. These shifts can be challenging in a large administrative operation, such as the CRA, but are necessary disruptions to the status quo if people are to be treated fairly. Through this understanding, service transformation can take root.

IN CLOSING

Although this report highlights and celebrates the accomplishments of my Office during the past fiscal year, as well as several key accomplishments throughout my tenure as Taxpayers' Ombudsman, there is still much work to do. As my final year as your Taxpayers' Ombudsman comes to an end,

I challenge the CRA to continue to work to deliver barrier-free service and to uphold equity in its administration of tax and benefit programs.

It has been a great honour to serve as your Taxpayers' Ombudsman. I would like to thank all those who filed complaints with my Office for trusting us with resolving your issues with fairness, objectivity and confidentiality.

A handwritten signature in black ink that reads "Sherra Profit". The signature is fluid and cursive, with a large, stylized 'S' and 'P'.

Sherra Profit
Taxpayers' Ombudsman



MANDATE

Who the Ombudsman reports to

The Ombudsman advises the Minister on any matter relating to the services provided by the Canada Revenue Agency (CRA), and makes recommendations to improve the CRA's service delivery and correct service issues.

The mandate of the Taxpayers' Ombudsman is to assist, advise, and inform the Minister about any matter relating to services provided by the CRA.

The Taxpayers' Ombudsman fulfills this mandate by raising awareness, upholding taxpayer service rights,

and facilitating the resolution of CRA service complaints issues. Through independent and objective reviews of service complaints and systemic issues, the Ombudsman and her Office work to enhance the CRA's accountability and improve its service to, and treatment of, people, and systemic issues.

EDUCATE

Educate people about their rights in dealing with the CRA.

FACILITATE

Help people access CRA redress mechanisms. Facilitate their interactions with the CRA.

EXAMINE

Examine service related complaints with the CRA. Examine systemic issues.

EFFECT CHANGE

Provide feedback and recommendations to the CRA and the Minister about service issues and changes to improve CRA's service.



MISSION

The mission of the Office of the Taxpayers' Ombudsman is to increase awareness of taxpayer rights and our services, influence positive change in the CRA's service, enhance or improve the accountability of the CRA, and ensure people can trust that an independent resolution of complaints about the CRA's service will be fair.

VISION

Our vision is to ensure that in every interaction the CRA provides fair treatment and professional service, to help the CRA improve its services, and to preserve the Office of the Taxpayers' Ombudsman's distinction for fairness, professionalism and effectiveness.

GUIDING PRINCIPLES

The Taxpayers' Ombudsman works to fulfill the mission and vision by adhering to four guiding principles:

Independence

The Ombudsman operates at arm's length from the CRA.

Objectivity

The Ombudsman considers the position and perspective of the complainant and the CRA when examining a complaint or issue.

Fairness

The Ombudsman acts with equity and justice.

Confidentiality

The Ombudsman holds all communications with those seeking assistance in strict confidence and does not disclose confidential communications unless given permission to do so.

TRANSFORMATION THROUGH **DISRUPTION**



My Office and I have direct connections with people served by the Canada Revenue Agency (CRA), through enquiries, complaints, and outreach activities. As an impartial, independent and fair body, having this direct connection means we are in a unique position to objectively examine the CRA's operations and service delivery and create positive disruption to the status quo. We offer alternative perspectives on issues, provide the CRA with feedback, make recommendations, and find innovative ways to reduce barriers and improve the CRA's service.

Building relationships and collaboration are an important part of fostering service transformation. Through an open exchange of information, knowledge and new ideas, we discover innovative ways to address issues and improve the CRA's service.

Given that we operate at arm's length from the CRA, our primary point of

contact in the CRA is the Ombudsman Liaison Office (OLO). As the CRA's designated point of contact for my Office, the OLO is responsible for ensuring we have access to relevant information from all areas of the CRA.

As part of our continued efforts for open communication with the CRA, we launched a webpage on the CRA's internal website. This webpage

raises awareness about the Office of the Taxpayers' Ombudsman, and provides resources and information about the activities of my Office, and our role in resolving complaints about the CRA's service and addressing systemic service issues.

We facilitate and encourage service transformation in the CRA in many different ways.

Informing and making recommendations through meetings and memos

Throughout my time as Taxpayers' Ombudsman, I have held and taken part in many meetings and written many memos to the Minister of National Revenue, and the Commissioner and Assistant Commissioners of the CRA. Through our discussions, I have raised many issues, including:

- Removing silos within the CRA as a means of increasing fairness and removing systemic barriers.
- Increasing access to CRA telephone lines.
- Difficulties vulnerable individuals face when attempting to access benefits and CRA services.
- Issues with the CRA's authentication process.
- Issues relating to audit and compliance.
- Accuracy and clarity of information.

- CRA service issues impacting those living in the north.
- The CRA's methods of communication with taxpayers and their representatives.

Regardless of the issue, the CRA's information silos make the matter worse. The silos within the CRA create barriers to good service and fair treatment. Silos within the CRA affect the exchange of information in three main ways:

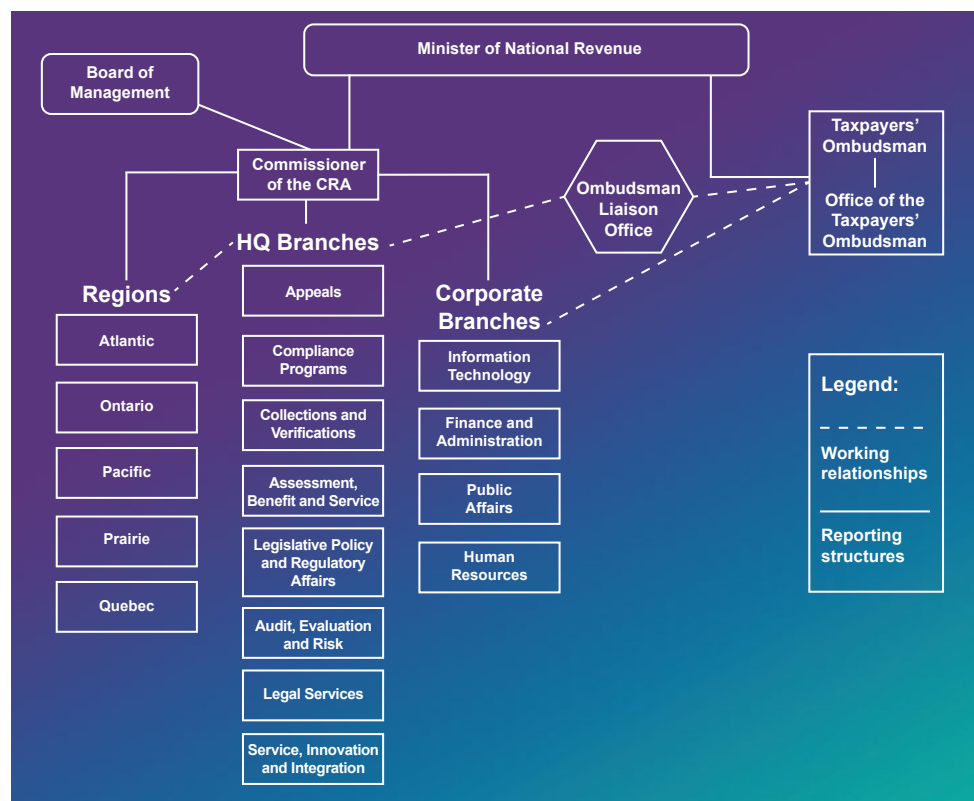
1. Silos create obstacles in my Office's ability to access information and resolve complaints through early intervention methods.
2. Silos create difficulties for CRA employees with a lack of open information flow between the CRA's different programs and branches.

3. Silos mean taxpayers may need to send the same information to more than one area of the CRA, may have to contact different areas of the CRA to address a matter, and get conflicting information from different areas of the CRA.

Complete, accurate, clear and timely information is essential to providing good service, particularly given the complexity of the information and processes involved in our self-assessment tax system. The CRA needs to administer programs and deliver service without barriers, and it must empower its agents to do so by providing access to the information required to provide services effectively and efficiently. I am pleased to see that the CRA has begun recognizing that information silos exist and has made a commitment to address them.¹

¹ See: Government of Canada. Canada Revenue Agency. 2018–19 Departmental Plan, online: <https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/departamental-plan/tblcnt-en/msgcmmsnr-en.html>. Date modified: 2018–04–16.

CRA structure and OTO working relationships



Resolving service complaints

Early intervention

The OTO team provides valuable service at every stage of our complaint resolution process. Much of the work the officers do could be categorized as “early intervention.” Simply put, early intervention covers any action we take to resolve a complaint before it proceeds to the examination stage.

My officers speak daily with complainants to help them determine if their issues fall within our mandate. When complainants have issues we cannot address, the officers help them find the appropriate service or recourse mechanism. This may be an area within the CRA, such as the Taxpayer Relief Program or the Appeals program. It may be other federal, provincial/territorial or municipal service providers, such as Service Canada. Or it may be

other ombuds offices. Even when we cannot provide a direct referral, my officers can help callers consider questions that may assist them in determining their next steps. We listen, and whenever possible, we help.

My intake officers also discuss with complainants the issues presented and clarify any facts or questions, and explain our mandate and the complaint resolution process. We also assess, based on the information provided, whether the complainant's personal or financial circumstances require that their file be actioned on an urgent basis.

Those complaints requiring urgent action are immediately transferred to the CRA by an Urgent Request for Action (URFA). The CRA is then

required to contact the complainant within three business days, and reply to the OTO within 15 days on the actions taken, or being taken, to address the issues.

For complaints that are not urgent and where there are no compelling circumstances,² my officers determine if the CRA-SC has previously reviewed the complaint. If not, we refer the complaint to the CRA-SC. While the CRA-SC is reviewing the complaint, we review its status every 15 days to identify any delays. If the CRA-SC is taking too long to review a file, we can initiate our own examination. We also advise all complainants that if they are not satisfied with the results of the CRA's review, we will open an examination.

² The Order in Council (OIC) states if there are compelling circumstances, the Taxpayers' Ombudsman may review a complaint without the complainant first exhausting the available redress mechanisms. Compelling circumstances may be related to, but are not limited to: financial hardship, other hardship, timeliness of resolution, or the issue(s) is part of a systemic issue. Order in Council, P.C. 2007-0828, amended by P.C. 2011-0033. Retrieved from: canada.ca/content/dam/oto-boc/migration/whwr/rdrmcnc160728-eng.pdf.



656

files referred to
the CRA Service
Complaints Program



327

files referred to
the CRA as URFAs

On the line – calls and complaints

Complaints by numbers

After two years of record high numbers of files opened in 2018–2019 and 2017–2018, the number of complaint files opened this fiscal year has returned to the level opened in the 2016–2017 fiscal year. The number of general enquiries received by my Office has also decreased this year. This reduction in enquiries and complaints could be due to a number of factors, including increased public

awareness and knowledge of current tax and benefit programs, increased use of my Office's website or social media platforms to obtain information prior to calling or making a complaint, and/or changes to the administration or delivery of the CRA's programs and services.

The number of URFAs we sent to the CRA has remained consistent with the previous fiscal year. The number of files we closed has also

remained consistent with the previous fiscal year. In closed files, there was a 10% increase in the number of issues examined where we found the CRA did not respect one or more of the complainant's service rights. Therefore, while the number of files we opened is less than in previous years, a greater number of those files were complaints where the CRA did not respect service rights.



1,415

general enquiry
calls received

70% of calls within mandate



1,506*

Files Opened



1,962

Files Closed



3,098

Issues identified in
the complaints received

* "Files opened" does not include files received between March 14 and 31, 2020. During this time, my Office was providing critical services only, due to the COVID-19 pandemic. All complaints requiring urgent attention were actioned as an URFA. However, files for other complaints were opened and actioned in the following fiscal year.

Top trends of individual complaints in 2019–2020

When we receive a complaint, the complainant may raise a general issue. My officers discuss the details with the complainant to get to the root issues, to ensure we address those. The following are the issues most often raised in complaints, in order from highest number of issues raised by complainants.

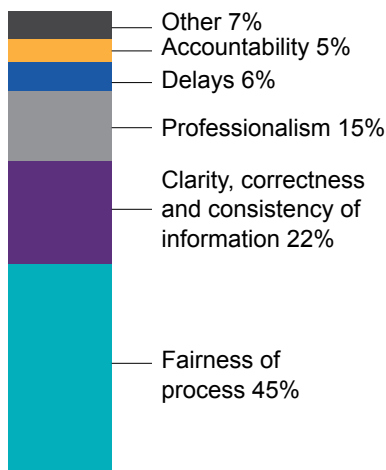
- Lack of fairness in the debt collection process
- Delays in processing personal income tax and benefit (T1) returns
- Lack of clarity of information regarding processing T1 returns
- Delays in processing T1 return adjustment requests

Trends in issues raised in calls to our general enquiries line are in line with the trends in issues raised in complaints filed.

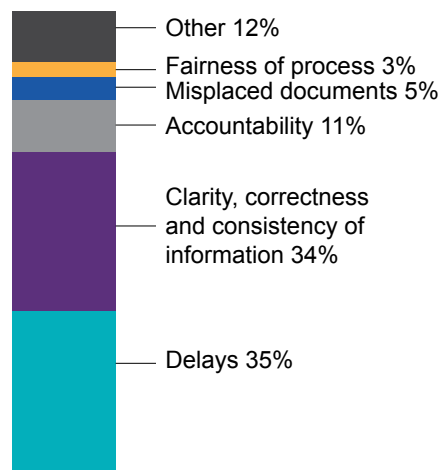
3,098 Issues identified in the complaint files opened

Breakdown of the top trends in complaints by topic and issues.

Debt collection



Processing individual income tax and benefit returns



The right from the Taxpayer Bill of Rights raised most often in the complaints we receive is the right to complete, accurate, clear, and timely information. This speaks to the importance of ensuring both the CRA and my Office provide not only information that can be understood, but information that cannot be misunderstood.

90% of the complaints the OTO receives pertain to three rights

Article 11 – You have the right to expect the CRA to be accountable. **10%**

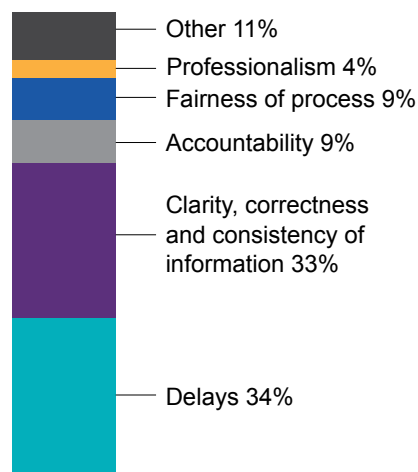
Article 5 – You have the right to be treated professionally, courteously, and fairly. **26%**

Article 6 – You have the right to complete, accurate, clear, and timely information. **54%**

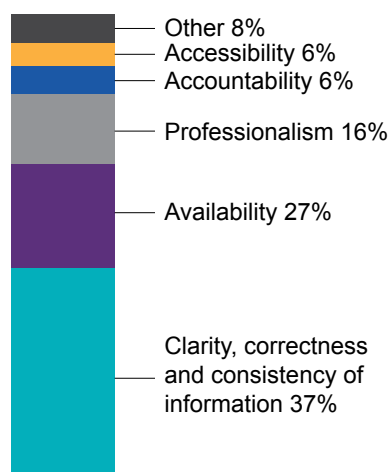
Article 5A – Treated professionally **34%**
Article 5B – Treated courteously **6%**
Article 5C – Treated fairly **60%**

Article 6A – Complete info **21%**
Article 6B – Accurate info **12%**
Article 6C – Clear info **27%**
Article 6D – Timely info **40%**

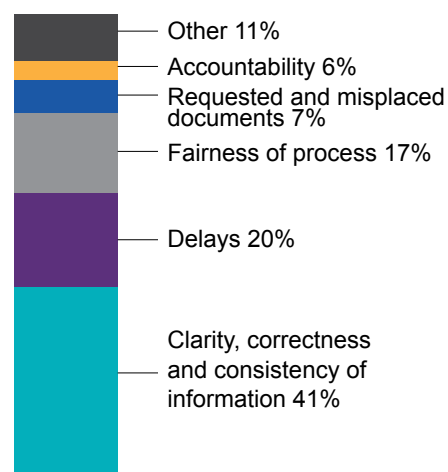
Processing individual income tax and benefit return adjustment requests



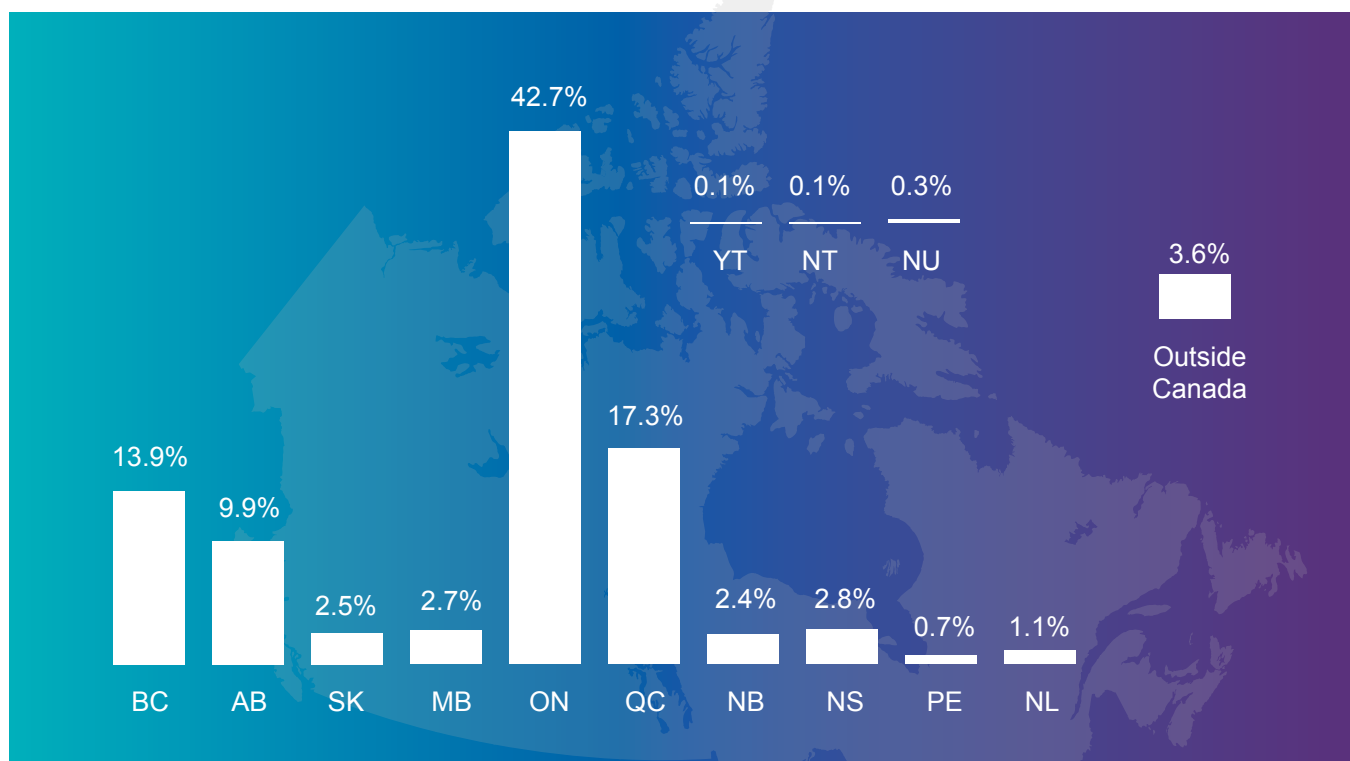
Individual income tax (general enquiry) telephone line



Canada Child Benefit



Breakdown of complaint files per province and territory:



Complaint examination

My examination team conducts an in-depth review of complaints not previously resolved by my intake officers providing information or by the CRA-SC, or through an URFA. With the consent of the complainant, examination officers request and review information in the possession of the CRA, ask questions of the CRA through the Ombudsman Liaison Office, ask questions of the complainant, and review all relevant and available source material on an issue. Examination officers identify the cause of the issue and how best to resolve it. Their findings often include recommendations to the CRA to take action to resolve the issue but we may also find the CRA has acted appropriately.

My examination officers review everything objectively and conduct impartial examinations, but we also help reduce the power imbalance between complainants and the CRA. Our success in resolving individual complaints lies in our ability to analyze information and make assessments objectively, while taking into consideration individual circumstances, and helping the complainant understand and access recourses available to them. I encourage my officers to continually push the boundaries of our mandate

to serve everyone whose issues are related to service and fairness, get the information they need to understand the root of the issue, and use their judgment and expertise to arrive at a fair resolution.

Examination officers use a variety of tools in their interactions with the CRA, including Document Requests, Information Requests, and Requests for Action.

This year, we implemented the Document Request (DR). The DR allows us to request specific documents (such as copies of letters sent by the CRA, notices of assessment, policies, procedures and manuals) from the CRA and receive them within five business days. The DR has given my officers access to fulsome and detailed information earlier in the examination process, allowing them to hone in on the issues in the complaint where additional information and analysis is required, reducing delays to complainants.

The DR is supplementary to our Information Request (IR) tool with which we ask specific questions about the complaint as well as obtain any further documents needed for our examination. Previously, all documents were requested through

IRs. Given the time it takes for the CRA to collect specific documents and information, review and draft a response to our questions, the turnaround time for the IR is 20 business days.

Requests for Action are a tool we use to outline the issue(s) and recommend the CRA take a specific action. These requests are submitted to the CRA following the examination of a complaint. Examples include:

- provide further reasons for a decision
- correct a misunderstanding, omission, or oversight
- review a decision based on information not previously considered
- issue an apology
- change a policy or procedure
- change a system or application
- review its service standards
- arrange a meeting with a complainant
- provide a dedicated contact person
- consider further staff training

My officers have been working hard to resolve complaints and address our backlog of examination files.



584

individual complaint
examinations completed
in 2019–2020.

69%

We found that the CRA did not respect one or more of the complainants' service rights in 69% of the issues examined in these complaints.

↑ 196%

increase in examinations
completed from the previous
fiscal year.



SAMPLE CASES

Not negligent

A complainant who had their income tax returns audited for two years by the CRA believed the auditor unfairly assessed a gross negligence penalty and interest. Convinced the auditor had duplicated their invoices and neglected to verify amounts with the accompanying bank statements, they filed a complaint with the CRA's Service Complaints program (CRA-SC).

The CRA-SC found the issues raised by the complainant were not warranted as the audit had been done correctly, and he had exhausted his options for appeal and taxpayer relief. Partial interest relief had been granted through the complainant's request

made to the CRA's Taxpayer Relief program, due to the CRA's delay in completing the audit. However, the CRA-SC said the penalty would remain and they would not agree to an extension of the time within which to file an objection.

Unsatisfied with this, he filed a complaint with my Office. We requested and reviewed the CRA's working papers related to the file to determine whether the gross negligence penalty was supported and whether the complainant had any other recourse available. Through our probing of the issue, the CRA detected issues not found in the CRA-SC review. The CRA stated

the complainant's taxpayer relief request should have been considered a Notice of Objection to the gross negligence penalty, which would have resulted in a different treatment of the file.

The CRA opened an objection file as a result of my Office's involvement. The CRA determined that due to errors made by the auditor, in the amount of unreported income originally assessed, the gross negligence penalty should have been removed from the assessment. The complainant was fully reimbursed for the gross negligence penalty and interest accrued on the penalty.



CCB denied and reinstated

The CRA stopped the benefits of a complainant who relies on the Canada child benefit (CCB) payments for day-to-day living, and required her to repay \$16,000 in benefits received. She contacted us for urgent assistance, and we bypassed the CRA's Service Complaints program as she was experiencing financial hardship.

The complainant had changed her marital status to "separated" on her 2018 income tax return. Her ex-spouse also claimed "separated" and applied to the CRA to receive the full CCB for the children. This triggered the CRA to review of the complainant's benefits and they asked her to provide supporting documents

proving she was primarily responsible for the children. Although she sent the requested documents, the CRA stopped her benefits in August 2018 and notified her by letter that she was not eligible to receive the CCB.

The complainant called the CRA to find out what happened. The CRA said it did not accept some of the documents as parts of them were not legible. Instead of requesting she resend them, the CRA stopped her benefits. The complainant resent the documents and called several times to get updates, without success.

When we received her complaint we requested the CRA urgently reconsider the file. As a result, the CRA conducted a thorough review of

the complainant's marital status and eligibility for the CCB. At this time it became known that her living situation was not safe and she was forced into an emergency shelter while trying to find permanent housing. Losing the CCB further complicated finding a suitable home for her children.

During this time, the CRA processed a manual CCB payment due to the complainant's dire need. After she submitted an application for the CCB, at the CRA's request, the CRA confirmed her CCB eligibility and fully reinstated her payments. The CRA even ensured she received her December payment early to help with the expenses associated with the holidays.

Confusion and conflict in collections

A complainant had an outstanding debt with the CRA, for which they established a payment arrangement. Each month, they would file a financial report showing the business' net income and make a payment of 50% of that net income towards their debt. Because the business was seasonal, there were months when there was no net income and the complainant therefore did not make a payment to the CRA.

The complainant's representative contacted my Office when the CRA cancelled the payment arrangement and froze the business' bank account, causing financial hardship for the business. The representative wanted the payment arrangement reinstated

and felt the collections officer and team leader assigned their file were not treating them in a professional manner. The CRA justified its actions stating the payment arrangement was temporary and broken by the complainant when no payments were made.

My Office sent Information Requests to the CRA to try to understand what had been agreed to and what the CRA had communicated to the complainant about the arrangement. We received numerous, conflicting responses to our questions that demonstrated the file had not been well managed and was insufficiently documented. The conflict between the collections officer and the complainant was impeding the repayment process

with significant consequences for the complainant.

My Office sent a Request for Action and recommended the CRA transfer the file to a new Tax Services Office, under the direction of a new team leader and collections officer, who should work with the complainant and representative to re-establish a clear and acceptable payment arrangement for both the complainant and the CRA. The CRA agreed. We also recommended the CRA provide training to those involved in the matter, on the importance of providing taxpayers with clear, accurate, complete, and consistent information, and to log clear, accurate, and complete notes.

Systemic transformation

Requests for Service Improvement

Systemic issues have the potential to impact a large number, or a specific group, of filers. Introduced by my Office in the summer of 2017, the Request for Service Improvement (RFSI) tool allows us to recommend changes to systemic issues that do not require a full systemic examination. This increases the number of systemic issues we can address, increases collaboration, and allows us to address systemic issues more quickly. RFSIs help to bridge the gap between individual and systemic examinations.

This year, we sent five RFSIs to the CRA to address systemic issues identified both through individual examinations and through information obtained on outreach.

Factual assessment

This RFSI examined the CRA's terminology for an assessment under subsection 152(7) of the *Income Tax Act*, or what it used to call an "arbitrary assessment." The CRA now uses "factual assessment" and although the term has changed, the CRA has not changed all wording on its external and internal webpages. A taxpayer reading the term "arbitrary assessment" on one of these pages could be confused as there is no explanation of "arbitrary assessment" anywhere on the CRA's website.

In accordance with Article 6 of the Taxpayer Bill of Rights, I made recommendations for the CRA to:

- Remove all references to "arbitrary assessment" from its external and internal webpages, except in cases where necessary to explain historical information or to instruct employees not to use the term.
- Provide clear and easy to understand general information to taxpayers as to the meaning of any terminology used to refer to an assessment under subsection 152(7) of the *Income Tax Act*.

The CRA accepted the recommendations and has begun changing its terminology and information.

Letters of apology

We identified the need for a CRA-wide policy on issuing apology letters to taxpayers who have not received the level of service from the CRA to which they are entitled.

The CRA's writing guidelines for the Service Complaints program explain when to use the term "apology," versus the word "regret," based on the following criteria: if the CRA was at fault, use the word "apologize," if the CRA was not at fault, use the word "regret." However, this criteria is used only by the one CRA program.

Given the large number of programs administered by the CRA, the lack

of a uniform guideline pertaining to when to provide an apology allows for different treatment of taxpayers, dependent on the program area with which one is dealing.

In individual complaints, we have requested the CRA issue letters of apology to complainants based on our findings. In the CRA's responses, it stated it does not have a formal policy on issuing letters of apology, and it looks at each case on a case-by-case basis.

In accordance with Articles 5 and 11 of the Taxpayer Bill of Rights, I requested the CRA:

Establish a formal national policy, consistent with the information found in the CRA's writing guidelines for the Service Complaints program regarding issuing letters of apology, to improve accountability and to treat everyone fairly.

In response, the CRA acknowledged that a national policy "would help support a consistent and equitable approach to apologies" and is exploring the feasibility and will provide an update on the progress in spring 2020.

Availability of CRA Contact information at its offices

Since the CRA no longer offers walk-in counter service, people who attempt to access the CRA in person at Tax Services Offices (TSOs) and Tax Centres (TCs) receive little or no information or direction at the commissioner desks, reception areas or entrances of TSOs and TCs, on who to contact to address their issue or needs. Nor can one deliver documents and have them date stamped.

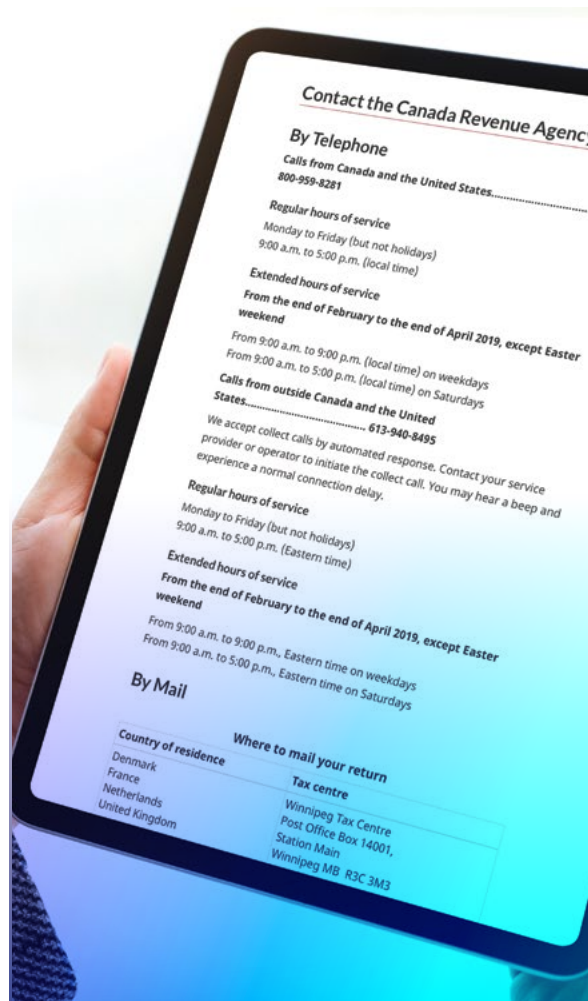
Despite having a message on their website, the CRA has little or no information for people who do not digitally access information or who are not aware it is no longer possible to speak to someone or deliver documents at their local CRA office. To address this gap in service and in accordance with Articles 5, 6 and 10 of the Taxpayer Bill of Rights, I recommended the CRA:

- Create a poster for commissioner desks and entrances to TCs and TSOs with no commissioners, explaining the CRA does not offer

walk-in service, and providing a list of general phone numbers to contact for assistance.

- Provide commissioners working in CRA TCs and TSOs with phone contacts, specifically, phone numbers for on-site CRA employees who can assist in directing taxpayers on how to contact the CRA program they seek.

The CRA recently responded that it agrees in principle it should work with its available resources in the field to provide information on how to contact the CRA. The CRA indicated this can be problematic when there are multiple tenants in one building but it is looking into what it can do. As for providing information to commissioners, the CRA stated this falls outside the scope of the CRA's contracts with commissioners. We are assessing the CRA's response to determine if further discussion is required.



Telephone wait times

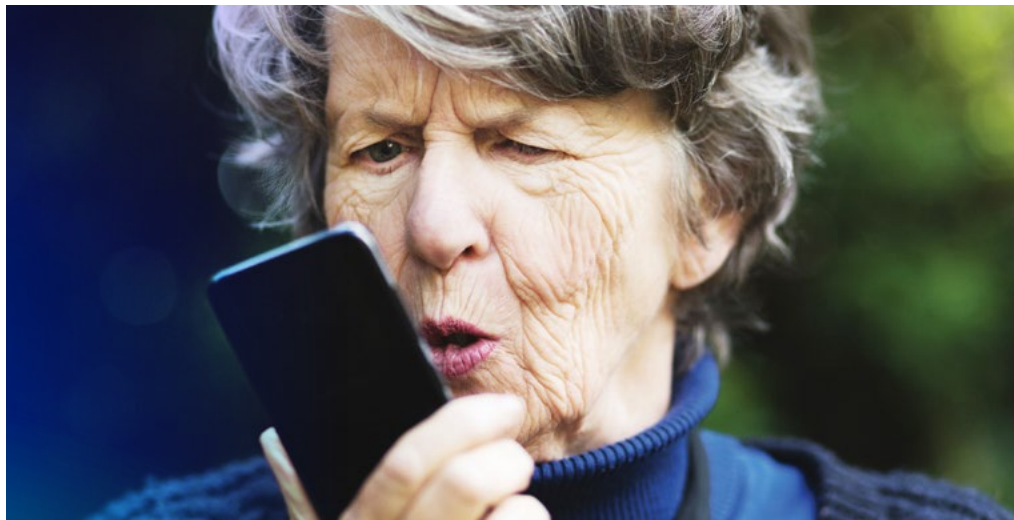
Difficulties with the Individual tax enquiries or “general enquiries” telephone line continues to be raised as an issue, in both the complaints we receive and the issues communicated during outreach.

In examining challenges experienced by users of the general enquiries line, we found the path to the *Telephone Numbers – Canada Revenue Agency* webpage is not sufficiently clear. On the CRA website, when selecting “Contact us,” the user must continue selecting numerous tabs and scroll down to finally reach the *Telephone Numbers – Canada Revenue Agency* webpage.

Furthermore, although the addition of estimated wait time information is a good step towards transparency, this information is buried too deeply in the CRA’s website. The wait times listed are simply for answering the initial call, for example by first tier agents of the Individual tax enquiries, Benefits enquiries, and Business enquiries lines. The information available to the public would be significantly improved if wait times for callers transferred to second and third tiers were also available.

In light of the above and in accordance with Articles 5, 6, 10 and 11 of the Taxpayer Bill of Rights, I recommended the CRA:

- Make the wait times, or a hyperlink to the wait times, available on the homepage of its website in a location that would be evident to users of the website.
- Consider providing estimated wait time information, through IVR messaging, on the telephone line itself, when callers are waiting on the line.
- Add the wait time information for second and third tier calls to the website.
- Add the wait times for second and third tier calls to IVR messaging, on the telephone line itself.
- Increase the public’s awareness that information on wait times is available, and where to locate it.



Claiming the Ontario Trillium Benefit

This RFSI focused on service issues that arise when the CRA does not tailor the communication it sends to individuals based on their circumstances. The Ontario Trillium Benefit (OTB) validation letters ask recipients to provide documents such as rent receipts or property tax statements; however, for individuals living on a reserve, the amounts eligible for the OTB do not relate to rent receipts or property taxes, but to home energy costs.

In one claimant’s case, the CRA requested rent receipts and then denied an adjustment request. As a resident of a First Nation reserve in

Ontario, the claimant was eligible for the energy costs portion of the OTB.

We found that the information in the CRA’s publications is unclear. In accordance with Articles 5, 6 and 10 of the Taxpayer Bill of Rights, I therefore recommended the CRA:

- Modify the letters requesting supporting documents sent to OTB applicants who live on a reserve to request the specific supporting documents that will support the applicant’s claim in their situation.
- Provide clear information and instructions in the *Information for Residents of Ontario* publication

about acceptable documents supporting the energy costs, how eligibility is determined for different portions of the OTB for persons who live on a reserve or off-reserve in accommodations where energy costs are included in their rent, and which lines in the application form should, and should not, be completed by persons who live on a reserve.

The CRA is in the process of reviewing the existing publications with input from both internal and external sources.



Systemic examinations

Systemic examinations are a means for my Office and I to delve deep into recurring issues that impact a large number of persons or a segment of the population to determine the barriers and how to best address them and rectify the issues. Systemic examinations can be initiated at the request of the Minister of National Revenue (Minister) or on my own initiative as Taxpayers' Ombudsman.

We identify systemic issues requiring examination in a number of ways, such as from the volume of, or trends in, complaints we receive. We also monitor external sources and learn of systemic issues through outreach. For example:

- Media
- Stakeholder meetings in various sectors, including government (the Minister, Members of Parliament)
- Publications, conference presentations, and feedback received directly from:
 - professionals (tax preparers, tax lawyers, accountants)
 - community support groups/ organizations (such as Community Volunteer Income Tax Program groups, financial empowerment organizations, organizations supporting women and children, newcomers, seniors, and disability groups)
 - Indigenous organizations and Friendship centres

When issues are raised about CRA programs or initiatives, we conduct preliminary research to get a better idea of the nature of the issue and whom it impacts. Once the

information is gathered, we assess which issues warrant a full systemic investigation and which can be addressed through other means (e.g. memos to the responsible Assistant Commissioner of the CRA, advice to the Minister, RFSIs, etc.), and those which are not problems with the CRA's service.

When examining issues, my Office balances enquiry and advocacy for fairness. We ensure we are neutral and objective in our review of the issues, while taking into consideration the particular circumstances of those affected. The key to our examinations is asking the right questions, being impartial, working collaboratively, and working transparently.

At the completion of a systemic examination, I provide a report to the Minister and the Chair of the CRA Board of Management, with recommendations to address the issues examined and improve the CRA's service. Through the reports

completed during my tenure, I have addressed issues related to:

- The CRA's commitment to upholding the Taxpayer Bill of Rights
- The Community Volunteer Income Tax Program
- Delays in the CRA's processing of individual income tax returns and adjustment requests
- Debt collections and what constitutes a legal warning
- The CRA's communications efforts to shelters and other support organizations regarding the benefits and credits it administers
- Delays in the Taxpayer Relief Program
- Insufficiency of information in CPP/EI Rulings letters

The impacts these recommendations have made to CRA's service over the past five years is significant.

“The delays and lack of clear and accurate information from the CRA about expected processing timeframes is frustrating to filers and can lead to personal and financial hardship. Filers want to understand when they can expect the CRA to process their return or adjustment request and, if it is delayed past that time, why it is delayed, and when they can expect it to be completed.”

– Sherra Profit, Taxpayers’ Ombudsman

Published systemic examination report

Sub-Standard

Sub-Standard was released on February 21, 2020, and examined delays and lack of transparency in the CRA’s processing of individual income tax returns (returns) and adjustment requests. I launched the examination in February 2019 as a result of complaints we received.

We examined the CRA’s processes, its published service standards, how it reports against those standards, and service issues that arise from delays in processing returns and adjustment requests.

We found that despite the CRA reporting it mostly meets or exceeds its published service standards for processing returns and adjustment requests, this does not necessarily align with peoples’ experience. Lack of clarity in the CRA’s published information leaves many filers unaware the CRA may exclude their returns and adjustment requests from, or process them outside, its published service standard timeframes. When filers contact the CRA, they are not provided clear and precise information on how long it will take to process their returns and adjustment requests.

Many people rely on the CRA’s published service standards and expect them to be an accurate representation of processing timeframes. This can often result in confusion, frustration, and at times, personal and financial hardship for filers when they rely upon the CRA’s information and it is not clear or accurate. Filers seeking information on the status of their return or adjustment request must call the CRA’s general enquiries line, adding stress to an already overburdened system. Further, call centre agents can provide callers with little information on the processing status or timeline of their return or adjustment request.

I made 15 recommendations addressing the need for the CRA to:

- Address delays.
- Eliminate inconsistencies and inaccuracies in the CRA’s reporting against its service standards.
- Increase fairness for those whose returns are excluded from the service standards, especially regarding when they can expect their return or adjustment request to be processed.
- Increase the clarity, transparency, and consistency of the CRA’s information when there are delays.

- Be more transparent in the types of returns and adjustment requests included and excluded from the calculation of its service standards.

Although the CRA’s action plan shows it accepts some recommendations, it does not accept others; and many of the CRA’s responses lack clarity and do not fully address the recommendations. Often, the CRA reiterates actions it is already taking and deems to be sufficient, serving only to maintain the status quo.

Upcoming systemic examination reports

Before the end of my tenure, I will publish two additional reports that address the CRA’s Community Volunteer Income Tax Program, and how the CRA upholds the Taxpayer Bill of Rights.

Reaching Out

We looked at changes that should be made to the Community Volunteer Income Tax Program (CVITP), including the way the program is structured, to better suit those it serves and those who run the program. The report focuses on the difficulties people have accessing the CVITP, and the availability and sufficiency of resources and support for the CVITP, especially partner organizations and volunteers.



The CRA introduced the Taxpayer Bill of Rights in 2007 with strong commitments from the CRA to uphold taxpayers' rights. Thirteen years after the CRA's initial commitment to take taxpayer rights seriously and ensure fair treatment of taxpayers, we sought to identify the extent to which the CRA has fulfilled this commitment.

I made 15 recommendations in this report. They address the need for the CRA to:

- Revise the CVITP model to better serve its target population.
- Broaden the scope and the types of services the CVITP can offer, and provide support for this scope and services.
- Channel new CVITP funds to provide volunteers and partner organizations with resources they require.

The CRA's action plan for this report confirms they have accepted 14 of the recommendations and have begun working to address some of the issues presented.

Back to Basics: Taxpayers Have Rights

We examined the degree to which the CRA uses the Taxpayer Bill of Rights as a foundation and framework upon which it makes decisions, sets policy, and guide its daily activities and interactions with taxpayers. We also examined how the CRA ensures its accountability in upholding taxpayer rights and reports publicly on this. The CRA introduced the Taxpayer Bill of Rights 2007 with strong commitments from the CRA to uphold taxpayers' rights. Thirteen years after the CRA's initial commitment to take taxpayer rights seriously and ensure fair treatment of taxpayers, we sought to identify the extent to which the CRA has fulfilled this commitment.

I made 14 recommendations in this report for the CRA to:

- Update existing policy frameworks and key corporate documents to ensure the Taxpayer Bill of Rights is at the foundation.
- Update internal and external information and products, including the placement of information on the CRA's website, to ensure the Taxpayer Bill of Rights and information on the rights is easy to find, relevant, and sufficiently detailed.
- Ensure staff are trained and held accountable for their role in upholding taxpayer rights.
- Report publically on how the CRA upholds taxpayer rights.



Open and ongoing examinations

I also have ongoing systemic examinations at the research and report drafting phases.

Canada child benefit

In December 2019, I opened an examination into the CRA's administration of the Canada child benefit (CCB), as a result of complaints to my Office and information received through outreach, indicating the CRA's documentation requirements for proving eligibility are often unclear and, especially in the cases of vulnerable individuals, difficult to fulfill.

The examination will look at issues around the CRA's requirements for proof of entitlement; how to reduce the compliance burden on benefit recipients and applicants, particularly those in vulnerable situations; the impact of denying a CCB application

or terminating benefits, which can also involve the requirement to repay previous amounts received; and information the CRA makes available.

Denial of benefits can happen even if applicants are entitled to the CCB, but they are unable to provide the documents requested by the CRA, or the CRA has deemed the documentation provided insufficient. It can also lead to further marginalization of those already vulnerable persons for whom the CCB is intended to benefit. Denial and recovery of benefits already paid can result in sometimes catastrophic circumstances, as the CCB is a major source of income for many who are in vulnerable situations.

Information on exempt income

In our self-assessment tax system, the CRA must provide sufficient information so people can clearly understand their obligations and how to file their income tax and benefit

returns. My Office is examining information the CRA makes available on exempt income, under section 87 the *Indian Act*³ and subsection 81(1)(a) of the *Income Tax Act*,⁴ after information from stakeholders and research revealed a lack of clarity and sufficiency of information to allow filers with exempt income to confidently and accurately self-assess.

The application of this exemption in practice has been the source of much debate. Differences in interpretation have resulted in a body of jurisprudence – court decisions, which the CRA uses to administer the exemption. To communicate its policies, the CRA publishes reference materials. People rely upon this information and await court decisions affecting the application of these provisions. The CRA must provide clear information that is easy to understand, and must quickly update this information when there are changes in the jurisprudence.

³ *Indian Act*, R.S.C., 1985, c. I-5, s 87.

⁴ *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.), ss 81(1)(a).

Ensuring transformation – following up on recommendations

Identifying issues, conducting examinations, and making recommendations are only part of the equation in effecting change. To ensure our recommendations are effective, we must ensure the CRA takes action on the recommendations. It is this action that leads to positive change for taxpayers.

In an effort to increase the CRA's transparency and accountability, my Office and I requested updates from the CRA on its actions to address recommendations in our systemic examination reports. In 2017, the Commissioner of the CRA agreed to provide information on steps taken to implement our recommendations. Since then we have been conducting reviews to determine whether the CRA's actions and responses adequately address the issues and recommendations in our systemic examination reports. To date, we have published updates on six reports on our [Influencing change webpage](#).

Rights and Rulings: Understanding the Decision (2017)

In this report we examined the sufficiency of information in ruling letters from the CPP/EI Rulings Division of the CRA. I made recommendations about the need for additional information and instructions on how to request more details about the reasons for a decision.

Since then, the CRA has:

- Updated the CPP/EI ruling letters to include a section informing recipients on how to request a copy of the rulings report.

- Updated the *Have you received a CPP/EI Ruling?* webpage to include information on what to do after a decision has been made.

Our follow-up review found the CRA has taken appropriate steps to address the overall lack of information in the CRA's CPP/EI rulings letters. Since the changes were made, my Office has not received complaints about CPP/EI ruling letters.

Alive and Well (2014)

This report examined the issue of the CRA erroneously declaring people as deceased. Recommendations were made for the CRA to review its systems and processes, increase collaboration with other government departments to ensure information entered in its systems is accurate and verified, and address the length of time to correct errors when they occur.

Since then, the CRA has:

- Updated its system rules, manuals and procedures.
- Moved from two systems to one, in which date of death is entered.
- Committed to sending regular reminders to employees who update date of death.
- Provided additional training and peer support to ensure the correct person is coded as deceased.
- Collaborated with stakeholders to ensure the number of errors is reduced and the process to correct errors is more efficient.
- Done regular tracking and monitoring to look for trends.

The CRA informed my Office it has seen a 50% decrease in error rates since our report was published. Our follow-up review found the CRA has taken appropriate steps to address this issue and the recommendations in the report.

Donor Beware (2013)

This report examined the sufficiency of the CRA's warnings about questionable tax shelter schemes.

Recommendations were made for the CRA to:

- Continue to develop innovative ways to target and warn people about these schemes.
- Prevent promoters of questionable schemes from using CRA information to promote their products.

Since then, the CRA has:

- Sent Tax Alerts and/or News Releases to identified participants to warn of the consequences of becoming involved in tax shelter donation schemes.
- Updated its Tax Alerts and website with helpful tips, general warnings, and reminders.
- Committed to issuing News Releases if registered charities have their status revoked because of their involvement in gifting trust tax shelter schemes.
- Proactively provided cautionary information to newly registered organizations to discourage their future participation in tax shelter schemes.
- Conducted research on the demographics of participants in more recent schemes, to better target messaging to vulnerable groups.

Our follow-up review found the CRA has taken appropriate steps to address this issue and the recommendations in the report.



“I’m very proud of Canadian institution [*sic*] such as yours, OTO”

– a taxpayer

Earning Credits (2012)

This report examined service and fairness issues in the assessment of tuition tax credits for expenses incurred attending educational institutions outside Canada.

Recommendations were made about the need for the CRA to provide complete, clear, accessible, accurate, and timely information regarding the criteria for determining eligibility for the tuition tax credit and ensuring eligibility is determined based on the provisions on the *Income Tax Act* (ITA).

Since then, the CRA has:

- Updated its manuals and website to provide the most up-to-date information about the tuition tax credits.
- Published a list of recognized educational institutions outside Canada.
- Added instructions for students to contact the CRA should they need additional information.

Our follow-up review found the CRA has taken the appropriate steps to address the issues raised and implemented steps to ensure determinations related to the tuition

tax credit are based on the provisions in the ITA and not solely on its internal policies and procedures.

Proving your status (2010)

This report examined issues in establishing eligibility for the Canada Child Tax Benefit (CCTB). Our examination found people were having difficulty getting clear, accurate, and timely information from the CRA about the documentation required to confirm their eligibility for the CCTB. Five recommendations were made for the CRA to provide clear examples of the types of documents one can submit as proof of eligibility, provide information about temporary eligibility and shared eligibility, and provide easy access to all relevant information.

Throughout my tenure as Taxpayers’ Ombudsman, I have been providing the CRA with feedback, input, and recommendations on improving the administration of what is now known as the Canada child benefit (CCB). Proving entitlement for the CCB remains an issue. We feel the CRA has yet to adequately address the issues raised in the initial report and have opened a systemic examination into the CRA’s administration of the CCB.

The Right to Know (2010)

This report examined the sufficiency of information in Decision Letters from the Appeals Branch of the CRA. One recommendation was made on the need for the CRA to provide taxpayers with written reasons for its decision.

Since the report, the CRA has put policies in procedures in place requiring:

- Appeals officers to provide taxpayers with detailed decision letters.
- A written explanation of all the factors used to make a determination for each point raised in the appeal/objection, in decision letters that disallow or partially disallow an appeal or objection.

Our follow-up review found the CRA has implemented the recommendations and addressed the issues identified in the report.

A young woman with curly hair is looking down at her smartphone. The background is blurred with blue and green lights. Overlaid on the right side of the image are three white line-art icons: a large '@' symbol, a thumbs-up icon, and a Twitter bird icon.

MAKING WAVES FROM COAST TO COAST TO COAST AND BEYOND

In February 2020, we officially launched our new Facebook page as an additional channel to complement our Twitter account. We use social media to expand our reach, interact and keep people informed using their preferred communication tools.

Outreach is a very important part of my role. It serves a dual purpose of:

1. Informing people of my mandate, the services provided by my Office, their rights under the Taxpayer Bill of Rights and how my Office and the CRA are working on the issues they face.
2. Receiving information on issues with the CRA's service and how taxpayers experience the CRA's initiatives.

The Ombudsman's outreach activities in 2019–2020.

2019–2020 Outreach



International Outreach 2019–2020

- Honolulu, Hawai'i
- Minneapolis, Minnesota
- New Orleans, Louisiana

Previous

- Washington, D.C.
- Arlington, Virginia
- Portland, Oregon
- San Antonio, Texas
- Vienna, Austria
- Amsterdam, Netherlands

Meeting with diverse groups is very important to me. Being able to meet face-to-face with individuals, groups and organizations demystifies my role as Taxpayers' Ombudsman and gives life to the impacts of the issues I hear about. Outreach makes people more likely to refer others to my Office because they feel they are heard and see there is someone dedicated to working to address the CRA service issues impacting their lives. It also allows me to share changes at the CRA that address issues raised.

The personal contact in outreach helps humanize issues and allows for a rich sharing of information, better recommendations, a better understanding of issues and people's experiences, and what transformation is needed in the CRA's services.

There are times when I have met with groups of different community organizations and through our discussions, they discover new ways in which they can support each other in better supporting their clients. It is at times like these and when problem solving happens organically, that I truly appreciate the opportunity I have had, in conducting outreach, and I realize how much I will miss meeting with people in this way.


Through outreach, we hear about issues and situations that are not always brought forward through complaints to my Office. There are many reasons for this, including being part of a vulnerable population and having limited ability to formally file a complaint (whether due to access to technology, time, language barriers, fear of reprisal, or lack of knowledge of their rights).

Outreach can bring to light gaps in access and availability of information and supports required to fulfill our tax obligations and access benefits and credits. This was evident in my outreach to northern and rural communities.

Connecting through outreach

Transforming our social reach

In February 2020, we officially launched our new Facebook page as an additional channel to complement our Twitter account. We use social media to expand our reach, interact and keep people informed using their preferred communication tools.

| @ OTO_Canada | | #TaxRightsCAN | | |  |
|--|-----------|---------------|----------|-------|---|
| Impressions (unique visitors) | Followers | Tweets | Retweets | Likes | |
| 359,700 | 1251 | 396 | 168 | 129 | |
| increase over the previous fiscal year | | | | | |
| +130% | +7% | +132% | +29% | +15% | |

As with outreach, through social media, we are able to get a look at issues not always captured through conventional methods such as complaints filed.



Taxpayers' Ombudsman Sherra Profit, delivering a workshop to Concordia Students as a part of the Workshops on Social Science Research (WSSR).

In outreach to northern communities, we were informed Facebook was a primary tool used by residents to communicate, not only with other northerners, but also with those outside their geographic area, allowing for information exchange and cultural resilience.

Our social media accounts also allow us to raise awareness about my Office and share content with a larger population to let them know that we are here to help.

Visiting CRA field offices

While doing outreach it has been important for me to meet with employees of the CRA, particularly non-management employees in the CRA's regional offices. Employees of Tax Service Offices, Tax Centres, and National Verification and Collections Centres are the CRA's frontline workers who interact directly with the public. Most are passionate about providing good service. I demystify the role of my Office and our interaction with the CRA, and hear about difficulties they may experience in providing the level of service they would like to provide. The information I receive through these meetings

is often different from that which I receive from CRA headquarters offices in Ottawa. The front line worker has a different perspective on information silos that, for example, prevent them answering a caller's question, than does headquarters or upper management, who are involved in creating the policies and organizational structures leading to information silos. The information I learn from CRA employees at the front lines helps me better understand the service issues we hear of and therefore make better recommendations for change.

Opportunities to teach students

It is very important for young people, as current and future taxpayers as well as future players in Canada's taxation sector, to understand both their rights and their obligations, and where to go for help when needed. I presented a workshop for students at Concordia University's Workshops on Social Science Research, engaged high school students from communities around Cambridge Bay, and spoke with future lawyers at the University of Toronto Law School.

For example, the Concordia students and I discussed the role of my Office, the key elements to effecting change, the conflict resolution process, identifying systemic issues, writing persuasively, the power of recommendations, and measuring success.

I also presented to the clerks of the Tax Court of Canada. We engaged in an interesting discussion of my mandate, and how some tax matters brought to the courts could be avoided if the service issues were addressed at a lower level such as my Office. The OTO can be a resource for tax and legal professionals and assist with addressing service issues, which may better address taxpayers' needs and help alleviate the high caseloads at the same time.

Community organizations

During my outreach to numerous locations in Nova Scotia, New Brunswick, Prince Edward Island, and Vancouver Island, as well as Calgary, Montreal and Toronto, I met with community organizations assisting a diverse array of people such as seniors, the homeless and housing insecure, minorities, persons with low incomes, survivors of violence, and people living with disabilities.



Taxpayers' Ombudsman Sherra Profit meeting with Natalie Spence of the Native Women's Resource Centre of Toronto.

When meeting with community organizations my focus is on helping them understand how my Office can assist them and those they serve, and hearing about the most significant issues they encounter with the CRA. Despite many benefits being intended to support these segments of our population, the ways in which the CRA administers the benefits do not always account for the realities of the intended recipients.

Serving members of vulnerable populations requires the CRA to consider individual circumstances. A one size fits all approach does not allow all people to gain full access to the system or its redress mechanisms, nor does it provide all the information that may be required for individuals to meet their tax obligations and claim the credits and benefits to which they are entitled.

When issues arise for vulnerable persons, the personal and financial impacts of service and fairness related issues are amplified.

Connecting with professionals

I often present to and meet with legal, accounting, and other professionals in tax-related fields. Through these meetings, I hear about the ways in which issues such as the CRA's delays, inconsistent and unclear information, and lack of access to information, impact their professional practices and hinders their ability to provide quality service to their clients. If the CRA's administration of its programs creates challenges for tax professionals, whose very role is often to navigate those programs and assist their clients in complying with their tax obligations, the average person is going to experience the same

issues, perhaps even to a greater extent. Through these eye-opening interactions, we can identify other issues impacting taxpayers, bring them to CRA's attention, and work to identify potential solutions to the issues raised.

4th Annual International Conference on Taxpayer Rights

During the 4th Annual International Conference on Taxpayer Rights, I spoke to the risks and benefits to vulnerable populations in Canada brought about by the digital shift, by both the Government of Canada generally, and the CRA specifically. Canada is a large and diverse country. While much of the population lives in urban areas, there is a large amount of more sparsely populated rural and remote areas. Although

the ever increasing push towards digitalization will lead to increased ease and convenience for many, the CRA must not forget to account for those who do not have reliable internet access (due to factors such as geographic location or socio-economics), those who are not technologically savvy, and those who have language barriers, to name a few.

The CRA's increased digitalization of service aims to provide everyone with equal access to their CRA accounts on demand. This has the potential to negatively impact segments of the population but also the potential to assist some persons in vulnerable situations, such as housing insecure, where one does not have access to paper copies of tax records.

By attending international conferences, I have had the opportunity to reflect on my role as Canada's Taxpayers' Ombudsman, compare and measure my powers and tools as set out by the *Order in Council P.C. 2007-0828*, and discuss issues my Office and I face in our efforts to improve the CRA's service delivery. It is an important opportunity to examine the different approaches

to resolving issues and learn from fellow ombuds and professionals in the field. Such conferences underscore the foundational nature of taxpayer rights and the value ombuds play in resolving issues and upholding fairness.

The need for disruptive innovation

In 2019, I attended the Kitikmeot trade show in Cambridge Bay. Many of the discussions focused on the view that the CRA fails to grasp the complexities of life in Nunavut.

Nunavut is a massive, sparsely populated territory of northern Canada. It spans islands, tundra, stony mountains, and remote villages, all with limited access. The territory is segmented into three regions: Qikiqtaaluk (capital – Iqaluit), Kivalliq (capital – Rankin Inlet), and Kitikmeot (capital – Cambridge Bay). The capital, Iqaluit, is situated close to 1,700 km away from Cambridge Bay but one must travel approximately 3,500 km by air.

During the outreach visit, Nunavummiut expressed the need for Northern Service Counters in each of their three regions given the distances between them. For Cambridge Bay, the closest service counter is now situated in Yellowknife, Northwest Territories, which is not easily accessible.

Some main differences in those living in these distinct northern regions are their unique languages and connectivity. Language is very important to each group's identity and many Cambridge Bay residents spoke of the language differences being similar to the disparity between Quebec and Ontario. Each region has varying needs as their geographic, cultural and language differences have proven challenges in receiving fair service.

There is a need for improvements to address the disparity, such as:

- Consultations in each region to understand needs
- Accessible government community services in each region
- Engagement in culture and language training by CRA staff



Addressing the disparity

Individuals who live in rural and northern communities, particularly Indigenous persons, continue to express their frustrations with the CRA's credits, benefits and deductions review processes, believing the CRA selects them for review too frequently. Through my outreach activities while meeting with Band and other councils, Friendship Centres, regional and local politicians, community groups and residents, as well as from complaints received by my Office, individuals have informed us that they believe the CRA is unfairly targeting them due to their Indian⁵ status and/or northern residence.

Those with whom I have spoken and who have contacted my Office have expressed:

- The CRA lacks clear and up-to-date information on filing returns reporting tax exempt income, and on claiming benefits and credits.
- Difficulties receiving documents from and submitting documents to the CRA.
- Difficulties receiving responses from the CRA to their requests for clarifications on court cases and policies that involve Indigenous peoples.

For example, from the Northern residents deductions to the Canada child benefit, the Ontario Trillium Benefit, and the Canada Pension

Plan, these filers feel they receive conflicting information, the processes are unfair and the CRA does not address their unique circumstances and needs. This general belief leads to reluctance to interact with a system much of the population believes to be systemically oppressive and in turn reduces the likelihood people receive all the benefits, credits and deductions to which they are entitled.

During my tenure as Taxpayers' Ombudsman, I have learned of the far-reaching impacts of these issues mainly from outreach activities. An analysis of complaints we receive does not fully capture their magnitude, as few of the impacted population file complaints on the matter.

I have continued to share this information with the CRA and the Minister of National Revenue and suggested the CRA consult directly with impacted populations to address the issues raised.

In an effort to provide northern residents with increased and tailored service, the CRA has opened three year-round CRA Northern Service Centres in Yellowknife, Iqaluit and Whitehorse,⁶ and proposed a simplification to the lowest return airfare requirement for the travel benefits deduction portion of the Northern residents deductions.⁷



⁵ The term "Indian" is used solely because of its legal meaning as per the *Indian Act*, R.S.C., 1985, c. I-5.

⁶ Government of Canada. Canada Revenue Agency. CRA's Northern Service Centres, online: <https://www.canada.ca/en/revenue-agency/news/2019/02/cras-northern-service-centres.html>. Date modified: 2019-02-13.

⁷ Government of Canada. Canada Revenue Agency, "Making it easier for northern residents to claim lowest return airfare" [News Release]. March 18, 2019, online: <https://www.canada.ca/en/revenue-agency/news/2019/03/making-it-easier-for-northern-residents-to-claim-lowest-return-airfare.html>.



“Everyone matters, everyone has a different story.”

– Sherra Profit, Taxpayers’ Ombudsman

MEASURING OUR PERFORMANCE



The Treasury Board of Canada Secretariat requires my Office to report annually on established performance indicators. The indicators provide a measure of actions taken to resolve service issues and demonstrate success in inspiring positive change within the CRA.

To more accurately measure our impact, we adjusted our key performance measures since last year. In addition to measuring the percentage of recommendations made to the Minister of National Revenue that the CRA will act upon, this year we began measuring the percentage of contact made within five business days of receipt of a complaint, as well as the percentage of complaint examination files closed within 120 days.

We brought in these new measures in an effort to increase transparency and accountability around the processing of files in my Office.

| 2019–2020 Performance Indicators | Target | Actual |
|---|--------|------------------------------|
| % of recommendations made by the Ombudsman to the Minister of National Revenue in systemic examination reports that will be acted upon by the Canada Revenue Agency | 90% | 93% |
| % of initial contacts made with complainants within two business days of receipt of their complaint | 95% | Unable to report (see below) |
| % of individual complaint examination files closed within 120 calendar days | 80% | 69% |

We are unable to report on the second indicator due to a change in process. In 2018, the Complaints and Examinations team underwent a LEAN process review. As a result, we eliminated one step in our intake process. The previous process required an administrative clerk to create a paper file for every complaint received and contact the complainant within two business days to confirm receipt of their complaint.

In our new process, an intake officer contacts the complainant within five business days of receiving the complaint. During this time, the intake officer completes a thorough analysis of the complaint and is equipped to provide information and guidance to the complainant, something that the administrative officer could not do.

This change in process has raised our level of service. The complainant's first contact is with an officer who is familiar with their complaint and is ready to provide an informed response. In addition, if the complaint requires redirection, it is done in a more timely manner.

Our goal is to meet the five business day standard 95% of the time. This year we met that standard 97% of the time.⁸

New this year, we aim to complete examination files within 120 days of the complaint becoming an examination file (for example after the complainant indicates they are not satisfied with the CRA Service Complaint Program's response to their complaint). This year we were

not able to meet our target of closing examination files within 120 days 80% of the time. This is due in part to it being a new performance indicator and in large part due to the backlog of examination files we had starting this fiscal year. With improved processes, increased resources allocated to individual examinations, and very hard work on the part of my examination officers, our backlog has been greatly reduced. As the examination officers closed more of our older files, carried over from the previous year, this increased the percentage of files closed after more than 120 days.

⁸ Complaints received between March 14 and 31, 2020, were not opened in this fiscal year. During this time, my Office was providing critical services only, due to the COVID-19 pandemic. All complaints requiring urgent attention were actioned as an URFA (included in this statistic). However, files for other complaints were opened and actioned in the following fiscal year.

Service standards

There are a variety of factors that impact the length of time required to process a file and resolve a complaint. The timeframe depends on the timely receipt of complete and accurate information from both the complainant and the CRA, the complexity and number of issues raised, the total volume of complaints received by my Office and the resources available to complete the processing and examination of the complaints.

Once the complainant provides their consent, my Office relies on the CRA to provide the information we request, to conduct the examination. The table below illustrates the timeframes set out in the Service Level Agreement between the CRA's Ombudsman Liaison Office and my Office, and the percentage of time the CRA completed the request within the prescribed timeframe.

| Type of Request | Service Standard | % received within the service standard* |
|---|--------------------|---|
| Taxpayer specific Information Request | 20 business days** | 68% |
| Non-taxpayer specific Information Request | 25 business days** | 38% |
| Urgent Request For Action*** | 15 business days | 97% |
| Non-Urgent Request For Action | 15 business days | 75% |

* This table does not reflect that there are times the OTO, at the request of the CRA, grants an extension of the time period.

** This service standard changed during the fiscal year with the renewal of the Service Level Agreement between the Office of the Taxpayers' Ombudsman and the CRA's Ombudsman Liaison Office. Between April 1, 2019, and August 13, 2019, the service standard was 15 business days. As of August 14, 2019, the service standard increased to 20 business days for taxpayer specific requests and 25 business days for non-taxpayer specific requests respectively.

*** For Urgent Requests for Action (URFA), the CRA is expected to communicate with the complainant within three business days of receipt of the URFA. The CRA is expected to provide the complete URFA response to the OTO within 15 business days.

Reducing our environmental impact

To support the Government of Canada's focus on sustainable development, we have taken steps to reduce our impact on the environment.

As of December 2019, our complaint files have gone paperless. We no longer prepare paper files for complaints and we use our electronic complaint management system to store all information digitally. Our complaint form is available online and the majority of our complaints are submitted digitally and saved directly on our system. While we continue to accept complaints filed on paper and provide support to those who cannot or choose not to submit their complaints electronically, we see a decrease in the number of paper complaints submitted.

Breakdown of complaint files* per method of submission:



67%
Online



19%
Mail



13.5%
Fax



0.5%
In person and
by telephone

Preparing for our transition to a paperless process was a priority in the planning of our recent relocation. We underwent an extensive clean up of the Office which involved disposing of files/documents that met the conditions for disposition, and converting other documents into digital format.

My Office now also has the technical capabilities to conduct paperless meetings and our video conferencing equipment will allow us to connect with others virtually, reducing the need for travel in some cases, saving time and reducing our environmental impact.

* Complaints received between March 14 and 31, 2020, are not included in this statistic. During this time, my Office was providing critical services only, due to the COVID-19 pandemic. All complaints requiring urgent attention were actioned as an URFA (included in this statistic). However, files for other complaints were opened and actioned in the following fiscal year.

FINANCIAL

Although my Office operates at arm's length from the CRA, funding approved by the Treasury Board of Canada Secretariat for the operation of the Office is part of the CRA's allocation. Consequently, the Office is subject to the legislative, regulatory and policy frameworks that govern the CRA.

2019–2020 Summary of Expenditures

| | |
|--|--------------|
| Personnel (includes employee benefits) | 2,544,364.16 |
| Transportation and communications | 62,606.96 |
| Information | 42,371.89 |
| Professional and special services | 159,447.78 |
| Rentals | 478.80 |
| Repair and maintenance | 19,925.00 |
| Utilities, materials, and supplies | 12,881.51 |
| Acquisition of machinery and equipment | 19,104.50 |
| Real property accommodations | 183,473.81 |
| Subtotal | 3,044,654.41 |

Internal services expenditures*

| | |
|------------------------|--------------|
| Information technology | 622,360.15 |
| Publishing | 137,518.91 |
| Total | 3,804,533.47 |

Related Party Transaction**

| | |
|---------|-----------|
| Finance | 53,070.00 |
|---------|-----------|

* Internal services expenditures relate to the support of the Office of the Taxpayers' Ombudsman (OTO) from the CRA. This allows the OTO to increase efficiency by leveraging the CRA's expertise in these areas and to ensure adherence to necessary policies and procedures. As of April 1, 2019, internal services expenditures are reported as a percentage of the CRA's total expenditures for these services. This is in compliance with TBS' new Guide on Recording and Reporting of Internal Services Expenditures.

** The amount shown under related party transaction represents funding that has been transferred by the OTO to the CRA for corporate services rendered by the CRA in the area of financial management advisory services.

Proactive disclosure

Compliance with the Treasury Board of Canada Secretariat and CRA financial management policies requires the mandatory publication of the Taxpayers' Ombudsman's travel and hospitality expenses. It also requires disclosure of contracts entered into by my Office for amounts over \$10,000.

Information on our proactive disclosures can be found by selecting either the Travel Expense, Hospitality Expense, or Contract Disclosure Reports links on our Transparency web page and searching for "Taxpayers' Ombudsman."

REFLECTIONS OF THE TAXPAYERS' OMBUDSMAN

Disrupting the status quo – equality, equity and fairness

Equality for all is only fair for some.



I would be remiss if I did not take the opportunity in this, my last Annual Report for the Office of the Taxpayers' Ombudsman, to provide some reflections. The notions of fairness and equity are extremely important. The two are at the foundation of my work as Taxpayers' Ombudsman. When fully realized, equity is the base on which the CRA can move from the status quo and build transformative service delivery models.

Equality is an assumption that everyone will benefit from the same supports or from being treated the same. Although this approach may achieve procedural fairness, substantively, it marginalizes our vulnerable populations as it does not allow for consideration of individual circumstances.

In contrast, equity and fairness focus on substantive fairness where outcomes and consideration of individual needs are at the forefront of service delivery and decision making models.

So often we hear people say they want to be treated the same as everyone else. We find they really want equal access to service.

I have seen the importance of distinguishing between equality and equity when seeking fairness. In making recommendations to the CRA and the Minister of National Revenue, we address and consider individual needs. We seek ways for the CRA to remove unnecessary systemic barriers, and thereby increase fairness for all.

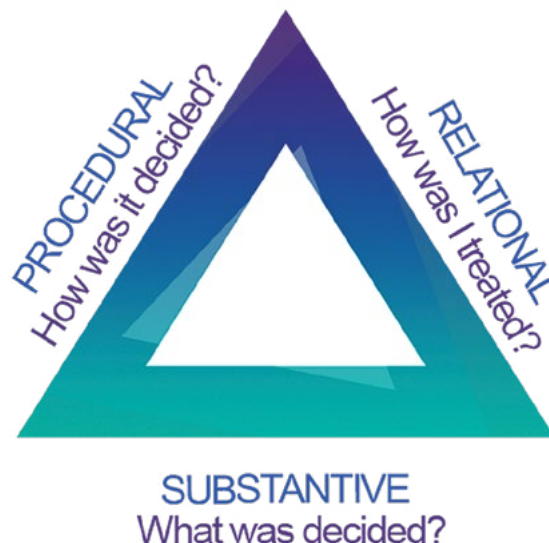
The CRA must shift its focus from a lens of equality to one of equity. This is especially important when one considers the CRA is responsible for administering over 131 benefit services, in addition to revenue collection.

Equality, Equity, Fairness⁹



⁹ Image adapted from an image adapted by the Connecticut Coalition for Justice in Education Funding from an image adapted by the City of Portland, Oregon, Office of Equity and Human Rights.

The Fairness Triangle¹⁰



Independence in ombudsman work

Independence and objectivity are essential elements of ombudsman work. Similar to some other federal ombudsmen, the very way in which the position of Taxpayers' Ombudsman was established, through Order in Council, as a special advisor to the Minister of National Revenue, impedes the true exercise of independence. This structure creates an inherent element of conflict of interest in the ombudsman reporting to the Minister responsible for the department or agency the ombudsman is tasked with overseeing. A Minister has a vested interest in ensuring their department or agency is perceived to be operating effectively and efficiently. Further, certain financial and human resource powers are delegated from (in this case) the Commissioner of the CRA to the Ombudsman, and legal services provided to the OTO are the same Department of Justice lawyers who provide advice and opinions to the CRA. The level of independence afforded an ombudsman is

therefore dependent on the person occupying certain roles such as that of Minister, Deputy Minister or Commissioner, which means the level of independence under which the ombudsman operates is changeable and person-specific. This should never be the case.

In Canada, provincial ombudsmen report directly to provincial legislatures and as such, their independence is protected. There has been a movement of late among federal ombudsmen, calling for consideration of alternate systems that would better support their work.¹¹ A single office of federal ombudsmen, reporting to Parliament, is one such option that would not only bring about guarantees of greater independence, but also efficiencies in process and workforce. The various ombudsmen under the federal umbrella could share staff, expertise, corporate services, etc. and make better use of the limited funding we receive individually. This sharing of resources could also allow for the

opening of regional offices across Canada, greatly improving access to service.

The Office of the Taxpayers' Ombudsman, on its own and as currently funded, could not staff offices across the country. For example, in the United States, the Taxpayers' Advocate has at least one office in each state. A single office of federal ombudsmen should also ensure accountability in areas not currently covered by an ombudsman (currently at the federal level there is an ombudsman for veterans, Department of National Defence and Canadian Forces, procurement, victims of crime, corrections, responsible enterprise, and taxpayers).

Calls for the establishment of a federal ombudsman have long historical roots. The 1975 Love committee, established under former Prime Minister Pierre Elliott Trudeau and comprised of a committee of Deputy Ministers and

¹⁰ Image adapted from an image of the Saskatchewan Ombudsman – developed from the concept of the satisfaction triangle in: Moore, Christopher (2003). *The Mediation Process: Practical Strategies for Resolving Conflict* (3rd ed.). San Francisco: Jossey-Bass Publishers

¹¹ For example: The National Defence and Canadian Forces Ombudsman's report to the Minister of National Defence, "The Case for a Permanent and Independent Ombudsman Office: the Defence Community Deserves No Less" March 2017, online: <http://www.ombudsman.forces.gc.ca/en/ombudsman-reports-stats-investigations-the-case-for-a-permanent-and-independent-ombudsman-office/-permanent-and-independent-report.page>.
The former Veterans' Ombudsman's public call for a review of his Office's mandate. Murray Brewster, "Vets watchdog troubled by 'lack of trust' in his office, asks for mandate review" CBC News Politics, August 27, 2019, online: <https://www.cbc.ca/news/politics/veterans-ombudsman-independence-1.5172570>.

senior public servants, recommended the adoption of an ombudsman for federal government. Legislation was drafted at the time to create the position, although it was not passed into law.¹² The concept of a federal ombudsman was also included in the 1993 re-election platform of Prime Minister Kim Campbell¹³ but did not progress further when she was not re-elected. I believe it is time to consider options for increasing the independence, and breadth of areas covered, by federal ombudsmen. The work of ombudsmen is critically important to holding governments accountable for their treatment of citizens. I do not believe those citizens realize the threat to and vulnerability of the ombudsman institution, under the current structure generally used federally.

The continued need for more permanent funding

In July 2018, I presented a business case for a permanent funding increase for the Office of the Taxpayers' Ombudsman's (OTO) operating budget. In my request, I argued for a permanent increase in the Office's base funding, to allow an additional 10 full-time staff to be hired over 2018–2019 and the two subsequent fiscal years. The additional funding would also permit permanent staffing of positions.

The additional funds would have allowed my Office to hire the appropriate number of employees required to handle our workloads across all teams, as well as raise our funding level to similar to that of other federal ombudsman offices.

As a self contained office that carries out individual and systemic examinations, corporate and communications functions, at arms length from the CRA, with an operational budget allocation that has generally remained the same since our inception, it is impossible to staff the original 34 full-time equivalent employees and maintain a high service standard without adding a strain to staff workloads.

Our inability to offer permanent employment has led to high turnover rates as employees seek more secure employment. This regular turnover makes it increasingly more difficult to successfully fulfill all our functions.

Through my funding request, the Minister of National Revenue granted the OTO a partial amount of temporary funding for 2018–2019, 2019–2020, and 2020–2021 fiscal years. I believe it is necessary to revisit the budget of the OTO and increase its funding to preserve and promote good governance and the protection of taxpayer rights.



¹² The Ombudsman Act, Bill C-43. First reading occurred on April 5, 1978 during the 3rd session of parliament.

¹³ Peggy Curran, "Campbell Puts Flesh on Political Platform" The Ottawa Citizen, April 20, 1993.

CONTACT US



Within Canada and the United States,
call toll free 1-866-586-3839 or fax toll free 1-866-586-3855.

Outside Canada and the United States,
call collect +1-613-946-2310 or fax us +1-613-941-6319.

OFFICE HOURS

Our office hours are 8:15 a.m. to 4:30 p.m.
Eastern Standard Time, Monday to Friday (except holidays).

Office of the Taxpayers' Ombudsman
Suite 1000-171 Slater Street
Ottawa ON K1P 5H7
Canada

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