

Fact Sheet

The Underground Economy

The underground economy includes business activity that goes unreported or underreported. The underground economy is often associated with the exchange of goods and services for cash where no records are kept.

In Canada, there is an underground activity in many industry sectors, particularly the construction and hospitality sectors, and other sectors where cash is prevalent.

Dealing effectively with the underground economy requires a balanced approach that includes both service and enforcement initiatives.

The Canada Customs and Revenue Agency's (CCRA) strategy for addressing the underground economy includes the following:

- We encourage voluntary compliance through activities such as community visits to business establishments and public education;
- We work co-operatively with the provinces, other government departments and agencies on exchange of information to better target enforcement actions; for example, a federal/provincial working group has been established and is focusing on all aspects of education, data sharing and enforcement;
- We seek out partnering opportunities with key private sector interest groups such as the Canadian Home Builders Association (CHBA); we are currently working with CHBA on the Get it in Writing! campaign - a national campaign to inform consumers of the risks involved in dealing with "under the table" contractors;
- We continue to strengthen our programs to identify non-filers and non-registrants through improved matching of databases and targeted enforcement; as an example, the CCRA administers the Contract Payment Reporting System (CPRS). This requires all federal departments, agencies, crown corporations and the construction industry to report details on payments for service;

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- We continue to refine our audit techniques and develop legislative proposals to address non-compliance;
- We have auditors working across the country on the Underground Economy Initiative to identify unreported income;
- We publicize tax evasion convictions to serve as a deterrent; and
- We conduct research to support and analyse the effectiveness of our compliance efforts.

The CCRA will continue with the current strategic direction, which includes intensifying its efforts to maximize partnering opportunities with the provinces and industry.

We believe that our balanced approach of education and enforcement is effective and holds the support of honest taxpayers, individuals and businesses.