



ESTIMATES

# Revenue Canada

## Performance Report

For the period ending  
March 31, 1999

Canada

## **Improved Reporting to Parliament Pilot Document**

The Estimates of the Government of Canada are structured in several parts. Beginning with an overview of total government spending in Part I, the documents become increasingly more specific. Part II outlines spending according to departments, agencies and programs and contains the proposed wording of the conditions governing spending which Parliament will be asked to approve.

The *Report on Plans and Priorities* provides additional detail on each department and its programs primarily in terms of more strategically oriented planning and results information with a focus on outcomes.

The *Departmental Performance Report* provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the spring *Report on Plans and Priorities*.

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## Foreword

On April 24, 1997, the House of Commons passed a motion dividing on a pilot basis what was known as the annual *Part III of the Estimates* document for each department or agency into two documents, a *Report on Plans and Priorities* and a *Departmental Performance Report*.

This initiative is intended to fulfil the government's commitments to improve the expenditure management information provided to Parliament. This involves sharpening the focus on results, increasing the transparency of information and modernizing its preparation.

This year, the Fall Performance Package is comprised of 82 Departmental Performance Reports and the government's report *Managing for Results - Volumes 1 and 2*.

This *Departmental Performance Report*, covering the period ending March 31, 1999, provides a focus on results-based accountability by reporting on accomplishments achieved against the performance expectations and results commitments as set out in the department's pilot *Report on Plans and Priorities* for 1998-99. The key result commitments for all departments and agencies are also included in Volume 2 of *Managing for Results*.

Results-based management emphasizes specifying expected program results, developing meaningful indicators to demonstrate performance, perfecting the capacity to generate information and reporting on achievements in a balanced manner. Accounting and managing for results involve sustained work across government.

The government continues to refine and develop both managing for and reporting of results. The refinement comes from acquired experience as users make their information needs more precisely known. The performance reports and their use will continue to be monitored to make sure that they respond to Parliament's ongoing and evolving needs.

This report is accessible electronically from the Treasury Board Secretariat Internet site:  
<http://www.tbs-sct.gc.ca/tb/key.html>

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# **Revenue Canada**

## **Performance Report**

**For the period ending  
March 31, 1999**

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**The Honourable Martin Cauchon  
Minister of National Revenue**

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# Section I

## Messages

### A. Minister's Message

The 1998-1999 year has been pivotal for Revenue Canada as we move toward Day 1 of the new Canada Customs and Revenue Agency. While preparing for this historic change, the Department successfully maintained its focus on providing Canadians with better service, established closer working relationships with other levels of government, and strengthened its management practices.

Revenue Canada is recognized as a world leader among public institutions for its service and treatment of clients. This is partly due to our long-standing tradition of client and stakeholder consultations. The Fairness Initiative, conducted throughout 1998-1999, will ensure that fairness remains a key priority for us. As well, the client and stakeholder consultations on the *Customs Blueprint* have set the stage for the release this fall of an action plan that sets out a clear agenda for the Customs and Trade program.

The National Child Benefit Program, administered by Revenue Canada on behalf of the Government of Canada and six provinces and territories, provided \$6.25 billion in benefits to over 3 million recipients in 1998-1999. This program serves as a concrete example of the benefits to Canadians of a more collaborative approach to the delivery of government programs and services.

A focus on closer federal-provincial/territorial relations has also led to the signature of a first service agreement with Nova Scotia on October 13, 1998. Discussions with other provinces and territories are ongoing with the objective of having service agreements with all provinces and territories in place over the next year.

We have taken steps to integrate the planning process within the Department, and are developing strengthened performance management and accountability frameworks in anticipation of our move to the Agency.

As the new Minister of National Revenue, I am pleased to submit to Parliament the 1998-1999 Performance Report for the Department of National Revenue.

Minister of National Revenue

## **B. Executive Summary**

### **Preamble**

The September 1997 Speech from the Throne stressed the need for federal, provincial, and territorial governments to work in closer partnership to provide more efficient and effective service to Canadians. All levels of government, in fact all Canadians, have seen the benefits of a more collaborative approach to strengthening and modernizing Canada's social and economic union. Because of our presence across Canada, Revenue Canada is uniquely positioned to play a leadership role in the provision of integrated services to Canadians.

The Department is also a key contributor to other government priorities such as safe homes and safe streets. The Government of Canada is committed to ensuring that this country remains a place where Canadians feel secure in their homes and on the streets of their communities. Revenue Canada contributes to this priority through its border protection activities and close collaboration with law enforcement agencies across Canada and internationally.

Canada's economy continued to grow in 1998-1999. Our Gross Domestic Product (GDP) hit a record \$860 billion in the first quarter of 1999, 350,000 more Canadians were employed in March 1999 compared to a year earlier and the value of our trade imports soared to \$311 billion, up \$25 billion over 1997-1998.

### **Overall Program Performance**

A strong economy has a direct and immediate impact on Revenue Canada. In 1998-1999, compared to 1997-1998, the Department served 683,000 more corporate and individual taxfilers, \$10 billion more in revenue was collected, 550,000 more commercial releases were processed at our border and 1.6 million more enquiries were handled. The Department has endeavored to meet this increased demand for services through the application of technology, the re-engineering of our business processes and the introduction of innovative service options and practices. We also recognize that it is essential to maintain service levels in order to ensure the ongoing integrity of Canada's tax system and customs and trade administration.

In 1998-1999, we:

- collected more than \$255 billion in gross revenue;
- processed over 11 million commercial entries;
- issued 33 million payments to 9 million goods and services tax credit recipients;
- issued 36 million payments to over 3 million Child Tax Benefit recipients; and
- answered 20 million public enquiries through agents and 8.8 million through interactive voice response systems.



We also responded promptly and efficiently to other Federal Budget and legislative changes, all of which were in place on schedule. In July 1998, the Canada Child Tax Benefit (CCTB), which is the main federal component of the National Child Benefit (NCB) program, was launched. Revenue Canada responded quickly and effectively to this major new initiative, implementing significant system changes with no adverse affect on existing CCTB clients. Over 3 million clients determined to be entitled to CCTB benefits, including 1.3 million lowest income families—for whom additional assistance was targeted under NCB—received larger benefits effective July 1998. The CCTB and NCB-related programs which we administer on behalf of six provinces and territories provided some \$6.25 billion in combined federal and provincial/territorial benefits to targeted Canadian families during the fiscal year.

At the same time that work volumes increased service demands, a public service strike occurred in February and March of 1999 and affected Revenue Canada offices across the country. Not only did the strike result in the loss of significant staff time during our busiest season, but it also redirected management's time and effort to the less productive task of strike management. In the face of these disruptions departmental managers and staff responded professionally and diligently to minimize the impact on operations and on the level of service provided to taxpayers. Notwithstanding such efforts some program activities did suffer.

The combined effect of these and other pressures necessitated in-year decisions to shift resources into direct client service areas of tax and customs administration. Because of ongoing demand in these areas, most of these resource shifts will need to be permanent if we are to maintain acceptable service levels.

As well, during 1998-1999, Revenue Canada conducted two extensive consultation exercises. The first dealt with the fairness of our business practices and services, and the second dealt with the future direction of the Customs program. These were both extremely successful and provided the Department with a much better understanding of the views and opinions of Canadians. They have allowed us to rededicate and strengthen our commitment to fairness through the *7-Point Plan for Fairness* released in 1999 and have helped shape the direction of the Customs program which will be described in an action plan due to be released later in 1999. It is hoped that they will also point the way to new, and in some cases, more efficient ways of doing business. Both of these exercises built on a long-standing tradition of client and stakeholder consultation that will continue to be a feature of the way we manage our business.

## **Key Goals for 1998-1999 and Beyond**

While the efficient and effective delivery of existing programs is our first priority, we must also manage with an eye to the future. To help position us to deal with increasing volumes and the complexity of our work in the years ahead, we must also have a vigorous “change agenda”. In this report, you will find that many initiatives serve two purposes: the immediate improvement and modernization of existing processes and services; and the creation of a strengthened, long-term capacity — both in terms of business processes and staff expertise — to successfully deal with the challenges that volume growth, complexity and globalization will bring.

As you will see when you review the performance details for each business line, there are a great number of change initiatives underway across the Department. The following describes the progress which, collectively, these many initiatives have allowed us to make against our key goals.

### ***Better Service to Canadians***

The Department has expended considerable effort to improve the speed and simplicity of our services and make it easier for clients to meet their obligations.

Service accessibility was improved through a variety of initiatives. A total of 28.8 million calls were answered in 1998, 1.6 million more than in 1997. Over 82% of our clients successfully reached the Department, which exceeded the caller accessibility target rate of 80%. Nevertheless, we realize that performance in this area continues to require improvement.

A National 1-800 Overflow Call Centre was established in January 1998 and tax services offices with low accessibility rates received additional resources to improve service. Revenue Canada is also building on the work undertaken as part of the Client Services Accessibility and Accuracy Strategy, and developing a blueprint for services delivery in the Canada Customs and Revenue Agency to ensure client services are accessible, responsive, reliable, and affordable.

Successful service innovations within the Customs program, notably CANPASS for travellers and the Machine Release System for business, have been expanded and further service options will likely be introduced.

### ***Confirming Our Commitment to Fairness***

The *Canadian Charter of Rights and Freedoms* provides Canadians with the fundamental right to be treated with dignity, respect, equality, and justice. As noted earlier, to support this ideal, and reinforce the integrity of our tax system, in 1998-1999 the Department launched the Fairness Initiative to ensure that Revenue Canada is doing everything it can to protect these rights and to strengthen its ability to provide Canadians with the fairest business practices and processes. The Department has developed an action plan and a fairness pledge and is now implementing the *7-Point Plan for Fairness*.

### ***Simplifying Tax Administration***

The Department continues in its efforts to help simplify tax legislation and policy. Revenue Canada and the Department of Finance Canada jointly identified three simplification measures that were included in the 1999 Federal budget: provisions concerning third-party penalties, family income splitting, and averaging the tax for lump-sum payments.

### ***Enhancing our Approach to Compliance***

In 1998-1999, Revenue Canada's enforcement efforts focused on a number of areas contained in our Compliance Strategy, particularly refinements to our approach to risk management. As a result, a mandatory contract payment reporting system for the construction industry was put in place. The Department launched the Scientific Research and Experimental Development (SR&ED) action plan last fall. Our progress to date shows a strong commitment to ensure the integrity of the federal incentive program for industrial research and development in a fair, friendly, and client-centered manner. It also addressed issues with the film industry relating to the taxation of non-resident actors and the clarification of investment rules.

Within the Customs program, we moved to strengthen risk management practices and developed a compliance strategy that established the foundation for program compliance goals, with priorities related to social, health, economic, and other risks. At the same time, developmental work continued on the Administrative Monetary Penalty System, including proposed legislative and regulatory changes.

### ***Defining the Future Direction of Customs***

As also noted earlier, in the fall of 1998, we launched the *Customs Blueprint* that set out a course for a modern and dynamic customs and trade program for the future. The *Customs Blueprint* envisions the further streamlining of low-risk people and goods across borders while simultaneously strengthening our border protection activities. The Department will continue to work with clients, stakeholders, partners inside and outside government, and customs and immigration colleagues in the U.S. and elsewhere to refine its customs and trade program so that it will position Canada to meet and take advantage of global challenges and opportunities in the years ahead.

### ***Transition to the Canada Customs and Revenue Agency (CCRA)***

The Canada Customs and Revenue Agency, scheduled to begin on November 1, 1999, will provide us with the means to establish new working relationships with provinces and territories while simultaneously improving service to Canadians.

Under the CCRA, the Minister maintains his accountability for administration and enforcement of the program legislation (*Income Tax Act, Customs Act, etc.*) as well as being responsible for the Agency in Parliament. Furthermore, the Minister has overseen the planning for the implementation of CCRA to ensure that it is established in accordance with the government's plans.

The CCRA transition plan developed throughout 1998-1999 included preparation for the establishment of a Board of Management; development of a new planning framework; focus on strengthening federal-provincial/territorial relations; design of a new policy framework for finance, administration, and property management activities; design of a new policy framework for human resources management; and communications activities to ensure that the public and employees are aware of the changes. Progress in all key elements of the plan is on track.

### ***Better Federal-Provincial Relations***

Revenue Canada is helping to build a stronger Canada through its delivery of federal-provincial/territorial programs and services. It has entered into several agreements with provinces and territories to deliver programs on their behalf. For example, all provinces and territories were formally invited to participate in the Provincial/Territorial Refund Set-Off Program. British Columbia, Ontario, and Nova Scotia currently participate and Alberta and Manitoba have indicated an interest in joining the program in February 2000.

The Department has entered into a partnership initiative with the Nova Scotia Workers Compensation Board to collect premiums on their behalf. Nova Scotia has also agreed to use Revenue Canada's Business Number as their business identifier, which will permit further service improvements for the citizens of Nova Scotia. Revenue Canada is poised and eager to extend these and other integrated services across the country through the establishment of working partnerships with provinces and territories.

### ***Transparent Management***

The creation of the Canada Customs and Revenue Agency maintains existing ministerial accountabilities and authorities, however, it will entail significant changes in corporate support and management processes to reflect new administrative authorities and the CCRA governance structure (e.g., Board of Management). Our success in providing better quality service to Canadians and forging closer working relationships with other levels of government also demands transparent management processes based on congruent planning, monitoring, reporting, and accountability mechanisms.

A new integrated planning process and management framework will bring together all the necessary elements of an effective corporate planning process, including a tighter congruence among planning, monitoring, reporting, and accountability mechanisms, and a more effective and timely approach for managing resources and making the requisite trade-offs and decisions. To better measure our performance against the Corporate Business Plan we have initiated the development of a corporate performance measurement framework using a balanced scorecard approach.

## **Section II**

### **Departmental Overview**

#### **A. Mandate**

Revenue Canada is mandated to collect revenues; to administer tax laws, both for the federal government and for some provinces and territories; to administer trade policies and legislation; to provide border services; and to make certain social and economic payments to individuals and corporations. Revenue Canada's mandate emanates from the *Department of National Revenue Act*, under which Revenue Canada administers the *Customs Act*, the *Customs Tariff*, the *Special Import Measures Act*, the *Excise Act*, the *Excise Tax Act*, the *Income Tax Act*, Part I of the *Canada Pension Plan*, Parts IV and VII of the *Employment Insurance Act*, and numerous other pieces of legislation for other federal departments and provincial and territorial governments.

Upon the enactment of enabling legislation on November 1, 1999, Revenue Canada will become an agency and its mandate will flow from the *Canada Customs and Revenue Agency Act*. The Agency will be responsible for administering the existing programs further described in the 1998-1999 Report on Plans and Priorities (RPP).

#### **B. Operating Environment**

While the continued provision of efficient and fair service to Canadians has remained a priority, preparing for the move to Agency has dominated the management agenda in both 1997-1998 and 1998-1999. To be successful, the transition to Agency must position Revenue Canada to fully exploit opportunities for improved service and strengthened provincial/territorial partnerships.

Revenue Canada touches the lives of virtually every Canadian, the social and economic well-being and security of families and communities, the health and prosperity of businesses, and the affordability and sustainability of social programs. It administers more than 185 acts, regulations, incentives, credits, surtaxes, and international tax treaties. The varied nature of transactions range from simple payments to benefit recipients to the audit of complex business transactions undertaken by multi-national corporations.

Revenue Canada continued to respond to key economic factors that influence the nature of program delivery and the volume of work. Work volumes are largely a function of such influences as growth in population and per-capita income, changes in interest rates, labour force participation, international trade and travel, and unemployment rates. For example, over the past 10 years, the number of individual income tax returns has grown

by 26% from 17.8 million in 1988-89, to 22.5 million in 1998-1999. Corporate income tax returns have grown by 42% from 843,000 to 1.2 million in the same period. Work volumes are also affected by the increasing use of the tax system as a vehicle for implementing various socio-economic programs such as: the GST/HST Credit; the Child Tax Benefit; the Scientific Research and Experimental Development Tax Credit; duty remissions; and drawback programs.

Revenue Canada operates in a complex, multi-jurisdictional environment that is changing rapidly due to external trends and developments that challenge tax, trade, and border administration. The growth of information technology is resulting in an unrestricted, rapid flow of information around the world, and contributing to the greater use of computers by businesses, governments, and individuals, particularly via the Internet. Revenue Canada oversees billions of dollars in commercial transactions, and the issues related to the emergence of electronic commerce include: complexity in tracking funds; increased propensity for illegal offshore activities; and other non-compliance trends.

As in previous years, Revenue Canada had to quickly respond to new legislation and government priorities. The introduction of new or revised tax and trade legislation and arrangements, federal/provincial or international, has a significant impact on departmental operations and resource needs. For this reason, the Department continues to liaise with the departments of Finance and Foreign Affairs and International Trade to ensure that proposed legislative changes and international trade agreements are administratively feasible and economically viable, as well as to assess the implications for the fiscal framework.

From a resource management perspective, Revenue Canada successfully operated in the context of tight financial resources during the fourth year of the Government's Program Review exercise, realizing a further \$70 million in efficiency savings and reductions, bringing the total to \$300 million over four years, from 1995-1996. At the same time, the Department managed these reductions in 1998-1999 without relief for workload and client population increases but only with compensation for new Government policy changes and legislation changes introduced in the 1998 Federal Budget and for the impact of new collective agreements.

## C. Strategic Foundation

### Mission

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Revenue Canada's mission is to promote compliance with Canada's tax, trade, and border legislation and regulations through education, quality service, and responsible enforcement, thereby contributing to the economic and social well-being of Canadians.

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### Vision and Strategic Goals

Revenue Canada's vision provides a description of the organizational characteristics that it aspires to achieve. Its vision is supported by strategic goals that have a long-term horizon and that reflect mission-critical areas essential to the achievement of this desired future state.

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Revenue Canada will be recognized and respected by clients for its integrity, fairness, and innovation in administering high-quality, yet affordable programs. Its progressive stand will encourage new inter-governmental and international partnerships fostering greater government efficiency and stronger economic union.

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The Department will earn its good standing with Canadians through the continued pursuit of six strategic goals:

**Quality Service and Client Education:** to provide accessible, responsive, and reliable services at an affordable cost.

**Responsible Enforcement and Border Protection:** to deliver fair, responsible, and effective enforcement programs in a manner that safeguards the integrity of revenue programs and protects Canadians' personal security.

**Fair Administration:** to apply the principle of fairness diligently and consistently in all departmental programs.

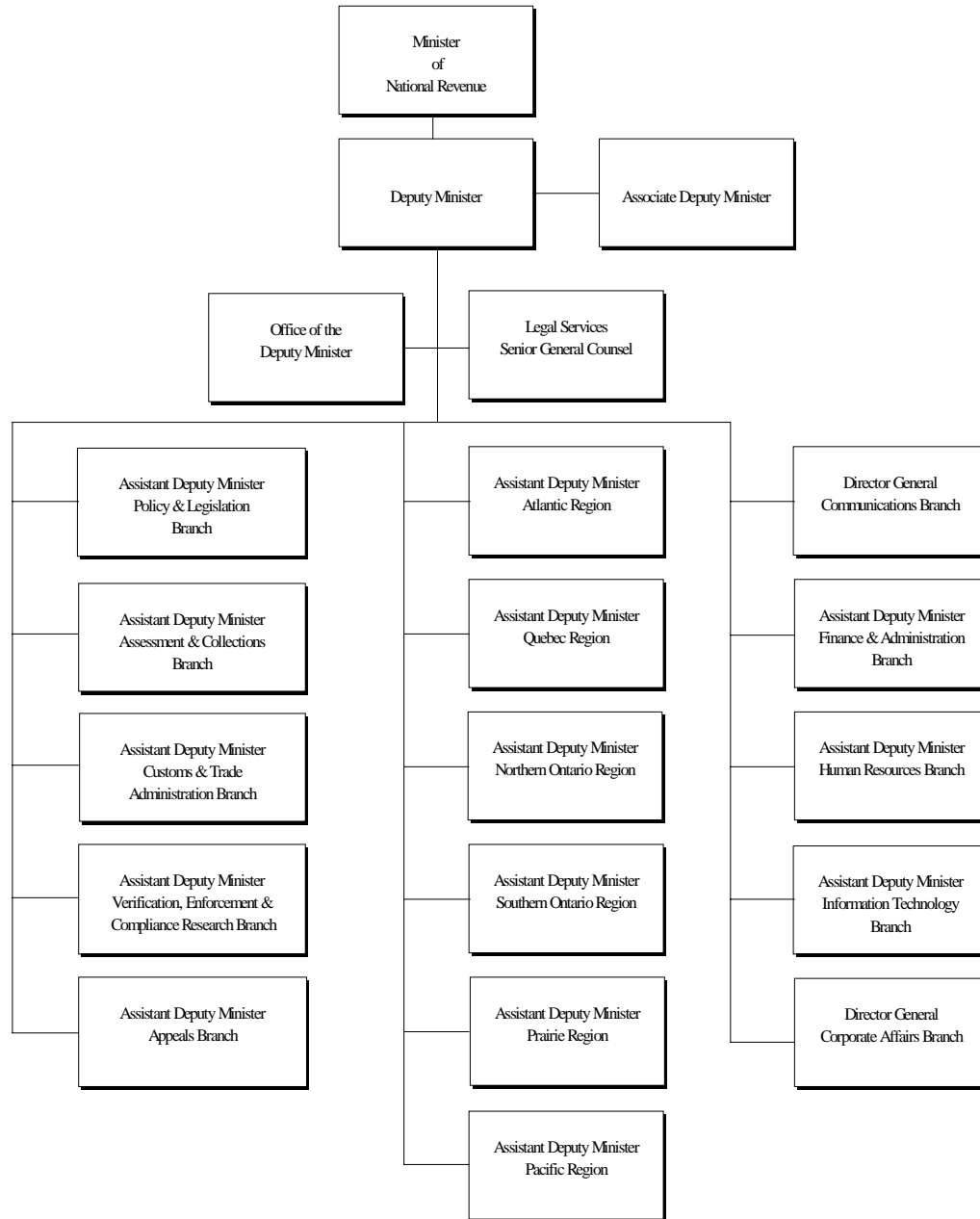
**Simple and Efficient Processes:** to minimize the administrative cost and compliance burden imposed on our clients through streamlining and simplifying our legislation, programs, and operations.

**Knowledgeable, Skilled People:** to ensure that people have the knowledge, skills, and support needed to work effectively in an environment that promotes and recognizes exemplary performance.

**Effective and Responsive Corporate Support:** to provide effective support for our programs and initiatives through responsive, modern, and integrated corporate policies, systems, and processes.

## D. Departmental Organization

The Department reports to Parliament through the Minister of National Revenue. It carries out its mandate through one program, National Revenue. The Deputy Minister reports to the Minister of National Revenue and has 17 direct reports. The organization is depicted in the following chart.





## Section III

# Departmental Performance

This section of our report presents the detailed performance results achieved by Revenue Canada during 1998-1999. It has been organized into two sub-sections:

- A. Chart of Key Results Commitments – identifies the two broad outcomes (Revenue Administration, and Customs and Trade Administration) for which Revenue Canada is responsible and the key performance measures for each.
  
- B. Performance Accomplishments by Business Line – this sub-section reports on the specific commitments made in the 1998-1999 Report on Plans and Priorities in relation to the following six business lines:
  - Assistance to Clients and Assessment of Returns;
  - Customs and Trade Administration;
  - Verification and Enforcement;
  - Revenue Collections;
  - Appeals; and
  - Administration and Information Technology.

For each business line, the following information is provided:

- a description of services;
- financial information with an explanation on variances, where applicable;
- a performance overview; and
- results against specific commitments, including the enabling initiatives that support these commitments and statistical tables.

### Linking Performance With Our Strategic Goals

On page 9 of this report, we set out the Department's strategic goals. The specific initiatives and related accomplishments for each business line are not aligned with any one particular goal. Rather, it is recognized that these efforts contribute to progress against a number of goals simultaneously. For example, the expansion of CANPASS in the Customs program serves not only to streamline processes, but also increases enforcement and border protection and provides for greater fairness in our processing of travellers into Canada.

## **Building a Performance Measurement Framework**

The Canada Customs and Revenue Agency will provide us with greater opportunity and flexibility to improve upon existing services. As well, it will allow for a closer working relationship with provinces and territories which should result in more efficient, integrated services to Canadians. The Commissioner is required, as part of the Agency legislation, to annually report on all programs and services administered, including any program carried out on behalf of a province or territory. Consequently, a rigorous performance measurement framework is an essential management instrument for the new Agency. The development of this framework has started and we will be phasing in a select group of performance measures in 2000-2001, with full implementation expected by fiscal year 2001-2002. These performance measures will link to the Agency strategic goals and form an integral dimension of the Corporate Business Plan. Once established, these corporate measures will be cascaded through all business lines and to the program delivery level.

## A. Chart of Key Results Commitments

The fulfillment of Revenue Canada's mandate is measured through the broad outcomes related to Revenue Administration, and Customs and Trade Administration.

<b>Revenue Canada</b>		
provides Canadians with:	to be demonstrated by:	achievement reported in:
<b>Revenue Administration</b>		
Administration of the taxation regime for the federal government and certain provinces and territories by assessing and collecting taxes, duties, and other levies and payments and delivering a number of social and economic benefits in a fair and timely manner	<ul style="list-style-type: none"> <li>• trends in the volume of enquiries processed from individuals and businesses;</li> <li>• level of achievement against published service standards;</li> <li>• the level of client satisfaction with services provided;</li> <li>• implementation of electronic service delivery options and client participation rates in these options;</li> <li>• total fiscal impact of enforcement activities;</li> <li>• activities related to the targeting of the underground economy;</li> <li>• early identification and audit of avoidance and tax shelter arrangements;</li> <li>• maintaining accounts receivable at a level of 4% of gross revenues;</li> <li>• the percentage of non-audit income tax objections processed within 90 days; and</li> <li>• the level of client satisfaction in respect of the impartiality, timeliness, and fairness of the redress processes.</li> </ul>	<p>pages 19 and 20, Figure 1-4</p> <p>pages 18, 23 and 55</p> <p>page 19</p> <p>pages 16, 18, 19 and 32</p> <p>pages 46, 47 and 51, Figures 3-1 and 3-2</p> <p>page 42</p> <p>page 48</p> <p>pages 54 and 55, Figure 4-2</p> <p>page 65, Figure 5-1</p> <p>page 67</p>
<b>Customs and Trade Administration</b>		
Enforcement of Canadian laws and sovereignty at the border, and support of Canadian industrial competitiveness and economic policies	<ul style="list-style-type: none"> <li>• trends in the volume of travellers and commercial shipments processed;</li> <li>• level of achievement against published service standards;</li> <li>• level of client satisfaction with services provided;</li> <li>• compliance rate for travellers entering Canada; and</li> <li>• quantity/value of contraband goods detected and interdicted.</li> </ul>	<p>pages 29 and 30, Figures 2-1 and 2-2</p> <p>page 32</p> <p>page 30, Figure 2-1</p> <p>page 30, Figure 2-1</p> <p>page 33, Figure 2-4</p>

## **B. Performance Accomplishment by Business Line**

### **Assistance to Clients and Assessment of Returns**

#### **Description**

The Assistance to Clients and Assessment of Returns business line's key responsibilities are to foster self-assessment and compliance and process tax returns. It does this by:

- informing and educating clients about their rights and obligations;
- developing and maintaining a client registry;
- providing forms and information for filing returns accurately and on time;
- responding to enquiries in a timely and accurate manner;
- processing and assessing returns;
- advising clients of results through notices of assessment;
- processing payments;
- updating client accounts for all assessments and remittances;
- conducting a limited verification of items that were accepted at the assessing stage;
- administering a number of income redistribution programs;
- providing advice and assistance to other Government departments regarding the administrative feasibility of new legislation and treaties under negotiation;
- carrying out activities related to the registration of charities, pension, and deferred income plans; and
- providing advance rulings on the tax implications of potential transactions.

#### **Financial Information**

<b>Assistance to Clients and Assessment of Returns</b>	<b>1998-99</b>
Planned Spending	\$636,200,000
<b>Actual Spending</b>	<b>\$780,100,000</b>

Additional spending authority, beyond the planned spending (Main Estimates), was provided through in-year Supplementary Estimates for a number of initiatives such as the implementation of Federal Budget measures; Operating Budget carry-forward; additional operating costs including Provincial/Territorial Refund Set-off Program; contribution to the Province of Quebec for the joint administration of the GST and QST; costs associated with the T2 re-engineering project; and administration of the National Child Benefit Program and the Children's Special Allowance payments. In addition, the impact of new collective agreements covering both 1997-1998 and 1998-1999 fiscal years are also reflected in actual spending.

This business line was directly affected by continued workload increases resulting from economic growth. As well, time lost by Revenue Canada in 1998-1999 because of public service strike action had the greatest impact in this business area. Despite these significant challenges, most operational targets were met.

## **Performance Overview**

In the 1998-1999 Report on Plans and Priorities (RPP), Revenue Canada committed this business line to improvements in three key areas: modernizing service delivery; reinforcing our commitment to fairness; and enhancing our approach to compliance. These improvements were to be realized through the implementation of a number of initiatives ranging from changes to internal business processes to increased service accessibility and a more rigorous application of risk management principles. It is important to note that the public service strike action in 1998-1999 had the greatest impact on this business line. As a result some planned efficiencies were not realized and some areas of the program under-performed.

However, service levels were maintained and, in some areas, improved upon, even in the face of increased demands. We answered 1.6 million more calls than in 1997-1998 (28.8 million in total), met the wait time standard of 20 minutes at 80% of our offices and processed an additional 683,000 tax returns (25.6 million in total). As well, our staff responded to the demands of the new National Child Benefit program, launched in July 1998, by providing \$6.25 billion in benefits during the fiscal year.

Despite this effort, there remains room for improvement. We will continue to seek out new and innovative ways to respond to client needs and apply technology in a manner that will increase both the efficiency and effectiveness of our services. To do so, however, while simultaneously coping with ever-increasing volumes, will likely require additional investment beyond the Department's current resource levels.

A more detailed review of the results achieved for each commitment identified in the RPP is provided in the following pages.

## Report on Specific Commitments

### To modernize service delivery we committed:

1. To provide one-stop service points whereby clients can obtain a variety of information, acquire forms, and make payments in one location; client satisfaction levels and trends in client traffic at the one-stop service points will be used to measure performance

#### *Business Windows*

Since 1995, Revenue Canada has provided one-stop service to businesses through Business Windows, which are located in most tax services offices. The Business Window simplifies communications with the Department by allowing business clients to deal with Revenue Canada in one contact, either over the counter, by telephone, or by mail for a wide range of services related to four of its major programs: GST/HST, payroll deductions, corporate/non-corporate income tax, and import/export. Clients can register for a Business Number; obtain general information on their obligations and entitlements; update account information; and order forms and publications. Business Windows represent a better, faster, and more efficient service option for both business and government.

#### *Internet Site*

The departmental Internet site has doubled each year making the volume for the 1999 fiscal year more than 4 times that of 1997. Client usage of the electronic form ordering service, which started in March 1999, has shown a substantial increase. Access to electronic forms, as well as total hits to the site have more than tripled since the starting date. Future plans are to expand more information and services to clients in order for them to have a one-stop point of access.

#### *GST Rulings and Interpretations Re-engineering Project*

GST workloads and expertise have been streamlined through the advancement of the GST Rulings and Interpretations Re-engineering Project. Program resources are now concentrated in 8 regional Technical Interpretation Services Centres providing the critical mass necessary to allow for industry/sector specialization in each location. To provide a single point of contact for client accessibility to tax specialists, a 1-800 service was established in May 1998. Further streamlining was also achieved through the re-alignment of scope of responsibilities between Business Windows and the Technical Interpretation Services Program. This re-alignment serves to ensure that general GST enquiries are

responded to within the Business Windows, and that the enquiries which are technical in nature are referred to the Technical Interpretations Services Program. As a result of this re-alignment, telephone and interview workloads have decreased (see Figure 1-1).

Since the inception of the GST program some nine years ago, the nature of the workload has changed tremendously, from single transaction, process-type enquiries to increasingly complex, multiple transactions and issues. The average time required to complete a telephone enquiry has risen three-fold, from a reported 8 minutes in 1991 to 26 minutes in 1998-1999 in our TIS Centres. Similarly for written interpretations and rulings, the average time required in 1991 to complete a written request was 9 hours. This has increased in 1998-1999 to 23 hours in our TIS Centres. While the workload has declined for the written component of the program, this decrease has been off-set by increasing complexity and multiplicity of issues.

**Figure 1-1: GST/HST Rulings and Interpretations**

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual <b>1998-99</b>	Estimates <b>1998-99</b>
Written Rulings	1,997	1,208	1,304	<b>1,093</b>	<b>1,083</b>
Written Interpretations	7,161	4,233	3,808	<b>3,239</b>	<b>3,461</b>
Telephone Interpretations	833,933	610,625	269,080	<b>158,855</b>	<b>166,606</b>
Interviews	84,221	50,479	32,532	<b>10,101</b>	<b>24,591</b>
Associated FTE (includes overtime)	249	214	189	<b>187</b>	<b>193</b>

The Income Tax Rulings and Interpretations Directorate is a centre of income tax expertise for Revenue Canada. All rulings and interpretations related to income tax are provided by specialists from this single point of contact. Below is a summary table of the workloads processed by the Income Tax Rulings and Interpretations area.

**Figure 1-2: Income Tax Rulings and Interpretations**

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual <b>1998-99</b>	Estimates <b>1998-99</b>
Advance Rulings Completed	484	514	399	<b>320</b>	<b>300</b>
Written Interpretations	3,000	3,087	2,936	<b>3,167</b>	<b>3,000</b>
Telephone Interpretations	16,434	19,739	20,567	<b>19,050</b>	<b>20,500</b>
Total Rulings and Interpretations	19,918	23,340	23,902	<b>22,537</b>	<b>23,800</b>
Associated FTE (includes overtime)	101.6	106.4	103.6	<b>101.0</b>	<b>101.0</b>
Fees Collected from Advance Rulings (\$000s)	1,207	1,221	1,018	<b>1,063</b>	<b>1,150</b>

2. To continue the aggressive application of technology in order to seek reductions in the administrative burden and costs experienced by business and individual clients; trends in client participation rates, the average time to receive a refund and the number of enquiries processed will be used to measure performance

The Department continues the aggressive application of technology to better serve its large clientele. However, some anticipated efficiencies were not realized partly because of public service strike action during the heart of the tax filing season which has the greatest impact in this business area.

### *T1 Processing*

During the annual T1 Processing program, the tax returns of 22.5 million individuals, including 5.8 million returns filed electronically using EFILE and TELEFILE were processed (see Figure 1-3). We successfully assessed 98% of filed-on-time T1 returns by mid-June. In 1998-1999, individual tax refunds in excess of \$14 billion were distributed to Canadians. On average, refunds were processed within 3 weeks of receipt by Revenue Canada, well within the 4 to 6 week standard published in the *General Tax Guide*. The Department processed more than 2.3 million taxpayer-requested adjustments on T1 returns and issued Notices of Reassessment within the published standard of 8 weeks.

NETFILE is an application that allows tax-payers to authenticate and subsequently upload to Revenue Canada, via the Internet, an electronically prepared T1 Return. In 1998-1999, a pilot project was conducted by offering the service to Revenue Canada employees (approx. 550). The success of this initial pilot has led to a decision to extend the use of this service for the 1999 tax year to approximately 3.5 million users.

**Figure 1-3: Taxfilers by Type**

(000s)	Actual 1996-97	Actual 1997-98	Actual 1998-99	Estimates 1998-99
Individuals and Trusts	21,322	21,951	<b>22,539</b>	<b>22,548</b>
Corporations	1,110	1,140	<b>1,201</b>	<b>1,201</b>
Goods and Services <sup>1</sup>	1,763 <sup>2</sup>	1,873	<b>1,907</b>	<b>2,133</b>
<b>Total Taxfilers</b>	<b>24,195</b>	<b>24,964</b>	<b>25,647</b>	<b>25,882</b>
Associated FTE (includes overtime)	6,931	6,338	<b>6,400</b>	<b>6,055</b> <sup>2</sup>
<b>Taxfilers per FTE</b>	<b>3,491</b>	<b>3,939</b>	<b>4,007</b>	<b>4,274</b>
<sup>1</sup>	Excludes taxfilers registered in the Province of Quebec.			
<sup>2</sup>	Excludes in-year funding approvals for Re-engineering; 98 Legislative Changes, Cost Recovery Initiatives.			

### *Individual Enquiries Re-engineering for Greater Accessibility*

A number of measures taken during the last year have resulted in an improvement in the overall accessibility of Revenue Canada enquiries services. At the same time, we have taken steps to further strengthen service quality.



Building on the Individual Enquiries Re-engineering for Greater Accessibility initiative started in 1997, the National 1-800 Overflow Call Centre was established in January 1998 and tax services offices with low accessibility rates received additional resources to improve response levels.

In Montréal, Toronto, and Vancouver, automated telephone technology consisting of interactive voice response (IVR) systems and computer telephony integration (CTI) was implemented for the delivery of three of the four enquiries programs. The Refunds/GSTC IVR has been in operation for a full year and a 29% decrease (from \$2.82 to \$1.99) in the cost per enquiry has been realized. To improve operational efficiency, a Telephone Measurement Reference Guide was developed and reporting on new performance indicators was implemented. Staff were provided with better working tools consisting of a probing guide to assist with client interactions, an on-line reference guide, and a single log-on panel to simplify tools for agents. The use of automated front-end systems was expanded, business information was added to the TIPS service, and the Business Information Service was implemented in Quebec and Vancouver.

As a result of these measures, a total of 28.8 million calls were answered either by agents or automated services in 1998-1999, representing an additional 1.6 million calls compared to 1997-1998 (see Figure 1-4 on next page). To respond to the same number of calls by agents as in 1997-1998, more FTEs were required. This is partly due to the fact that more of the straight-forward enquiries were dealt with through automation, thereby increasing the complexity and duration of calls handled by agents.

Even though the 1998-1999 total number of enquiries does not appear to have met projections, the service measure of call accessibility improved significantly due to investment of additional resources. This is demonstrated by the fact that, despite some office closures due to the government-wide strike, over 82% of our clients successfully reached the Department during the fiscal year. This exceeded the caller accessibility target rate of 80%.

External telephone accuracy surveys provided the Department with an independent assessment of the quality of responses provided on general and business telephone lines for certain types of enquiries (largely tax-related, non-account specific). The attitude of the enquiries officers were rated by interviewers as “very professional” or “professional” in over 95% of all calls.

**Figure 1-4: Public Enquiries Handled**

Enquiries (000s)	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Estimates 1998-99
Enquiries handled by Agents <sup>1</sup>	19,129	19,730	20,114	<b>20,073<sup>2</sup></b>	<b>20,500</b>
Enquiries handled by Automation	2,100	3,800	7,093	<b>8,750<sup>3</sup></b>	<b>11,500</b>
<b>Total Enquiries</b>	<b>21,229</b>	<b>23,530</b>	<b>27,207</b>	<b>28,823</b>	<b>32,000</b>
Associated FTE (includes overtime)	2,093	2,082	2,349	<b>2,612<sup>2</sup></b>	<b>2,166</b>
1	Starting in 1995-96, data includes enquiries related to goods and services tax and employer deductions at source, due to consolidation of the departmental enquiries programs, which was further refined in 1997-98.				
2	Agents are handling more complex calls (not answered via automation) which are longer in duration. Even though the total number of enquiries does not appear to have increased the service measure of call accessibility improved significantly across all business lines due to investment of additional resources.				
3	The new interactive voice response system (IVR) installed in Montreal, Toronto and Vancouver, in 1998-99, does not track all calls presented. Further technological improvements currently being considered would resolve this issue.				

### *Provincial/Territorial Refund Set-Off Program*

Revenue Canada has expanded its systems capability (account consolidation) so that individuals' income tax refunds are also made available for set-off, via electronic data interchange to repay past-due provincial/territorial Crown debts. All provinces/territories were formally invited to participate in the Provincial/Territorial Refund Set-Off Program. British Columbia, Ontario, and Nova Scotia currently participate and Alberta and Manitoba have indicated an interest in joining the program in February 2000. The program is offered to provinces on a cost-recovery basis. In 1998-1999, more than \$6.8 billion was assessed in taxes owing on debit assessments, and over \$55 million in set-offs was administered against debts to the Crown.

### *T2 Assessing Redesign*

To reduce paper burden on its business clients, Revenue Canada initiated the redesign of the corporate income tax processing system (T2), which was implemented in 1974. The Corporate EFILE project is being developed in partnership with the provinces of Ontario and Alberta to enable the electronic filing of federal and provincial Corporate Tax returns. Once fully implemented, the system will improve the processing times of T2 returns from the current 90% of returns processed within 90 days, to 85% of returns processed within 25 days, and the remaining 15% within 50 days. Since January 1999, federally incorporated businesses may file their annual Industry Canada return as part of their federal income tax return and remit the annual fee at the same time. This illustrates how partnerships with the provinces and other government departments can contribute to ease the burden on Canadian businesses and improve service delivery time.

### *Standardized Accounting System*

In November 1998, a re-engineered payment processing system was implemented. This was the first step towards creating a standard payment system capable of processing all of the Department's present revenue lines. It also forms the foundation for future expansion

of functionality and capacity. The Department also phased-in the centralization of payment processing. This approach started with financial institutions directing all payment workload to the Ottawa central site. The Department implemented an image-based processing technology to process the payments. By the end of the fiscal year, the majority of payment processing had been centralized.

In support of the payment processing for all revenue lines using scanning and imaging technology, the first installation of the Standardized Accounting (SA) System went into production as scheduled, in November 1998. Implementation of the single client account will be phased-in by revenue line commencing with T2 in 2000. When completely implemented, SA will result in consolidated statements of account and the opportunity for clients to offset credits in one revenue line against debits in another. It will also provide a consolidated view of clients' transactions in support of Revenue Canada's enforcement programs.

### *Business Number*

The Department continues to improve and build on one-stop business registration for Revenue Canada programs introduced in 1995. The Business Number (BN) was designed to replace the multiple account numbers that businesses needed to carry out transactions with the government. BN has enabled the Department to form strategic partnerships with the provinces and set the stage for future joint business under the Canada Customs and Revenue Agency. In 1998-1999, Revenue Canada signed a letter of intent with Nova Scotia and reached an agreement with the Ontario Ministry of Consumer and Commercial Relations to use BN as the common identifier and offer joint business registration services. The Business Number system now includes an intranet site that allows clients using a PC workstation in a tax services office to generate, on-line, a business number. The next phase of BN, started in June, is an Internet version of this application.

3. To continue to efficiently and effectively administer federal and provincial benefit programs and utilize the expertise developed to help other departments and levels of government deliver targeted income support payments

### *National Child Benefit*

In providing assistance to clients, Revenue Canada also administers income redistribution programs to low income Canadians. Over the last decade, the depth and nature of that support has changed dramatically, leading to a strong Revenue Canada role in the delivery of the National Child Benefit (NCB). The NCB — a joint initiative of the federal, provincial and territorial governments — is a key vehicle implementing a 1997 Throne Speech commitment to address child poverty. The delivery of Phase 1 of the NCB was launched in July 1998.

Over the years, strong, flexible “backbone” systems (such as the Individual Credit Determination and Child Credit Management systems) were built for the benefit programs to help ensure new challenges could be responded to quickly and effectively, at a reasonable cost. During 1998-1999, Revenue Canada launched:

- the Canada Child Tax Benefit (CCTB);
- provincial child benefit programs for Saskatchewan, Nova Scotia and Northwest Territories; and
- a redesign of the existing British Columbia Family Bonus.

As new programs were launched, enhanced benefits were made available to entitled clients without any requirement for them to apply. For example, the 1.3 million lowest income families — for whom additional assistance was targeted under the NCB — automatically received larger benefits effective July 1998. Residents of participating provinces or territories also received new or revised provincial benefits, without having to make separate application for them. This helped ensure that all clients received their full entitlements while it reduced paper burden for our clients. Since clients who apply for CCTB are automatically considered for eligibility in provincial programs, adjustments to reflect changes in the clients’ circumstances are processed only once, for all programs. This avoids the duplicated efforts and costs that would be incurred under separate provincial administration of their programs.

Figure 1-5 lists the benefit programs administered by Revenue Canada, representing total annual benefits of \$6.25 billion.

**Figure 1-5: Child Benefit Programs Administered in 1998-1999  
(July ‘98 - June ‘99 Benefit Year <sup>1</sup>)**

<b>Program</b>	<b>Client Population</b>	<b>Annual Benefits (\$ millions)</b>
Canada Child Tax Benefit (“ <i>Tax Statistics on Individuals</i> ”)	<b>3,052,000</b>	<b>5,711</b>
Alberta Family Employment Tax Credit	<b>168,000</b>	<b>81</b>
British Columbia Family Bonus	<b>214,000</b>	<b>332</b>
New Brunswick Child Tax Benefit	<b>42,000</b>	<b>21</b>
Northwest Territories Child Benefit	<b>5,500</b>	<b>4</b>
Nova Scotia Child Benefit	<b>31,000</b>	<b>11</b>
Saskatchewan Child Benefit	<b>49,000</b>	<b>90</b>
<b>Totals (Provincial clients form part of the CCTB population)</b>	<b>3,052,000</b>	<b>6,250</b>
<small><sup>1</sup> Benefits are adjusted each July, to reflect income tax returns processed for the immediately preceding tax year. These amounts are based on 1997 income tax return.</small>		

**To reinforce our commitment to fairness we committed:**

1. To fully implement the legislative changes pertaining to registered educational savings plans ensuring greater equity in the changing work and education environment

The 1997 and the 1998 Federal Budgets included changes to make RESPs more attractive vehicles for families saving for education. These changes included the introduction of the Canada Education Saving Grant (CESG) and the option to transfer accumulated income payments from an RESP to an RRSP, provided that room remains within the recipient's RRSP deduction limit. Because the legislation requires that existing and new RESP specimen plans be compliant with the legislation by December 31, 1999, for plans to be able to obtain the CESG, Revenue Canada provided extraordinary assistance to RESP promoters to help them in meeting the deadline.

Since the announcement of CESG in the 1998 Budget, 517 requests have been received for the approval of new plans and amendments to existing plans. To date, 443 of these have been completed and 74 are in processing and current inventory. Service standards for client enquiries and for the approval of new plans and plan amendments for RESPs are being met. The Department had committed to a turnaround time of 60 days, but the average turnaround time since the beginning of the CESG program has been 48 days.

2. To evaluate and implement measures designed to ensure that clients receive their full entitlements under the programs administered by the Department

In the *7-Point Plan For Fairness* announced in February 1999, Revenue Canada committed to identifying unclaimed credits, benefits, and overpayments for Canadians. As a result, approximately 200,000 returns were reviewed with respect to the 1997 tax year and individual Canadian taxfilers received credits totalling approximately \$42 million.

Continuing with the work initiated in 1998-1999 in response to statistics on samples of take-up-rates, it was determined that clients were not receiving their full entitlements under benefit programs. As a result, Revenue Canada will be working with the Department of Finance to improve the fairness and responsiveness of the GST/HST Credit program. Development will take place during the 1999-2000 year, with implementation targeted for July 2000.

As noted in a recent internal audit of the Canada Child Tax Benefit (CCTB), the Department has made significant progress in its efforts to improve internal controls over benefit payments through its Validation Program enhancement. A comprehensive multi-year Quality Assurance and Compliance strategy was completed during 1998-1999 for an April 1999 launch.

## To enhance our approach to compliance we committed:

1. To improve monitoring and enforcement capabilities in the charities sector to ensure the integrity of the income tax provisions

In 1997, the Red Book II: “*The Liberal Plan Securing our Future Together Preparing Canada for the 21<sup>st</sup> Century*” committed the Government to enhancing its understanding of the voluntary sector, to working in partnership with the sector to explore new models for overseeing/regulating charities, and to enhancing the overall capacity of the voluntary sector. These commitments led to the creation of an ADM steering committee involving 17 departments, with a mandate to address Government-wide policy development issues. The Steering Committee, chaired by the ADM, Policy and Legislation Branch, Revenue Canada, was supported by a voluntary sector task force.

As a result of Cabinet direction, three joint Government/voluntary sector tables were established to discuss issues related to developing a new relationship, strengthening capacity, and improving the regulatory regime. The tables are finalizing their reports with the view to creating an integrated report by the end of the summer.

Under amendments to the *Income Tax Act* announced in the February 1997 Federal Budget, documents filed as part of an application for registration were to be made available to the public. In support of the legislation, the Department has:

- introduced a new 1-800 number to facilitate the management of requests for public information;
- continued research into electronic processing options to facilitate the processing of large requests; and
- initiated action to recover costs associated with the processing of these requests.

To improve enforcement capabilities, improved audit screening techniques were introduced to restrict the scope of audits and, at the same time, to increase the number of audit issues raised. In 1998-1999, the Department has:

- conducted 524 audits (up from a total of 404 in 1997-1998);
- revoked 798 charities for failing to file the T3010 return (down from 1,087);
- processed 845 voluntary revocations (up from 673);
- revoked 13 charities for cause (up from 5); and
- assessed 126 revoked charities for Part V revocation tax (new program).

The review of information contained in the T3010 Registered Charity Information Return was intensified in 1998-1999 to address concerns over the level of non-compliance and to improve accountability of the charities sector. In total, 13,292 returns were rejected for completion errors. Prior to 1998-1999, we had no statistics on completion error rates.

To help improve accuracy and completeness of information filed by registered charities, 113 cross-Canada information sessions on the new T3010 return were held. These events have been well received by the 2,300 representatives of various client groups who participated.

A key priority in 1998-1999 was to reduce the backlog of applications for charitable registration. During 1998-1999, the inventory was reduced by 25% and the remaining inventory will be reduced significantly during the 1999-2000 fiscal year. Timeframes for processing applications also improved. Straightforward applications, which constitute 60% of our volume, are processed within three months. More complex applications, which require in-depth research and analysis, are now being processed in 8 months, down from 10 months. Our target is to process straightforward applications within 2 months and more complex applications within a 4-month time frame.

2. To enhance the identification of individual tax returns that have a greater risk of non-compliance; performance will be measured through trends in compliance, the non-compliance of “no change” returns and the percentage of returns with positive reassessments

In order to increase Revenue Canada’s effectiveness in identifying returns where the risk of non-compliance is great, the Department has taken the first steps in supplementing its conventional risk scoring system with an “artificial intelligence” based system. New prediction models are currently under review.

The Processing Review program (Figure 1-6) is an essential component of the Department’s returns processing mandate and associated risk management strategy. This program is a key means the Department has to establish the legitimacy of certain claims, to detect trends in compliance behavior, and to recover taxes due to the Crown when these claims are made in error.

**Figure 1-6: Processing Review (Individual), Additional Tax Assessed**

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual <b>1998-99</b>	Estimates <b>1998-99</b>
Returns Reviewed	945,650	899,907	968,030	<b>776,966</b>	<b>900,000</b>
Additional Tax (Federal and Provincial) Assessed (\$000s)	123,000	97,800	72,200 <sup>1</sup>	<b>92,900</b>	<b>95,200</b>
<sup>1</sup>	The Department now uses state-of-the-art software to identify, prior to assessing a return, those returns with the greatest risk in terms of mistakes. This means that more claims are now verified prior to the issuance of Notices of assessment, thereby reducing the tax assessed during processing review, resulting in a shift in the review of these claims to a pre-assessment review program.				

The T1 Matching Program (Figure 1-7) compares third-party information to the information filed by clients. The process reassesses clients to correct unreported employment or Employment Insurance income, tax deducted at source, overstated spouse-related claims, overstated tax deductions, CPP/QPP contributions, and to correct RRSP room statements.

In 1998-1999, the T1 Matching Program was not completed due to other priorities. The workload is being done during 1999-2000 and any additional tax for 1998-1999 will be assessed.

**Figure 1-7: Matching of Individual Returns, Additional Tax Assessed**

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Estimates 1998-99
Returns Reviewed	1,400,036	1,437,560	1,668,814	<b>972,382</b>	<b>1,425,000</b>
Additional Tax (Federal and Provincial) Assessed (\$000s)	250,119	305,454	267,100	<b>180,400</b>	<b>243,500</b>

**Other commitment:**

To review and modernize the *Excise Act*

The Excise Act Review is a joint project undertaken by the Department of Finance and Revenue Canada. Legislative proposals and draft regulations for a new framework for the taxation of spirits, wine and tobacco products were tabled in the House of Commons on April 15, 1999.

Final legislation to implement the new framework will be tabled for parliamentary consideration, following consultations with industry and the provinces. The new excise legislation will lower administrative and compliance costs for excise clients. It will also enhance fairness by introducing new and transparent appeal provisions.

For example, the licensing requirements of the existing *Excise Act* will be streamlined. Certain reporting requirements covering movements of alcohol and tobacco products will also be eliminated. Modern assessment provisions will be introduced, as well as formal and informal appeals systems, similar to those already in place for income tax and the GST/HST.

Finally, to ensure maintenance of a high level of taxpayer compliance, new collection provisions will be introduced and penalty and offence provisions will be strengthened. For example, proceeds of crime provisions, which currently cover only tobacco offences, will be extended to alcohol offences as well.



# Customs and Trade Administration

## Description

The objective of the Customs and Trade Administration business line is to enforce Canadian laws and sovereignty at the border, and support Canadian industrial competitiveness and economic policies. This business line delivers customs and trade administration services designed to advance and support the government's foreign policy and domestic socio-economic objectives.

It does this by:

- processing and controlling the movement of people, goods, and conveyances entering, leaving, or transiting through Canada;
- collecting customs duties and consumption taxes for certain provinces;
- administering duty relief measures with respect to certain imported goods;
- providing service for other departments and agencies;
- advising and educating individuals and businesses on their obligations under the law;
- providing information to Canadian businesses that want to take advantage of various international agreements; and
- carrying out activities related to protecting Canadian society and industry through the detection of illegal cross-border activities such as the entry of illegal goods and inadmissible people.

All the above activities support Canada's industrial competitiveness and economic and social policy agenda. The business line also exerts considerable influence in international Customs activities, including representing Canada at the World Customs Organization, supporting our Other Government Departments (OGD) partners with international trade negotiations and market access issues, as well as marketing best customs practices through APEC and other international organizations.

## Financial Information

<b>Customs and Trade Administration</b>	<b>1998-99</b>
Planned Spending	\$396,900,000
<b>Actual Spending</b>	<b>\$441,800,000</b>

Additional spending authority, beyond the planned spending (Main Estimates), was provided through in-year Supplementary Estimates for a number of initiatives such as the implementation of Federal Budget measures; operating Budget carry-forward; and additional operating costs including the Canada Post Corporation handling fee. In addition, the impact of new collective agreements covering both 1997-1998 and 1998-1999 fiscal years are reflected in actual spending.

Once again in 1998-1999, surging imports (up more than \$25 billion over 1997-1998) and heavy traffic at “hot spots” (major airports and high volume land border sites) increased pressure on already strained services. Despite the introduction and expansion of initiatives, such as CANPASS for travellers and the commercial Machine Release System, the Department had to reallocate funding to Customs in order to maintain service levels in areas critical to both the regional and Canadian economies. While we will continue to advance and develop innovative service options, many of which were discussed extensively during the successful *Customs Blueprint* consultations in 1998-1999, it is clear that the provision of adequate resource levels on a permanent basis will be essential to the maintenance of service and protection levels in the Customs program.

## **Performance Overview**

In the 1998-1999 Report on Plans and Priorities (RPP), Revenue Canada committed this business line to improvements in four key areas: modernizing service delivery; enhancing our approach to compliance; defining the future direction of customs operations; and strengthening international relations.

During 1998-1999, we continued to move ahead with the introduction and expansion of innovative services such as CANPASS and commercial machine release. Service levels across the program remained high and client satisfaction indicators were very positive. Service standards were extended to cover both travellers and commercial processes.

We moved to strengthen risk management practices and developed a compliance strategy that established the foundation for program compliance goals, with priorities related to social, health, economic, and other risks. At the same time, developmental work continued on the Administrative Monetary Penalty System, including proposed legislative and regulatory changes.

We also undertook an extensive consultation exercise across Canada. After having listened to the views of stakeholders and clients on the *Customs Blueprint*, we are now poised to confirm a clear plan of action for the future of the program.

To strengthen Canada’s international relations, strong and active support was provided to international trade organizations such as G7, WTO, APEC, and NAFTA, and our best practices were shared with a number of Canada’s trade partners such as Chile, Vietnam, Mexico, and China.

A more detailed review of the results achieved for each commitment identified in the RPP is provided in the following pages.

## Report on Specific Commitments

### To modernize service delivery we committed:

1. To optimize service delivery by facilitating client compliance and by making business processes more responsive to clients needs; results will be assessed by time studies on low-risk commercial shipments and compliance rates

The Customs program operates in “real time,” which means that the Department has no control over the volumes, time, and location of arriving people, goods, or commercial and courier shipments, which it must process. Efforts are, therefore, directed at improving ways to manage fluctuations, concentrations, and trends in volumes.

Over 104 million travellers were processed in 1998-1999 (refer to Figure 2-1). While overall traveller traffic was down, volumes and pressure increased at major airports (i.e. Toronto and Vancouver up by 680,000 travellers) and at a number of already high traffic land border locations. The maintenance of efficient and effective customs service at these “hot spots” is critical to the continued economic growth of Canada given that they process a disproportionate share of the commercial and traveller volume entering Canada. Although travellers decreased slightly at other land sites, these sites are already staffed at the minimal level needed to ensure a viable and safe operation.

The Department will continue to develop innovative approaches to address volume increases, and a number of initiatives were undertaken or expanded during the year, such as CANPASS. Nevertheless, the successful management of the growing pressure at major airports and land crossings will require not only innovative and effective processing measures, but adequate resources to ensure that high service levels, critical to both regional and national economies, are maintained.

As indicated in Figure 2-1, a client satisfaction level of 92% was realized in the travellers stream, while a compliance rate of over 97% was maintained.

**Figure 2-1: Travellers**

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Estimates 1998-99
Travellers Processed (000s) <sup>1</sup>	105,538	109,145	109,448	<b>104,698</b>	<b>113,000</b>
Compliance Rate (%) <sup>2</sup>					
Air	92.3	93.6	92.0	n/a <sup>4</sup>	<b>93.0</b>
Highway	96.7	97.6	97.2	<b>97.7</b>	<b>98.0</b>
Client Satisfaction (%) <sup>3</sup>	n/a	91.5	91.3	<b>92.1</b>	<b>93.0</b>
1	Individuals entering Canada reporting to customs by any mode.				
2	Travellers, by any mode, who comply with the laws administered by Customs and Trade Administration. This measure is a result of statistical sampling carried out systematically at points of entry across Canada.				
3	Travellers who, when surveyed, indicate that they are reasonably to very satisfied with the service they received.				
4	Air stints deferred due to resource pressures. Indications are that actual performance was consistent with 97-98 levels.				

Commercial releases continued to increase and moved beyond the 10 million threshold (up 5.8% in 1998-1999) and there was a 7.5% increase in courier volumes (refer to Figure 2-2). While resources have not kept pace with this growth, volumes have been managed through internal resource reallocation and innovative client service options, including the increased use of EDI (41% in 1998-1999) and Line Release, (pre-arrival processing) at 62% in 1998-1999. As noted, in 1999-2000, we will need to reassess our ability to continue to cope with these volume increases and may need to seek additional funding.

**Figure 2-2: Commercial**

(000s)	Actual 1995-96	Actual 1996-97	Actuals 1997-98	Actuals 1998-99	Estimates 1998-99
Releases Processed <sup>1</sup>	7,790	8,600	9,559	<b>10,113</b>	<b>11,000</b>
Entry Accounting Documents Processed <sup>2</sup>	9,994	10,299	11,279	<b>11,778</b>	<b>11,400</b>
Postal Shipments Assessed <sup>3</sup>	1,759	1,879	1,858	<b>1,776</b>	<b>1,700</b>
Courier Shipments Released <sup>4</sup>	5,971	7,113	8,208	<b>8,639</b>	<b>9,500</b>
Courier Shipments Released less than \$20 <sup>5</sup>			12,813	<b>13,955</b>	<b>12,500</b>
1	Commercial shipments arriving by highway, air, rail, and marine modes and presented for release.				
2	Customs Coding Forms (B3s) processed.				
3	Customs Postal Import Forms (E14s) processed.				
4	Courier shipments released with a value greater than \$20 and less than \$1,600.				
5	New indicator introduced commencing 1998-99.				

Appraisal and adjustment is the review of accounting documents to ensure trade data integrity for the trade programs, such as tariff classification, origin, and values. The number of documents presented to the Department by the importers covering all goods imported have increased over the last two years, and the number of documents presented to correct original information submitted to the Department by importing businesses have gradually declined as indicated in Figure 2-3.

The trade business process is currently being reviewed under the Performance Management Project to ensure that performance indicators reflect the current way of doing business, i.e., period verification reviews instead of transaction by transaction.

**Figure 2-3: Appraisal and Adjustment**

(000s)	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Estimates 1998-99
Entry Accounting Documents	9,994	10,299	11,279	<b>11,778</b>	<b>11,400</b>
Commodity Declarations Presented <sup>1</sup>	24,860	27,937	31,309	<b>34,308</b>	<b>33,947</b>
Commodity Declarations Referred to TAS Officer for Review <sup>2</sup>	1,816	1,685	1,191	<b>n/a</b>	<b>n/a</b>
Adjustments Processed <sup>3</sup>	367	307	268	<b>206</b>	<b>295</b>
<sup>1</sup>	Individual lines of transaction presented on entry accounting documents.				
<sup>2</sup>	Due to the implementation of Tariff Simplification and Periodic Verification, this is no longer a key indicator. Approximately 12,000 commodity declarations will continue to be selected for mandatory purposes or for correction of validation errors.				
<sup>3</sup>	Includes appeals, either importer-generated requests for adjustments (refunds, non-revenue changes, voluntary amendments) or Customs-generated adjustments, and all drawbacks claims and certificates.				

2. To locate business processes and decision-making closer to the points of service delivery

In order to locate business processes and decision-making closer to the points of service delivery, a service delivery framework was completed in 1998-1999. This framework is designed to assist front-line managers in making service delivery decisions on a consistent basis using national criteria to evaluate service options. In addition, under Phase II of the Inland Alternate Service Strategy, the Department continues to review workload activities at small inland offices with a view to further increasing efficiency, rationalizing resources, and maximizing the use of technology.

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3. To use risk management techniques to facilitate the movement of goods and people, while strengthening protection efforts
- 

The CANPASS program was introduced to expedite the movement of frequent, low-risk travellers and it has proven highly successful in the highway mode. CANPASS was piloted in 1996-1997, at which time 80,000 frequent travellers used this process. Currently close to 1.1 million travellers entered Canada through dedicated highway lanes at CANPASS service sites in 1998-1999. This volume is expected to increase annually. Building on this success, CANPASS efforts are being extended in other modes, such as private aircraft and boats.

To process greater volumes of low-risk commercial shipments and reduce the amount of time spent clearing goods through customs, increased use of electronic service delivery was employed. During the year, significant investment was made in improving the release system performance. As a result, client participation in the electronic release process increased from 35% of the total number of commercial releases to 51%. Furthermore, the Machine Release System processed 13.4% of all electronic commercial releases, without human intervention. It is expected that this percentage will increase to 40% or higher by the end of 1999-2000. The objective is to reduce processing times and redeploy resources to higher risk areas.

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4. To develop, publish, and post service standards for all program areas to let clients know what services to expect
- 

Standards are in place in the travellers stream and are being maintained. They have now been implemented nationally in the commercial stream at all automated commercial offices. For example, a 45-minute turnaround time for Electronic Data Interchange was established for 1998-1999 and is estimated to have been met approximately 86% of the time.

**To enhance our approach to compliance we committed:**

- 
1. To develop a comprehensive compliance strategy in 1998-1999, to implement a holistic approach to compliance, verification, and enforcement
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To enhance compliance efforts and contribute to the governmental priority of safe communities, a compliance strategy framework was developed in 1998-1999. This strategy is based on a multi-year plan that defines compliance priorities for all areas of the Customs and Trade Administration program, including activities directed toward detecting contraband. Priorities will be related to social, health, economic, and other risks.

In addition to the development of this framework, 109 periodic verification audits were carried out in support of strengthening trade policy compliance. Such compliance is critical for Canadian business, workers, and the economy overall, in an era where one in three Canadian jobs is dependent on trade.

To improve enforcement capability while enhancing service, the process for installing increased inspection technology was initiated for 22 remote land border crossings.

Flexible response teams and marine examination teams continued to operate with considerable success. In 1998-1999, there were over 6,000 drug seizures and over 8,000 seizures of other contraband, such as tobacco, alcohol, and jewellery, totaling over \$317 million in value (see Figure 2-4).

**Figure 2-4: Contraband**

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual <sup>2</sup> 1998-99	Estimates 1998-99
Contraband <sup>1</sup> Seizures Value (\$000s)	1,002,000	694,000	534,725	<b>317,900</b>	<b>800,000</b>
1	Includes drugs, alcohol, jewellery, and tobacco.				
2	The value of seizures in 1998-99 was less than estimated and was almost entirely due to the continuing decline in drug seizures. Decreases have also been experienced by all Canadian law enforcement agencies. It is believed that criminal organizations have become more sophisticated in their smuggling efforts and they are increasing their use of internal conspiracies. Actions are underway to address this organized criminal activity and to reduce smuggling.				

Officer Powers legislation received Royal Assent during 1998-1999. Implementation will provide for designated customs officers to have expanded powers of detention and arrest under the Criminal Code. As a step towards the implementation of this initiative, Personal Protection Training for our inspectors commenced in late 1998-1999.

The Our Missing Children program unites Revenue Canada, the RCMP, Citizenship and Immigration, and the Department of Foreign Affairs and International Trade in a partnership whose objective is to locate and reunite missing children with their lawful parents or guardians. By the end of 1998-1999, 815 children, including 441 U.S. children, were recovered at the Canadian border.

The Department remains vigilant to ensure that unfair trading practices by other countries are challenged and eliminated, to protect Canadian industry. For example, since the fall of 1998, steel industry officials in Canada have maintained a strong public posture regarding the dramatic increase in imports of low priced steel from various sources. In quick response to the complaints, the Department initiated three investigations to provide the

earliest possible protection. The Canadian International Trade Tribunal has since issued injury findings in all three investigations. These investigations are included in Figure 2-5. One aspect of our mandate is developing and administering a legislative framework and associated interpretative policies that contribute to an effective and responsive customs and trade administration. This contributes to the competitiveness and protection of Canadian industry and promotes foreign investment to stimulate private sector growth.

**Figure 2-5: Interpretative Policy Determination and Appeals**

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Estimates 1998-99
<i>SIMA</i> Complaints from Canadian Industries <sup>1,(a)</sup>	24	19	26	36	24
<i>SIMA</i> Investigations (on a country basis) <sup>2,(a)</sup>	n/a	7	6	13	15
<i>SIMA</i> Measures (on a country basis) <sup>3,(b)</sup>	n/a	22	30	35	46
Valuation Policy Interpretations	127	90	84	n/a <sup>4</sup>	44 <sup>4</sup>
Tariff Classification and Policy Interpretations	12,569	9,567	12,191	9,275	10,760
Tariff, Valuation and <i>SIMA</i> Appeals	9,348	5,162	3,390	637 <sup>5</sup>	4,300 <sup>5</sup>
1	<i>SIMA</i> ( <i>Special Import Measures Act</i> /anti-dumping) figures include initial enquiries and formal complaints, whether or not they lead to an investigation. <i>SIMA</i> complaints may be lodged when a Canadian manufacturer believes it is being harmed by dumped or subsidized imports. The number of complaints generally varied depending on the state of the Canadian economy. The actual number is difficult to predict with accuracy.				
2	A country may be included more than once in this figure if it is subject to more than one investigation.				
3	Number of re-investigations. A country may be included more than once in this figure if it was subject to more than one <i>SIMA</i> /Anti-Dumping measure.				
Notes:	(a) Estimates for 1998-99 were based on the number of countries involved in the <i>SIMA</i> complaints on hand, which were reasonably expected to lead to investigations. However, the cases that were initiated, although complex in their nature, involved fewer countries than expected.				
	(b) The number of countries reviewed was less than originally estimated in part due to the revocation of certain <i>SIMA</i> measures made by the Canadian International Trade Tribunal.				
4	A new indicator is currently being developed as part of the Customs and Trade Administration Performance Management Project.				
5	The variance is due to the transfer of tariff and valuation appeals to the Appeals Branch. However, actuals for 1998-99 do include tariff cases which were in progress and completed by Customs and Trade Administration.				



Figure 2-6 reflects the continuing high degree of success of appeals handled by Customs and Trade Administration. In 1998-1999, 100% of the departmental decisions with respect to SIMA appeals were either accepted by the client (98.6%) or upheld by an external tribunal (1.4%).

**Figure 2-6: Interpretative Policy Determination and Appeals  
Acceptance of Final Departmental Decisions <sup>1</sup>**

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual <sup>2</sup> 1998-99	Estimates 1998-99
Accepted (%)	93.9	96	95.7	<b>98.6</b>	<b>96.0</b>
Upheld by External Tribunal (%)	2.8	2.8	3.0	<b>1.4</b>	<b>2.0</b>
Overtured by External Tribunal (%)	3.3	1.2	1.3	<b>0.0</b>	<b>2.0</b>
<sup>1</sup>	Includes decisions that are potentially appealable to an external body, where the final departmental decision does not fully agree with the appellant's contention.				
<sup>2</sup>	Customs and Trade Administration no longer tracks this indicator for tariff and valuation appeals as these appeals are now the responsibility of Appeals Branch.				

### *Administrative Monetary Penalty Structure*

Fairness is key in maintaining and enhancing voluntary compliance with the legislation, regulations, trade agreements, and other instruments that the Department administers. One aspect of fairness is ensuring that any penalties imposed for infractions are reasonable, graduated to fit the degree of violation, and sufficient to deter repeat offences where deliberate non-compliance is found. For this reason, work continued on the Administrative Monetary Penalty System. This work will continue through to 2001-2002 as an integral component of the *Customs Blueprint*, for the eventual implementation of the penalty system and its subsequent automation.

2. To introduce a commercial pre-clearance solution to facilitate import control activities at certain locations burdened by traffic congestion

Progress continued to be made on the Canada-U.S. Accord on Our Shared Border initiatives. Bill S-22, the *Pre-clearance Act*, was approved by Parliament. It will allow U.S.-bound travellers passing through Canadian airports, to proceed directly to a U.S. pre-clearance area without undergoing a Canadian customs inspection, resulting in a one-stop process. It will give U.S. pre-clearance officers authority (within prescribed limits) to administer their programs on Canadian soil. These concepts may also be used to facilitate commercial cargo pre-clearance at congested land border locations, airports or inland rail hubs. As a first step toward this goal, a Commercial Vehicle Processing Center is under construction at Fort Erie and will function as a staging facility where truckers can ensure their documentation is in order before proceeding to U.S. Customs. It is expected to be operational by November 1999 and will alleviate traffic congestion, thus giving Canadian exporters the benefit of reduced processing times and reducing cost. Long-term solutions, such as those involving pre-clearance, are being actively studied by Canada and the United States.

**To define the future direction of our customs operations we committed:**

To commence consultations in April 1998 with Canadian business and other stakeholders to develop a Customs Blueprint and articulate and share our customs vision for the millennium

Building on past successes and a vision for beyond Year 2000, the *Customs and Trade Administration Blueprint: a Discussion Paper* was developed and published in October 1998. The Blueprint proposed an overall direction for the Customs and Trade Administration program which strives to achieve four critical goals: enhanced service, improved compliance, increased protection, and increased international activity. This includes various service options, process improvements, electronic commerce initiatives, and various automated service delivery opportunities for investment.

Public consultations on the discussion paper were completed on schedule, in the spring of 1999. The consultation process engaged the community, stakeholders and staff to confirm the direction and set out the priorities for the program. Through the consultations, it became clear that the community wanted the streamlining of the border process for low risk people and goods. These consultations also led to the concept of Customs Self-Assessment, which is an audit and profile-based approach that would offer streamlined release, extended accounting time limits, and the use of company systems to report trade data.

A consultation report, which translates the consultation feedback into program priorities, was published on June 30, 1999. An action plan for the implementation of these priorities will be released later in 1999.

**To strengthen our international relations we committed:**

1. To facilitate greater government-to-government co-operation in trade administration

The Department continues to work in close co-operation with a number of other OGD, most notably: Canadian Food Inspection Agency, Department of Foreign Affairs and International Trade, Agriculture and Agri-food Canada, Health Canada, Citizenship and Immigration Canada, Canadian Coast Guard, and Fisheries and Oceans, in administering various regulations relating to their respective programs.

For example, under the Joint Services Initiative with Environment Canada, related to the Convention on the International Trade in Endangered Species of Wild Fauna and Flora (CITES), 13 customs officers received specialized training to enable them to perform some of the functions of Environment Canada Wildlife Inspectors. Planning on phased national implementation of this initiative has begun which will advance single window services and increase efficiency in program delivery at the border.

Implementation of the *Firearms Act* is underway in Revenue Canada. Policies, procedures, and guidelines were issued relating to the movement of individuals and their firearms across the border. Importers and brokers can transmit Electronic Data Interchange release information for certain commodities with OGD requirements and, as of June 1999, a new database has been created to track OGD releases received. There are now 34 participating brokers, with an additional 29 who have registered with the Department.

The Department has also actively pursued partnerships with other levels of government. For example, in 1998-1999, negotiations with British Columbia and Ontario resulted in agreements being established for collection of PST at the border. These agreements eliminate federal/provincial duplication of services, which results in the reduced overall cost of government services and savings to the public.

To better manage increased international activity and ensure a consolidated “Canada” approach, the Department of Foreign Affairs and International Trade and Revenue Canada have established a standing working committee to: share information and consult on each other’s departmental priorities and initiatives, such as the *Customs Blueprint* and the *Kyoto Convention*; work towards resolving common issues between the two departments; and identify areas of co-operation and partnerships to advance each other’s agenda and the broader governmental agenda.

Further efforts were expended towards International Data and Process Simplification and Harmonization. During 1998-1999, the G7 made significant advances in the development of common import and export data sets and is currently developing common Electronic Data Interchange messages. The North American Trade Automation Prototype (NATAP) Pilot scheduled to begin January 1999 was superseded by a G7 pilot as a result of consultations with NAFTA and G7 partners. The import data sets and messages being developed in the G7 forum will be demonstrated through a G7 pilot planned for late 2000 which will build upon the lessons learned from the NATAP prototype. The resultant consistency of data sets and electronic messages and the standardization of requirements will benefit exporters by reducing complexity, processing times, and costs.

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2. To seek international opportunities to “export” best practices for the benefit of Canadian exporters

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In pursuing a more visible leadership role in international trade relations, the Department actively supported a number of economic and trade initiatives in international fora, such as the North American Free Trade Agreement (NAFTA), the Asia Pacific Economic Co-operation (APEC), the G7, the Free Trade Agreement of the Americas, and the World Customs Organization.

Revenue Canada continues to influence, through sharing “best practices,” the direction that foreign customs administrations take with respect to their requirements to be applied to Canadian exports. Under the auspices of APEC and with funding from APEC Secretariat, the Department delivered training to the following APEC members: Chile, Thailand, Indonesia, Philippines, Malaysia, and Brunei, on the Canadian method of administering the Valuation Code. Training was designed and developed by Canada in conjunction with Australia and the United States in the form of three advanced training modules. Canada has also influenced the development of a procedures manual for the Chilean customs service to administer the Canada-Chile Free Trade Agreement. It provided through NAFTA-Customs Web site information on how it administers the NAFTA, and influenced private sector clients and stakeholders to pressure other customs administrations to provide a more facilitative process. Finally, under the Heads of Customs Conference, it helped Mexico in developing a two-step program for clearance of goods.

# Verification and Enforcement

## Description

The objective of the Verification and Enforcement business line is to enhance compliance with the laws administered by the Department. It does this by providing a number of services including:

- examinations, audits, and investigations designed to increase compliance with the income tax and GST laws;
- investigations aimed at ensuring compliance with customs laws;
- verification and enforcement activities at the international level, including the administration of international tax agreements;
- the provision of information to taxpayers to encourage compliance;
- compliance research to allow for improved identification and strategies to deal with non-compliance; and
- the administration of the Scientific Research and Experimental Development program, the Film and Video Production Services tax credit and the Flow Through Shares program.

## Financial Information

<b>Verification and Enforcement</b>	<b>1998-99</b>
Planned Spending	\$554,500,000
<b>Actual Spending</b>	<b>\$600,300,000</b>

Additional spending authority, beyond the planned spending (Main Estimates), was provided through in-year Supplementary Estimates for a number of initiatives such as the implementation of Federal Budget measures; Operating Budget carry-forward; and additional operating costs including Canada-U.S. Treaty (4<sup>th</sup> Protocol) and Enhanced Compliance for Harmonized Sales Tax. In addition, the impact of new collective agreements covering both 1997-1998 and 1998-1999 fiscal years are reflected in actual spending.

## Performance Overview

In the 1998-1999 Report on Plans and Priorities (RPP), Revenue Canada committed this business line to improvements in three key areas: modernizing service delivery; enhancing our approach to compliance, and strengthening our international relations.

Despite the fact that direct client service demands in other business lines necessitated the reallocation of resources away from this business line, program performance targets were met or exceeded in almost all areas.

In 1998-1999, the total fiscal impact of enforcement was \$5.5 billion, well in excess of our target of \$5.3 billion and close to our 2000-2001 target of \$5.7 billion. We are well on our way to achieving our target ahead of schedule, despite the fact that fewer resources than estimated were available. While we continued to have difficulty in hiring and retaining qualified audit staff in some offices, we still managed to audit almost 50,000 more files than estimated.

Substantial progress was made to improve the client orientation of the SR&ED Tax Credit program while simultaneously strengthening the program's integrity. Building on already good relationships with other departments and provinces, we continued to aggressively challenge the underground economy through the introduction of new measures and the expansion of existing, proven practices.

Internationally, we have promoted and contributed on a range of policy and administrative items that are critical to maintain the integrity of Canada's tax system in the face of globalization and technological advances such as electronic commerce and the Internet.

A more detailed review of the results achieved for each commitment identified in the RPP is provided in the following pages.

## **Report on Specific Commitments**

### **To modernize service delivery we committed:**

To effectively administer the Scientific Research and Experimental Development (SR&ED) tax credit program by increasing the timeliness of payments, enhancing certainty and consistency, and reducing the costs of compliance and paper burden

The Scientific Research and Experimental Development (SR&ED) Tax Credit program allows qualifying claimants to receive tax credits to help finance research efforts. To increase the timeliness of payments, enhance certainty and consistency, and reduce the costs of compliance and paper burden, the Department launched several new initiatives based on a more client-oriented approach to the SR&ED program, including:

- undertaking pre-claim project reviews before tax credits are requested;
- providing for an account executive service whereby a specific science advisor assumes continual responsibility to facilitate the company's SR&ED claims; and
- staffing of national technology sector specialists to improve liaison with industry sectors and to identify and resolve industry-wide concerns.

New risk management tools are used to assess a claimant's history, and to assist in determining claims which should be accepted while minimizing government intervention in the claimant's operations.

Currently, approximately 11,500 Canadian companies claim over \$1.3 billion in investment tax credits (ITC) each year through the SR&ED Tax Credit program. Claims from small- and medium-sized businesses generally represent about three-quarters of the total number of claims, and these participants receive about 35 per cent of the value of ITCs under the program.

The Department is building stronger partnerships with industry by holding consultations with industry organizations, and providing them with opportunities to contribute to the development of performance standards, documentation requirements, and interpretation of the criteria pertaining to science eligibility as it applies to the SR&ED Tax Credit program. A conference on Building Partnerships held in June 1998 brought together government officials, associations, and companies to develop real solutions to the issues at hand. An action plan was developed and is well underway in its implementation. It will make three fundamental differences in the way the program is planned and managed:

- it will become much more client-oriented in its day-to-day operations;
- through close co-operation with industry, the program's strategies and future direction will be guided by the needs of Canadian business; and
- with improved communications, clients will better understand how the program works and how they can ensure full access to benefits. To further stimulate dialogue on SR&ED, the Department is investigating a feedback system to monitor disputes and to evaluate customer satisfaction. Joint training for industry and Revenue Canada is being developed to educate participants on audit techniques, key issues, standards, and guidelines on a timely basis.

**To enhance our approach to compliance we committed:**

1. To promote public trust in the fairness, integrity and efficiency of Canada's revenue system by encouraging voluntary compliance and ensuring that taxpayers pay their fair share of taxes; the Department will examine trends in non-compliance to measure performance

*Compliance Strategy*

The Department published *Compliance: from Vision to Strategy* in March 1997, to outline its approach to compliance, emerging issues, and challenges being addressed. The strategy is being updated and expanded to ensure that it remains relevant and effective, and focuses on an appropriate mix of service, education, and responsible enforcement that is continually adapted to meet the changing operating environment. Major factors affecting the current strategy are:

- the analysis of research on social and economic trends affecting compliance;
- continued advancements in risk management and assessment techniques (e.g., detecting under-reported income) to better target high-risk areas;

- research and analysis on the compliance effects of service and educational initiatives;
- major technological implications for compliance in electronic commerce;
- the changing face of the international economy resulting from globalization; and
- the results of consultations on the Customs Blueprint and the Fairness Strategy as well as the work underway to develop a Service Delivery strategy.

### *Electronic Commerce*

Following the release of the report on Electronic Commerce from the Minister's Advisory Committee in April 1998, and consultations with 18 business groups and associations and five provincial representatives, four Technical Advisory Groups (TAG) were created to advise the Department. A news release was issued in May 1999 outlining the terms of reference and composition of the TAGs.

Departmental expertise related to audit and investigation of automated systems and electronic information is being enhanced. Seven accounting profiles were developed to facilitate the audit of automated systems and electronic information, and a pilot for employee training in electronic commerce has been developed and is currently being validated.

### *Targeting the Underground Economy*

Since its inception in 1993, approximately 1,000 full-time employees have been allocated to the Targeting the Underground Economy initiative. The overall objective of the initiative is to increase voluntary compliance through awareness of the underground economy and its impact on government programs, to increase visibility among small and medium enterprises where cash transactions are prevalent, and to increase outreach programs and education to taxpayers. As part of the outreach program, Revenue Canada conducted 37 community visits and visited 5,824 businesses.

To maximize the impact of its compliance activities and to enhance its ability to measure that impact, the Department targets specific sectors where underground economic activity is prevalent. For example, the reporting of information to Revenue Canada is improving with the issuance of T4A information slips by federal departments and agencies for contract payments made on or after January 1, 1998 and by Crown corporations for contract payments made after January 1, 1999. Effective January 1, 1999, contractors must provide identification information as a requirement of contracting with federal departments, agencies, and Crown corporations.

The mandatory Contract Payment Reporting system for the construction sector was implemented for transactions beginning January 1, 1999. Benchmarking compliance behaviour will be conducted during future reporting cycles to determine the impact of the reporting system on compliance in the sector. Consultations with the industry on the design of the reporting system will continue into 1999-2000.



Revenue Canada continues to work closely with Human Resources Development Canada (HRDC) to address the underground economy. Memoranda covering information sharing between Revenue Canada and HRDC allow for increased opportunities for enhanced compliance.

Following the Auditor General's report on the Underground Economy Initiative (UEI), tabled in April 1999, and our commitment to the Public Accounts Committee in May 1999, the Department has taken the following actions:

- increased the number of community visits planned for 1999-2000 to 60, thus restoring the number of visits to the 1995-1996 and 1996-1997 levels;
- continued to consult with the construction industry in relation to the implementation of the Contract Payment Reporting system;
- continued to develop research plans to gain further insight into how best to communicate the message regarding the impact of the underground economy;
- made modifications to departmental reporting systems to enable the capture of additional gross unreported income identified through the UEI;
- initiated a review to explore the implications of expanding this reporting to regular audit activities;
- initiated a review to explore options to report on the amount collected versus the additional taxes assessed by the UEI, with the objective of having any necessary system changes in place for the fiscal year 2000-2001;
- transferred the Voluntary Disclosure Program on April 6, 1999 from the Investigations Directorate, Verification Enforcement and Compliance Research Branch to the Appeals Branch to address public perception regarding impartiality and fairness; and
- planned consultations with internal and external stakeholders for the fall of 1999 to clarify and enhance the rules and the process for the Voluntary Disclosure Program, with the objective of announcing a new policy by March 31, 2000.

#### *Counteracting Evasion, Smuggling, and Fraud*

Given the growth of international organized crime groups and increasingly complex financial environments, an anti-evasion division was created. It co-ordinates Revenue Canada's approach to the problem of non-reporting of income in the illegal and quasi-illegal economies. During 1998-1999, the Anti-Evasion Division increased the level of awareness within the Department, other federal departments and agencies, and foreign tax authorities in an effort to improve the sharing of best practices among groups that focus on the problem of evasion. A strategy on anti-evasion, smuggling, and fraud has also been drafted.

The *Income Tax Act* was amended in August 1998 to address a growing problem with abuse and manipulation of both the income tax refund system as well as other social benefit systems administered under other federal statutes. It is now an offence to obtain or claim a refund or credits for which there is no entitlement or to obtain or claim a refund or credit in an amount greater than the amount to which taxpayers are entitled

under the *Income Tax Act*. Prior to the enactment, this workload was referred to the Royal Canadian Mounted Police (RCMP) for the laying of charges under the Criminal Code.

### *Organized Crime*

The Department was involved in a working group with representatives from the Department of Finance, Solicitor General's Office, RCMP, Department of Justice, Canadian Security Intelligence Service, and Citizenship and Immigration Canada. This working group was charged with drafting the revised *Proceeds of Crime (money laundering) Act*. The Bill to amend the Act is scheduled to be introduced in the House of Commons in 1999. Once passed, the Act will require that financial institutions report suspicious transactions to a central information agency. Information will then be disclosed to Revenue Canada Investigations in cases of suspected money laundering, tax evasion, or the evasion of duties.

The goal is to ensure that tombstone information will be disclosed to Revenue Canada at the same time as it is disclosed to other law enforcement agencies. The Department's presence on the working group has provided other departments and agencies with a better understanding of how Revenue Canada can assist in addressing the problem of organized crime. Implementation is expected to occur during the summer of 2000.

### *Voluntary Disclosures*

There has been an increased level of voluntary disclosures. There were 1,633 voluntary disclosures relating to income tax and GST last year compared to 1,227 the previous year. This represents a significant increase of 33% (or 303) income tax and (103) GST disclosures over the past year. As of April 1999, the Appeals business line assumed the responsibility for voluntary disclosures.

### *International Tax*

The new legislation on transfer pricing received Royal Assent on June 18, 1999. External consultations on the information circular on transfer pricing issues are complete and an updated circular should be released in the fall of 1999. Additional resources have been allocated for transfer pricing issues. This initiative has three components that include setting up a Transfer Pricing Assistance Program in Taxation Service Offices, promotion of Advance Pricing Arrangements (APA), and enhancement of Exchange of Information. With the new reporting requirements, an increase in the international compliance workload related to transfer pricing is expected.

As a result of the increased audit activities on international transactions, the Department is currently faced with significant workloads in APAs, exchanges of information, and double taxation cases. Efforts invested on transfer pricing issues relating to international transactions will continue to enhance compliance through alternative means, such as the

APA program, and reduce the effects of double taxation on cross-border activities by improving the competent authority process.

The foreign-source income reporting rules were implemented beginning with the 1998 tax year to enhance compliance with the tax laws. An action plan for utilizing the information obtained under the foreign reporting rules to verify taxpayers' self-assessments has been developed and is currently being implemented. The first filings for the non-resident trust and foreign affiliate information returns were April 30, 1998, and June 30, 1998, respectively. The first filing for the foreign investment property returns was April 30, 1999. A foreign investment reporting system is being developed for fiscal year 2000-2001 to evaluate the initiative and measure the audit changes that can be attributable to information obtained under the foreign reporting requirement.

The Minister of Finance announced changes to the rules governing deemed disposition upon emigration in October 1996, and subsequently invited public comment on the proposed draft legislative changes prior to the end of March 1999. Implementation of proposed changes to the income tax rules governing taxpayer migration will ensure that property moved or transferred from Canada by emigrants is properly taxed in Canada. The proposed changes will require emigrants to calculate their tax liability as though they had disposed of all property other than Canadian real estate property of a business carried on in Canada, pension, other income rights and certain other property, and to either pay the tax immediately or provide the Department with security. These changes also require all individual emigrants who have left Canada after 1995 to report to the Department all property valued at \$25,000 or more with the exception of personal-use property valued under \$10,000. The Department is preparing to implement the proposed changes and to conduct post-assessing compliance verification activities to ensure compliance with the new requirements. To date, changes to the legislation have not been tabled in the House of Commons.

Following the Auditor General's report tabled in December 1998 and our commitment to the Public Accounts Committee (PAC) in March 1999, staffing action in the International Tax Directorate was intensified. The Director General position has been permanently staffed and a Deputy Director General has been appointed. Competitions to staff director, manager, and officer positions are underway or have been completed. In addition, the following actions have been taken:

- a demographic study was completed in April 1999;
- the development of competency profiles was initiated and should be completed by December 1999;
- a Recruitment and Apprenticeship program was implemented and 40 employees were recruited in May 1999; and
- plans were put in place for a fall 1999 launch of an Accelerated Development Program pilot project for auditors.

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2. To increase the total fiscal impact of enforcement to \$5.7 billion by 2000-2001

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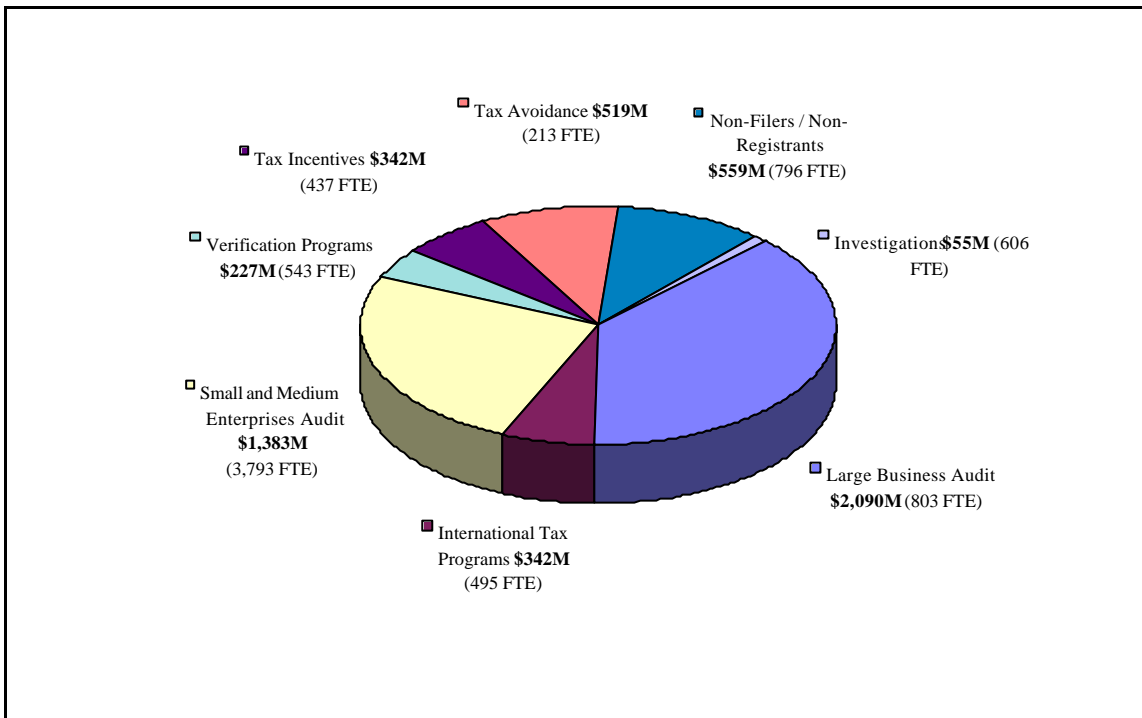
*Increasing Enforcement*

Increasing the level of coverage of unincorporated businesses remains a high priority for Revenue Canada. The Department's goal is to return to the coverage levels of the late 1980's by 1999-2000. In recent years, additional resources have been added to achieve this goal, in conjunction with ongoing improvements in our ability to identify non-compliance and better target our resources to areas of highest risk. Audits in this segment of the population resulted in a total fiscal impact of over \$361 million in 1998-1999. This represents an increase of approximately 28% over the 1997-1998 achievement. Notwithstanding the continued difficulties with high rates of attrition and in hiring qualified audit staff in some offices, Revenue Canada is confident that actions taken to date will show a continued and accelerated improvement in audit production in 1999-2000. They include more aggressive staffing actions, reaching a balance between full- and limited-scope audits, and developing more sophisticated tools such as the Audit Laptop System to improve the efficiency of auditors.

The Department continues to conduct combined GST and income tax audits of small businesses. For medium-sized businesses, audits are generally focused on one tax while a compliance review of the other tax is carried out. This has improved the delivery of services to the taxpayer and has resulted in better compliance coverage.

The following figure illustrates the sources of total fiscal impact generated in 1998-1999 by the major Verification and Enforcement programs.

**Figure 3-1: Verification and Enforcement Programs - Actual 1998-1999 Federal and Provincial Taxes-Total Fiscal Impact of \$5.5 billion <sup>1</sup>**



- 1 Total fiscal impact includes federal and provincial tax (participating provinces only), federal tax refunds offset or reduced, interest and penalties, and present value of future tax assessable. International Tax Programs recoveries totaled \$583 million when including recoveries related to the assistance provided to other programs in audits of international transactions.
- 2 FTE numbers represent operations resources directly related to program activities and exclude FTE used in support programs such as Valuation Services or providing service to other program areas.
- 3 Results from Customs Investigation are not included. Please refer to Figure 3-3.

3. To enhance identification of persons not filing income tax returns or not registering for GST through analysis and matching data from various sources; trends in the amounts recovered will be used to measure performance

### *Non-Filer/Non-Registrant Program*

The Non-Filer/Non-Registrant Program is using a more strategic approach to better assess tax at risk in non-compliant segments of the population. Additional full-time equivalents (FTE) were allocated to the Non-Filer/Non-Registrant Program to augment work being done on projects addressing the sectors identified in the Underground Economy initiative. These resources were responsible for obtaining an additional \$50 million in federal income tax assessed. A further ten

The Data Warehouse initiative has been scaled back and replaced by the Compliance Measurement, Profiling, and Assessment System (COMPASS). This new system will consist of an integrated data store, a risk-assessment system that consolidates risk over a variety of program lines, a set of on-line analytical tools, and an enforcement workload delivery system. In addition, a national leads tracking system will be amalgamated with COMPASS to provide an integrated system that goes beyond the generation of lists of potential non-compliant taxpayers. This system will allow for workload selection that targets high-risk sectors, and facilitate on-line analysis of compliance trends.

### *Combating Tax Avoidance*

To address the challenge of emerging tax avoidance issues and abusive tax shelters, the Department identifies systemic issues and makes appropriate recommendations for legislative amendments. The February 16, 1999 Budget proposed an income splitting tax that would prevent high-income individuals from reducing taxes by splitting their income with minor children. The Budget also proposed civil penalties for making or counseling false statements in respect of another taxpayer's tax matters.

Between 1997-1998 and 1998-1999, additional resources have been allocated to the Tax Avoidance Program to ensure that the Department has the capability to promptly address issues of tax avoidance. Revenue Canada continues to monitor overall promotion and sales activity related to tax shelters in order to identify and audit abusive tax shelter promotions. As a result of the increased level of attention to tax shelters and the recent changes to the legislation, tax shelter sales went down to \$961 million in 1998 compared to \$1,463 million in 1997. The increased attention to overall avoidance activity resulted in an additional \$97 million in federal tax recovery over last year, for a total of \$358 million for 1998-1999.

The Department continues to challenge arrangements designed to circumvent the application of tax law. The application of the general anti-avoidance rule was considered in different types of issues such as foreign inter-corporate financing arrangements; transfers of losses between arm's length parties; avoidance of Part I.3 large corporations tax; weak currency borrowings; sale and leaseback arrangements to create capital cost allowance deductions; and inflating SR&ED expenditures eligible for investment tax credit.

The Department is detecting arrangements designed to avoid the GST. For example, numerous cases have been identified where individuals are using their tax-exempt status to purchase large-ticket items such as vehicles on behalf of third parties. As these and other GST avoidance issues continue to be identified, GST avoidance is expected to form a larger part of the program's workload in the future.

### *Strengthening Partnerships*

One important way in which the Department is improving processes is by building partnerships. In 1998-1999, a Memorandum of Understanding was signed with the RCMP for the secondment of Revenue Canada personnel to the Integrated Proceeds of Crime (IPOC) units across Canada. The units across Canada bring together enforcement related resources, namely the RCMP, Department of Justice counsel, provincial and municipal police, and Revenue Canada forensic investigators. The mandate of this initiative is to: investigate and seek forfeiture of unreported assets of individuals known to be involved in criminal activities, and to ensure that criminals do not profit from their illicit activities; and, further, that such profits are not used to facilitate the commission of additional crimes. Initial results of the tracking of IPOC referrals indicate a marked success. During the first year, this initiative resulted in \$13.8 million in taxes, penalties, and interest being assessed, and fines of \$70,800 being levied.

A close liaison with the Department of Justice is necessary to succeed in highly technical forensic tax fraud prosecutions and the equally complex nature of related Charter challenges. This has necessitated the creation of legal units within Justice regional offices solely dedicated to tax matters. Two such dedicated tax prosecution units are currently in operation and similar units may be set up in all major centres. The existence of dedicated tax prosecution offices ensures that prosecutors remain current with the latest developments in the law impacting Investigations programs. They also carry the mandate of ensuring that agents receive all necessary support. Fraud presentations are being provided to lawyers and Crown agents across the country to help bridge the gap of understanding the Verification and Enforcement programs. These and other training initiatives are universally well received and will continue to expand through 1999-2000.

#### **To strengthen our international relations we committed:**

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To share experiences and best practices with other countries through participation in bilateral and multilateral exchanges and international organizations such as the Organization for Economic Co-operation and Development (OECD) and Pacific Association of Tax Administration (PATA)

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The Department's active contribution to the OECD Strategic Management Forum has led to the development and promotion of principles of good tax administration. In 1998-1999, the Department also participated in the OECD Forum on Harmful Tax Practices which has promoted a consistent approach in responding to tax haven countries by agreeing on criteria to identify tax havens and on a list of countries meeting these criteria. It also determined changes to legislation and administrative practices that would remove these countries from the list of tax havens.

The promotion of multilateral information exchanges with other tax jurisdictions has led to a growing awareness of compliance for individuals who may have been able to divert their incomes to other jurisdictions to avoid reporting same in Canada. Increasing the ability of identifying and determining if world income is properly reported not only impacts on voluntary compliance of those who have interests abroad, but also delivers a message of fairness to those who comply in Canada.

In addition, multilateral information exchanges have led to the sharing of best practices with respect to fairness, client services, collections, and studies on risk management. This process allows tax administrations to learn from successes and failures of other countries.

The Department has on-going liaison with numerous world customs agencies to deal with common interests relating to enforcement with respect to the movement of goods across international boundaries. Canada has over 65 tax treaties that contain exchange of information provisions relating to taxation. Through the Specific, Spontaneous and Routine Exchange programs, Revenue Canada exchanges more than 750,000 pieces of information with other treaty countries.

Finally, there is continued liaison on electronic commerce issues with the Department of Finance officials and with senior officials in other countries through the OECD, the PATA, and other international organizations.



## Summary Program Results

Figure 3-2 provides a summary of program results, major types of workloads completed, and overall resources utilized in the delivery of Verification and Enforcement programs in 1998-1999, with comparable figures from previous years to illustrate trends over time.

**Figure 3-2: Summary of Program Results**

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Estimates 1998-99
<b>Total Fiscal Impact</b> (\$ millions) <sup>1</sup>	4,481.8	5,229.2	4,955.0	<b>5,516.9</b>	<b>5,281.6</b>
<b>Major Outputs</b> (Workload Completed)					
Files Audited	209,655	214,519	284,586	<b>276,498</b>	<b>227,379</b>
Non-Filers / Non-Registrants - Returns / Registrations	391,504	487,671	440,573	<b>498,326</b>	<b>428,471</b>
Investigations - Enforcement Actions	2,098	2,194	2,492	<b>2,151</b>	<b>2,160</b>
GST Domestic Rebates Processed	238,903	269,924	254,459	<b>240,682</b>	<b>297,160</b>
Non-Resident Returns Processed	227,203	298,376	294,380	<b>296,607</b>	<b>287,077</b>
International Tax - Other Outputs <sup>2</sup>	31,030	33,568	38,248	<b>506,322</b>	<b>361,452</b>
<b>Associated FTEs</b> <sup>3</sup>	<b>8,087</b>	<b>8,159</b>	<b>8,846</b>	<b>9,322</b>	<b>9,408</b>
<sup>1</sup>	Total fiscal impact as defined in Figure 3-1, noting that actual amounts billed or refunded may be different due to availability of taxpayer requested offsetting adjustments, or appeals or write-offs of uncollectable amounts.				
<sup>2</sup>	International Tax - Other includes Non-resident Waivers and Dispositions, Non-Resident Enquiries and Adjustments and Non-Resident Withholding Tax. Non-Resident Enquiries and Adjustments and Non-Resident Withholding Tax have been reported for the first time in 1998-99. There were 321,870 enquiries compared to an estimated 225,000, no fiscal impact is recorded from this source. There were 147,925 Withholding Tax units compared to an estimated 99,113 that generated \$150.3 millions of recoveries.				
<sup>3</sup>	Associated FTEs represent all FTEs utilized to conduct direct and indirect program activities.				
<sup>4</sup>	Results from Customs Investigation are not included. Please refer to Figure 3-3.				

Results of Customs Investigations activities are shown in Figure 3-3 below.

**Figure 3-3: Customs Investigations Results**

<b>Customs Investigations</b>	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99
Total Fiscal Impact (\$ millions)	59	24	46	<b>140</b>
Cases Investigated	1,419	1,497	1,080	<b>948</b>
Criminal Prosecutions Completed	144	227	248	<b>213</b>
Successful Prosecution Rate	98%	97%	95%	<b>93%</b>
FTE utilization	134	124	123	<b>144</b>

# Revenue Collections

## Description

The objective of the Revenue Collections business line is to collect tax, levies, duties, and other amounts such as Canada Pension Plan and Employment Insurance payments, and to facilitate compliance with the filing and remitting requirements for all amounts withheld or collected. This business line also administers a range of collection services to ensure that clients meet their obligations and that everyone pays their fair share.

It does this by:

- collecting amounts deducted at source by employers on behalf of employees, outstanding balances resulting from assessment or reassessment of income tax, goods and services tax (GST) and harmonized sales tax (HST) amounts, and outstanding levies and duties; and
- issuing rulings on whether individuals are entitled to benefits under the *Canada Pension Plan* and *Employment Insurance Act*, and other determinations made at the request of Human Resources Development Canada (HRDC).

## Financial Information

Revenue Collections	1998-99
Planned Spending	\$247,900,000
Actual Spending	\$253,300,000

Additional spending authority, beyond the planned spending (Main Estimates), was provided through in-year Supplementary Estimates for a number of initiatives such as the implementation of Federal Budget measures and Operating Budget carry-forward. In addition the impact of new collective agreements covering both 1997-1998 and 1998-1999 fiscal years are reflected in actual spending.

It should be noted that because of direct client service demands in other areas, notably customs and assistance to tax clients, some resources were reallocated from collections to these other areas. Efforts are underway to restore funding levels so that program performance can continue to be improved.

## Performance Overview

In the 1998-1999 Report on Plans and Priorities (RPP), we committed this business line to improvements in four key areas: modernizing service delivery, reinforcing our commitment to fairness, enhancing our approach to compliance, and strengthening our international relations. Through the careful management of programs, the Department maximized the collection of the correct revenues and ensured that individuals were provided with the appropriate coverage and entitlements under the *Canada Pension Plan* and *Employment Insurance Act*.

While program results remained strong — revenue collected was up \$10 billion and total collections per FTE increased to \$2.1 million — performance was tempered by resource constraints. Nevertheless, a number of initiatives have been undertaken to maximize program performance and ensure that resources are being utilized as effectively and efficiently as possible.

A more detailed review of the results achieved for each commitment identified in the RPP is provided in the following pages. It should be noted that Figures 4-1 through 4-9 (except 4-3 and 4-8) provide measures of performance beyond those included in the 1998-1999 Report on Plans and Priorities, consequently estimates are not available.

## **Report on Specific Commitments**

### **To modernize service delivery we committed:**

To provide more options in electronic format to a wide variety of users and potential users such as employers, tax preparers, accountants, and software developers

To reduce paper burden on small business, Revenue Canada has encouraged employers to utilize the *Tables on Diskette* electronic payroll deduction calculation tool. This computer program calculates payroll deductions and provides easy access for employers to information on topics including calculation and display of employees pay, calculation of taxable automobile benefits, and the effect of bonuses and retroactive pay on insurable earnings. Each year, the Department distributes to employers approximately 140,000 copies of the *Tables on Diskette* in hard-copy format and 25,000 through the Internet.

**To reinforce our commitment to fairness we committed:**

To promote public trust in the fairness, integrity, and efficiency of the revenue collections program by the Fairness provisions allowing for discretionary relief from penalties and interest in extraordinary circumstances

The Department strives to finalize fairness requests for its clients within 4 to 6 weeks of receipt, provided all the supporting information is received. For 1998-1999, approximately 32,000 requests were processed, totaling \$66 million (see Figure 4-1). It should also be noted that the ratio of debt forgiven has remained constant when considered as a percentage of net revenue collected.

Specific service standards related to the response times to requests under the Fairness provisions (cancellation and waiving of interest and penalties) are clearly noted in both the Collections pamphlet and the Collections Information Circular.

**Figure 4-1: Debts Forgiven by Revenue Category <sup>1</sup> (Fairness Initiative)**

(\$ thousands)	Actual 1996-97	Actual 1997-98	Actual 1998-99
<b>Income Tax</b>			
Individuals Tax	31,975	32,885	<b>28,668</b>
Corporation Tax	4,076	6,733	<b>5,012</b>
Payroll Deductions	3,995	14,129	<b>11,542</b>
Other <sup>2</sup>	91	322	<b>1,656</b>
Income Tax Debts Forgiven	40,137	54,069	<b>46,878</b>
As a % of Net Revenue Collected	.03%	.03%	<b>.03%</b>
<b>Customs, Excise, GST and HST</b>			
As a % of Net Revenue Collected	.04%	.06%	<b>.06%</b>
<sup>1</sup>	Includes penalties and interest only for late payment of taxes - Revenue Canada does not have authority to forgive taxes that were properly assessed. Excludes non-tax debts forgiven.; data not available prior to 1996-97.		
<sup>2</sup>	Includes non-resident tax, petroleum and gas revenue tax, resource royalties tax, and other miscellaneous amounts.		

**To enhance our approach to compliance we committed:**

1. To continue to maintain accounts receivable at a level not in excess of 4% of gross revenue

The Department's mandate includes the development and management of programs with respect to collecting all taxes, duties, levies, and amounts withheld or collected in trust on behalf of the Department. One level of performance measured is the comparison to a previously determined 4% accounts receivable to gross revenue benchmark established

through discussion with the Public Accounts Committee. The 4% represents an ongoing trend analysis which measures the Department's ability to maintain accounts outstanding to total annual gross revenues. Notwithstanding improved productivity gains over the 1998-1999 fiscal year, the ratio stood at 4.2% of gross revenues in terms of income tax receivables and 4.4% in terms of total accounts receivable (see Figure 4-2).

**Figure 4-2: Analysis of Accounts Receivable at Fiscal Year End <sup>1</sup>**

(\$ thousands)	Actual 1996-97	%	Actual 1997-98	%	Actual 1998-99	%
<b>Income Tax</b>						
Balance Outstanding <sup>2</sup>	6,952,046	100	7,617,820	100	<b>8,137,480</b>	<b>100.0</b>
Allowance for Credit						
Reassessments	(1,387,751)	20.0	(1,522,527)	20.0	<b>(1,627,496)</b>	<b>20.0</b>
Allowance for Doubtful Accounts	(556,853)	8.0	(632,946)	8.3	<b>(627,637)</b>	<b>7.7</b>
Estimated Realizable Value	5,007,442	72.0	5,462,347	71.7	<b>5,882,347</b>	<b>72.3</b>
Gross Revenue Collected	172,308,142		185,991,447		<b>194,503,474</b>	
Total Balance Outstanding as % of Gross Revenue Collected	4.0%		4.1%		<b>4.2%</b>	
<b>Customs, Excise, GST and HST</b>						
Balance Outstanding	2,631,302	100	2,582,353	100	<b>3,023,369</b>	<b>100.0</b>
Allowance for Credit						
Reassessments (GST)	(151,465)	5.8	(151,119)	5.8	<b>(181,832)</b>	<b>6.0</b>
Allowance for Doubtful Accounts	(315,695)	12.0	(461,399)	17.9	<b>(609,977)</b>	<b>20.2</b>
Estimated Realizable Value	2,164,142	82.2	1,969,835	76.3	<b>2,231,560</b>	<b>73.8</b>
Gross Revenue Collected	52,185,616		58,785,629		<b>61,359,424</b>	
Total Balance Outstanding as % of Total Gross Revenue Collected	5.0%		4.4%		<b>4.9%</b>	
<b>Total Department</b>						
Balance Outstanding	9,583,348		10,200,173		<b>11,160,849</b>	
Gross Revenue Collected	224,493,758		244,777,076		<b>255,862,898</b>	
Balance Outstanding as % of Gross Revenue Collected	4.3%		4.2%		<b>4.4%</b>	
<sup>1</sup>	Excludes those amounts not payable under tax in dispute legislation and non-tax revenue receivables.					
<sup>2</sup>	Includes scientific research tax credit accounts receivable of \$2.5 million in 1998-99, \$5.2 million in 1997-98, and \$13.3 million in 1996-97.					

The Department will continue its efforts to improve its performance by undertaking a number of initiatives. These include: seeking adequate resourcing to meet growing workloads; ongoing internal and external collection strategy consultations to identify and share best practices; updates to collections policies and procedures, such as updated collection policies for public consumption, on-line procedures, delegation of authority to managers, amendments to bankruptcy legislation, Director's Liability handbook; enhanced emphasis on training of staff; implementation of strategies to curb staff turnover; and improvements linked to better utilization of available technology.

## Collection Re-engineering

The Department has developed long-range business plans building upon Collection Re-engineering initiatives that began in 1995. The National Collections Call Centre started handling individual income tax accounts and GST accounts in 1997. The Call Centre is fully operational, and automatic telephone processing technology has replaced the time-consuming multiple routine letter contact process. Furthermore, a new integrated follow-up process now supports the Call Centre by providing links to a risk profiling system. This system uses risk scoring technology to identify delinquent accounts with the greatest potential for loss. These accounts are then referred to collectors in Tax Services Offices for adequate follow-up. Figures 4-3, 4-4 and 4-5 reflect the results of these initiatives. The figures also indicate steady increases in workloads, associated value of accounts and accounts receivable balances at year-end notwithstanding departmental performance improvements.

**Figure 4-3: Annual Intake and Closing of Accounts Receivable in Tax Services Offices <sup>1</sup>**

	Actual 1995-96	Actual 1996-97	Actual 1997-98 <sup>3</sup>	Actual 1998-99	Estimates 1998-99
<b>Annual Intake</b>					
Number of Accounts	539,618	591,136	554,998	<b>588,086</b>	<b>633,240</b>
Total Amount (\$000s)	6,554,694	7,261,064	7,061,566	<b>8,407,336</b>	<b>7,778,233</b>
<b>Annual Closings</b>					
Collections:					
Number of Accounts	183,075	157,366	195,021	<b>228,331</b>	<b>232,227</b>
Total Collections (\$000s)	4,806,506	5,344,936	5,963,383	<b>6,624,204</b>	<b>5,679,450</b>
Other Closings: <sup>2</sup>					
Number of Accounts	296,395	389,263	296,932	<b>338,878</b>	<b>348,339</b>
Total Amount (\$000s)	1,129,397	1,500,402	1,083,041	<b>979,627</b>	<b>1,593,504</b>
Total Closings:					
Number of Accounts	479,470	546,629	491,953	<b>567,209</b>	<b>580,566</b>
Total Amount (\$000s)	5,935,903	6,845,338	7,046,424	<b>7,603,831</b>	<b>7,272,954</b>
Associated FTE (includes overtime)	2,838	2,980	3,335	<b>3,131</b>	<b>3,353<sup>4</sup></b>
Total Closings (Number of Accounts) per FTE	169	183	148	<b>181</b>	<b>173<sup>4</sup></b>
Total Collections per FTE (\$000s)	1,694	1,794	1,788	<b>2,116</b>	<b>1,694<sup>4</sup></b>
<sup>1</sup>	Excludes ministère du Revenu du Québec activities with respect to GST.				
<sup>2</sup>	"Other Closings" include, accounts written off as uncollectable and other sundry work disposal measures.				
<sup>3</sup>	TSO operational direction FTEs have historically been excluded from the actuals and included in estimates figures.				
<sup>4</sup>	The original estimate of 3,606 has been restated to 3,353 in order to reflect investments in strategic re-engineering initiatives such as collections call centres, TSO operational direction and other departmental priorities.				

**Figure 4-4: Distribution of Accounts Receivable <sup>1</sup> by Age  
(Major Revenue Categories Only)**

As at March 31, 1997 (\$ millions)									
Age	Individuals		Corporations		Payroll Deductions		GST		Total
		%		%		%		%	
Less than 1 year	2,391.8	53.4	703.9	50.2	331.7	41.1	771.6	33.8	4,199.0
1 to 2 years	804.1	18.0	151.3	10.8	152.0	18.8	344.9	15.1	1,452.3
Over 2 years	1,281.5	28.6	546.5	39.0	323.7	40.1	1,168.2	51.1	3,319.9
<b>Total March 31, 1997</b>	<b>4,477.4</b>		<b>1,401.7</b>		<b>807.4</b>		<b>2,284.7</b>		<b>8,971.2</b>
<sup>1</sup> Excludes those amounts not payable under tax in dispute legislation, corporate share purchase tax credits, and non-tax revenues receivable.									

As at March 31, 1998 (\$ millions)									
Age	Individuals		Corporations		Payroll Deductions		GST		Total
		%		%		%		%	
Less than 1 year	2,760.6	54.4	682.6	53.0	358.3	40.6	737.5	30.8	4,539.0
1 to 2 years	826.2	16.3	101.1	7.8	159.2	18.0	271.6	11.4	1,358.1
Over 2 years	1,488.9	29.3	505.5	39.2	366.0	41.4	1,382.7	57.8	3,743.1
<b>Total March 31, 1998</b>	<b>5,075.7</b>		<b>1,289.2</b>		<b>883.5</b>		<b>2,391.8</b>		<b>9,640.2</b>
<sup>1</sup> Excludes those amounts not payable under tax in dispute legislation, corporate share purchase tax credits, and non-tax revenues receivable.									

As at March 31, 1999 (\$ millions)									
Age	Individuals		Corporations		Payroll Deductions		GST		Total
		%		%		%		%	
Less than 1 year	2,701.3	50.9	742.0	49.6	373.2	38.4	1,337.3	48.8	5,153.8
1 to 2 years	979.6	18.4	104.3	7.0	170.4	17.5	259.0	9.5	1,513.3
Over 2 years	1,631.2	30.7	650.1	43.4	429.3	44.1	1,143.4	41.7	3,854.0
<b>Total March 31, 1999</b>	<b>5,312.1</b>		<b>1,496.4</b>		<b>972.9</b>		<b>2,739.7</b>		<b>10,521.1</b>
<sup>1</sup> Excludes those amounts not payable under tax in dispute legislation, corporate share purchase tax credits, and non-tax revenues receivable.									

**Figure 4-5: Distribution of Accounts Receivable <sup>1</sup> by Dollar Range  
(Major Revenue Categories Only)**

As at March 31, 1997 (\$ millions)									
Dollar Range	Individuals		Corporations		Payroll Deductions		GST		Total
		%		%		%		%	
Less than \$1,000	448.2	10.0	14.5	1.0	20.2	2.5	41.5	1.8	524.4
\$1,000 to \$9,999	1,328.9	29.7	102.8	7.3	135.3	16.7	407.9	17.8	1,974.9
\$10,000 to \$49,999	1,123.5	25.1	197.1	14.1	283.9	35.2	730.8	32.0	2,335.3
\$50,000 to \$99,999	433.0	9.7	80.0	5.7	135.5	16.8	296.2	13.0	944.7
\$100,000 and greater	1,143.8	25.5	1,007.3	71.9	232.5	28.8	808.3	35.4	3,191.9
<b>Total March 31, 1997</b>	<b>4,477.4</b>		<b>1,401.7</b>		<b>807.4</b>		<b>2,284.7</b>		<b>8,971.2</b>
<sup>1</sup> Excludes those amounts not payable under tax in dispute legislation, corporate share purchase tax credits, and non-tax revenues receivable.									

As at March 31, 1998 (\$ millions)									
Dollar Range	Individuals		Corporations		Payroll Deductions		GST		Total
		%		%		%		%	
Less than \$1,000	316.5	6.2	9.3	0.7	18.5	2.1	47.0	2.0	391.3
\$1,000 to \$9,999	1,220.1	24.0	85.3	6.6	134.8	15.3	424.2	17.7	1,864.4
\$10,000 to \$49,999	1,400.0	27.6	181.4	14.1	301.3	34.1	803.7	33.6	2,686.4
\$50,000 to \$99,999	567.7	11.2	97.2	7.5	145.9	16.5	348.6	14.6	1,159.4
\$100,000 and greater	1,571.4	31.0	916.0	71.1	283.0	32.0	768.3	32.1	3,538.7
<b>Total March 31, 1998</b>	<b>5,075.7</b>		<b>1,289.2</b>		<b>883.5</b>		<b>2,391.8</b>		<b>9,640.2</b>
<sup>1</sup> Excludes those amounts not payable under tax in dispute legislation, corporate share purchase tax credits, and non-tax revenues receivable.									

As at March 31, 1999 (\$ millions)									
Dollar Range	Individuals		Corporations		Payroll Deductions		GST		Total
		%		%		%		%	
Less than \$1,000	297.5	5.6	13.7	0.9	20.7	2.1	76.5	2.8	408.4
\$1,000 to \$9,999	1,439.1	27.1	102.8	6.9	147.3	15.1	466.1	17.0	2,155.3
\$10,000 to \$49,999	1,405.2	26.5	203.4	13.6	329.2	33.8	891.5	32.5	2,829.3
\$50,000 to \$99,999	576.1	10.8	92.6	6.2	164.4	16.9	363.7	13.3	1,196.8
\$100,000 and greater	1,594.2	30.0	1,083.9	72.4	311.3	32.0	941.9	34.4	3,931.3
<b>Total March 31, 1999</b>	<b>5,312.1</b>		<b>1,496.4</b>		<b>972.9</b>		<b>2,739.7</b>		<b>10,521.1</b>
<sup>1</sup> Excludes those amounts not payable under tax in dispute legislation, corporate share purchase tax credits, and non-tax revenues receivable.									



Figure 4-6 displays write-offs by tax type over the last four years. Write-offs are a normal and anticipated occurrence in any accounts receivable program and are closely tied to the age of accounts, which influences collectibility. Write-offs represent foregone revenues and are tools of last resort to resolve outstanding balances. Only those accounts that cannot be collected through the application of various departmental collection mechanisms are eventually written off as evidenced by the fact that less than 1% of net revenues are written off on an annual basis. However, in the event previously written-off accounts become active (e.g. new filings, receipt of a payment, etc.) the accounts are reactivated and scheduled for regular collection follow-up.

**Figure 4-6: Uncollectable Write-offs <sup>1</sup> by Revenue Category**

(\$ thousands)	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual <b>1998-99</b>
<b>Income Tax</b>				
Individuals Tax	471,579	731,887	469,833	<b>533,253</b>
Corporation Tax	298,450	160,714	157,968	<b>134,576</b>
Payroll Deductions	120,658	137,022	141,910	<b>87,201</b>
Scientific Research Tax Credits	-	38,933	8,103	<b>0</b>
Other <sup>2</sup>	3,832	10,366	2,370	<b>2,293</b>
<b>Income Tax Write-offs</b>	<b>894,519</b>	<b>1,078,922</b>	<b>780,184</b>	<b>757,323</b>
As a % of Net Revenue Collected	0.65%	0.73%	0.48%	<b>0.45%</b>
<b>Customs, Excise, GST and HST</b>				
<b>Customs, Excise, GST and HST</b>	<b>100,509</b>	<b>205,422</b>	<b>272,349</b>	<b>126,091</b>
As a % of Net Revenue Collected	0.37%	0.71%	0.84%	<b>0.38%</b>
<sup>1</sup>	Includes taxes and associated penalties and interest; excludes non-tax write-offs.			
<sup>2</sup>	Includes non-resident tax, petroleum and gas revenue tax, resource royalties tax, and other miscellaneous amounts.			

In the 1998-1999 fiscal year, office reviews or field examinations were conducted on over 500,000 employer accounts in order to protect the total revenue tax base of over \$135 billion of employer source deductions. These types of enforcement action have resulted in over \$600 million being assessed.

**Figure 4-7: Employer Accounts Program**

	Actual 1996-97	Actual 1997-98	Actual 1998-99
Number of Employer Accounts	1,260,834	1,300,908	<b>1,340,582</b>
Gross Employer Remittances of Income Tax, Canada Pension Plan Contributions, and Employment Insurance Premiums (\$000)	121,929,775	128,608,689	<b>135,274,991</b>
Number of Field Examinations/Office Reviews <sup>1</sup>	463,118	471,990	<b>504,928</b>
Coverage Rate	36.7%	36.3%	<b>37.6%</b>
Associated FTE (includes overtime)	696	687	<b>696</b>
Taxable Benefits and Unreported Income (\$000) <sup>2</sup>		22,118	<b>45,655</b>
Additional Amounts Assessed (\$000)	572,324	588,637	<b>576,443</b>
Additional Amounts Assessed per FTE (\$000)	822	857	<b>828</b>
Routine Account Support FTE	194	206	<b>241</b>
Number of Accounts supported per FTE	6,499	6,315	<b>5,563</b>
Number of Pension Audits Completed	7,158	7,655	<b>7,129</b>
Number of Amended Statements of Earnings (T4s)	33,643	41,534	<b>50,738</b>
Associated FTE (includes overtime)	35	40	<b>39</b>
Audits per FTE	205	191	<b>183</b>
<sup>1</sup>	Includes payroll examinations carried out in the field as well as tax services office enforcement actions.		
<sup>2</sup>	Data not available prior to 1997-1998.		

In the Canada Pension Plan and Employment Insurance Rulings sector, a number of Tax Services Offices have initiated the transfer of workloads from one office to another within their region to maximize the available expertise and resources and enhance the level of service currently provided to other government departments (e.g. Human Resources Development Canada) and to the general public. This has contributed to an improvement to our objective of resolving 80% of cases referred by HRDC within 15 days where an EI claim is pending and 30 days when there is no claim pending. When compared to 1997-1998, our results had improved from 70% to 79% where an EI benefit claim is pending and 65% to 72% for rulings where a claim is not pending.

**Figure 4-8: Canada Pension Plan and Employment Insurance Rulings**

	Actual 1996-97	Actual 1997-98	Actual 1998-99	Estimates 1998-99
Intake	89,869	91,692	<b>86,959</b>	<b>100,922</b>
Completions	89,323	92,424	<b>86,518</b>	<b>99,910</b>
Closing Inventory	8,738	8,006	<b>8,447</b>	<b>8,500</b>
Associated FTE (includes overtime)	351	356	<b>338</b>	<b>370</b>
Completions per FTE	254	260	<b>256</b>	<b>270</b>
Completions as a % of Intake	99%	101%	<b>99%</b>	<b>99%</b>

2. To foster future voluntary compliance with the filing and remitting requirements, thereby ensuring that everyone meets their tax obligations; performance will be measured by trends in compliance with filing and remittance requirements

The Department introduced a reduced remitting frequency for small employers to reduce their cost of compliance and foster a high level of compliance by making it easier for them to meet their obligations. In 1997, the remitting period for the compliant small employer was extended from monthly to quarterly.

The Department has committed to seek partnerships with other levels of government and deliver better service to Canadians — two cornerstone themes of the new Canada Customs and Revenue Agency. In support of this commitment, the Department continued to actively participate in a partnership arrangement with the Nova Scotia Workers' Compensation Board with respect to facilitating joint registration and payment remittance. Negotiations are also underway with the workers' compensation boards of several other provinces to explore potential gains in the effectiveness and efficiency of mutual program delivery.

The National GST/HST Delinquent Filing Program, introduced in 1997-1998 to maintain the integrity of the GST/HST self-assessment system, has posted significant numbers in both recovery of revenues and reduction in the inventory of delinquent filing cases. Revenues of \$686 million collected in 1998-1999 (see Figure 4-9) surpassed the projected annual forecast of \$300 million. The initial enforcement activities for this program consist of letters and telephone calls. Failure to comply results in field examinations and eventually prosecution through the courts. Enforcement activities of this kind increase public confidence in the integrity of the tax system and promote compliance.

**Figure 4-9: Goods and Services Tax/Harmonized Sales Tax Delinquent Filer Program <sup>1</sup>**

	Actual 1997-98 <sup>1</sup>	Actual 1998-99 <sup>2</sup>
Number of GST/HST Registrants	1,873,207	<b>1,907,181</b>
Number of GST/HST Office Reviews	412,557	<b>537,270</b>
Associated FTE (includes overtime)	253	<b>221</b>
Reviews per FTE	1,631	<b>2,431</b>
Additional Amounts Collected (\$000)	719,500	<b>686,396</b>
Additional Amounts Collected per FTE (\$000)	2,844	<b>3,106</b>
<sup>1</sup>	Data not available before 1997-98; includes tax services office accounts only.	
<sup>2</sup>	Includes Tax Services Offices as well as Call Centre accounts.	

**To strengthen our international relations we committed:**

To continue to pursue opportunities and participate actively in international co-operative ventures that improve our knowledge and understanding of best practices and benchmarking models that are of relevance to the collections program

The Department continued to be an active member of the International Debt Management Committee. It played a leadership role in benchmarking best practices and exchanging qualitative information in the area of revenue collections with other committee members (Australia, Japan, New Zealand, the United Kingdom, and the United States). Discussions are underway with committee counterparts to set up a common international Web site where best practices and information exchanges can be accessed electronically. In addition to the International Debt Management Committee, the Department has worked closely with France in providing information regarding Canadian debt management tools and techniques.

# Appeals

## Description

The objective of the Appeals business line is to provide clients with a dispute resolution process that is fair, impartial, objective, open, transparent, and timely. Credible redress is a cornerstone of a high degree of trust in the fairness of the tax system, and plays a key role in the balance between voluntary compliance and responsible enforcement.

It does this by providing fair and impartial review of contested decisions with respect to:

- income tax and GST/HST assessments and reassessments;
- requirements to pay Canada Pension Plan (CPP) contributions and Employment Insurance (EI) premiums;
- entitlements to rebates, refunds and credits under the various statutes administered by the Department; and
- determinations of federal and some provincial/territorial child tax benefits; customs seizures and forfeitures; and tariff classification, valuation, and origin determinations.

## Financial Information

<b>Appeals</b>	<b>1998-99</b>
Planned Spending	\$68,800,000
<b>Actual Spending</b>	<b>\$73,400,000</b>

Additional spending authority, beyond the planned spending (Main Estimates), was provided through in-year Supplementary Estimates for a number of initiatives such as the implementation of Federal Budget measures and Operating Budget carry-forward. In addition the impact of new collective agreements covering both 1997-1998 and 1998-1999 fiscal years are reflected in actual spending.

## Performance Overview

In the 1998-1999 Report on Plans and Priorities (RPP), Revenue Canada committed this business line to improvements in two key areas: modernizing service delivery and reinforcing our commitment to fairness. A number of initiatives designed to improve and modernize service delivery were continued in 1998-1999 which, while beginning to have an impact in 1998-1999, should significantly improve program performance and service in subsequent years. These include: fast-tracking less complex income tax objections; sharing best practices and work among offices; increasing transparency of processes; better streaming of incoming workloads; providing our field staff with direct access to Department of Justice lawyers; the completion of a client survey; and the achievement of Adjudications ISO 9000 certification.

As well, Appeals expended considerable effort in co-ordinating the Fairness Initiative across the entire Department. Extensive consultations with employees, clients, other countries, and international organizations, the outcome of which was reflected in a report prepared by the Conference Board of Canada, served as the basis of an action plan and a fairness pledge which are currently being implemented. Together, they will serve to ensure that Revenue Canada continues to protect the rights of Canadians and provide them with the fairest practices and policies possible.

A more detailed review of the results achieved for each commitment identified in the Report on Plans and Priorities (RPP) is provided in the following pages. Please note that a number of new performance indicators have been introduced in this area; consequently, estimates for these indicators from the 1998-1999 RPP are not available.

## **Report on Specific Commitments**

### **To modernize service delivery we committed:**

To review and streamline the processes so as to improve the timeliness of service to clients; trends of results achieved versus service standard will be used to measure performance

To make service delivery more efficient, the Department began to fast-track the processing of less complex income tax objections. This initiative has reduced the time taken to resolve these non-audit types of files by 14%. The Department will continue to seek opportunities to increase the number of files that are fast-tracked to provide clients with more timely decisions.

Due to resource constraints, strike action, and other factors, the objective of reducing the average age of the objections inventory by 5% was not met and the final result was a 3% increase. The 5% objective has been reaffirmed for 1999-2000. However, with further resource constraints, meeting it will present a substantial challenge. Managers and staff are being encouraged to seize all available opportunities to reduce the age of inventories and to share best practices. This includes the transfer of work between offices to make better use of existing capacity and expertise.

To reduce the average time to process an objection, the Department established an internal performance objective of completing straightforward non-audit income tax objections within 90 days of being mailed by the clients. As noted in Figure 5-1, the percentage of non-complex objections completed within 90 days has increased from 23% in 1996-1997 to 39% in 1998-1999. It has remained relatively stable over the past two years. The objective of 90 days has been reaffirmed for 1999-2000. The completion of staffing actions and the opportunities for change arising from the implementation of monitoring activities should further assist in the attainment of this objective.

**Figure 5-1: Completion of Non-Complex Income Tax Files**

	Actual 1996-97	Actual 1997-98	Actual <b>1998-99</b>
% of non-complex files completed in 90 days or less	23%	41%	<b>39%</b>

The average number of objections completed per FTE (see Figure 5-2) shows a relatively stable trend over the past three years except for the Income Tax program. The decrease in this program can be attributed in part to an increase in complexity of issues in dispute as well as the increasing amount of time that is required to maintain certain files in a number of offices. It is necessary to retain these files in the local offices as the issues involved are either before the courts, have been referred to Headquarters or Justice, or require additional work to be completed by other areas.

**Figure 5-2: Completions per FTE**

	Actual 1996-97	Actual 1997-98	Actual <b>1998-99</b>
Income Tax			
FTEs	561	647	<b>659</b>
Completions per FTE	95	75	<b>76</b>
Excise/GST/HST			
FTEs	118	115	<b>101</b>
Completions per FTE	43	39	<b>42</b>
CPP/EI			
FTEs	150	112	<b>105</b>
Completions per FTE	59	59	<b>59</b>
Adjudications			
FTEs <sup>1</sup>	n/a	48	<b>46</b>
Completions per FTE <sup>1</sup>	n/a	80	<b>78</b>
Trade Administration			
FTEs <sup>1</sup>	n/a	n/a	<b>55</b>
Completions per FTE <sup>1</sup>	n/a	n/a	<b>74</b>
<sup>1</sup> are	Adjudications became part of the Appeals Branch in 1997 and Trade Administration in 1998, so comparable numbers are not available.		

## Appeals Renewal Initiative

The Appeals Renewal Initiative, announced in 1997, has resulted in a number of process improvements. This initiative emphasizes access by Canadians to a more transparent, timely, fair, and impartial redress system. For example, Appeals officers now provide clients with copies of documents relevant to their disputes to make the process more transparent.

An Appeals Advisory Committee of 20 private-sector representatives from across the country was established to provide advice and feedback to the Department on key elements of appeals operations and activities. This committee has provided significant support for the development and implementation of key renewal projects including the Appeals mandate, human resources strategy, fairness initiative, and client survey.

### To reinforce our commitment to fairness we committed:

1. To settle disputes as early as possible in order to avoid the necessity of proceeding to court

To resolve disputes more efficiently, the business process was modified to better stream incoming workloads. As well, officers in the field now have direct access to Department of Justice lawyers, which will improve response time by reducing the number of referrals to Headquarters. A review of the effectiveness of this initiative will be undertaken next year.

As noted in Figure 5-3, the average number of days to resolve objections has declined since 1996-1997, notwithstanding a slight increase in the Income Tax and CPP/EI programs this year. The increase in Adjudications can be attributed to the ISO 9000 initiative that took officers away from their normal duties to work on the implementation of the initiative.

**Figure 5-3: Average Number of Days to Resolve Objections <sup>1</sup>**

	Actual 1996-97	Actual 1997-98	Actual 1998-99
Income Tax	194	180	<b>182</b>
Excise/GST/HST	267	237	<b>236</b>
CPP/EI	160	126	<b>136</b>
Adjudications	196	166	<b>185</b>
Trade Administration <sup>2</sup>	n/a	n/a	<b>466</b>
<sup>1</sup>	The average days for Income Tax, Excise/GST/HST and CPP/EI programs exclude files that at any time were held in abeyance as being in non-workable status, for example files relating to a single common issue that is presently before the courts. For Adjudications and Trade Administration programs, the average days to completion includes files that were in non-workable status because separate statistics are not available.		
<sup>2</sup>	Trade Administration became part of the Appeals Branch in 1998, so comparable number are not available.		



A survey of 16,000 clients was undertaken, commencing in September 1998, to determine clients' level of satisfaction with the redress process. The survey provided the following information:

- Highest satisfaction levels were for ease of filing an objection (85%), courtesy of staff (78%), and time allowed to submit additional information (74%).
- Lowest satisfaction levels were for costs associated with the redress process (50%), processing times (52%), and waiting time for first discussion (54%).

Generally, this shows that respondents have a high degree of satisfaction with the quality of service. The results also pointed to further service improvement opportunities that enable the establishment of benchmarks to chart future progress.

A further indication that the Department is providing quality service is shown in Figure 5-4 where the percentage of objections which are resolved as a result of clients' agreement with the decision proposed by the Department increased over the previous two years.

**Figure 5-4: Percentage of Objections Resolved with Concurrence**

	Actual <sup>1</sup> 1996-97	Actual 1997-98	Actual 1998-99
<b>Income Tax</b>			
Allowed in Full	27%	30%	<b>28%</b>
Allowed in Part	16%	15%	<b>16%</b>
Confirmed	19%	20%	<b>23%</b>
<b>Excise/GST/HST</b>			
Allowed in Full	13%	16%	<b>21%</b>
Allowed in Part	2%	4%	<b>9%</b>
Confirmed	1%	4%	<b>6%</b>
<b>CPP/EI <sup>2</sup></b>			
<b>Adjudications</b>			
Allowed in Full	18	17	<b>20</b>
Allowed in Part <sup>3</sup>	n/a	n/a	<b>n/a</b>
Confirmed <sup>3</sup>	n/a	n/a	<b>n/a</b>
<b>Trade Administration</b>			
Allowed in Full	n/a	n/a	<b>41%</b>
Allowed in Part <sup>3</sup>	n/a	n/a	<b>n/a</b>
Confirmed <sup>3</sup>	n/a	n/a	<b>n/a</b>
<sup>1</sup>	Percentages for 1996/97 restated as a percentage of all completions rather than a percentage of valid completions		
<sup>2</sup>	Due to the nature of the CPP/EI workload, these types of statistics are not captured as they could be misleading because of the number and relationship of the various parties (e.g., employers, employees) that are involved.		
<sup>3</sup>	These statistics are not available as the information is not captured.		

Similarly, Figure 5-5 shows that the percentage of objections that are subsequently appealed to the courts has declined slightly. This is one indicator of clients' level of satisfaction with both the process and the communicating of the reasons for our decisions.

**Figure 5-5: Percentage of Objections Appealed to the Courts**

	Actual 1996-97	Actual 1997-98	Actual <b>1998-99</b>
Income Tax	8%	7%	<b>8%</b>
Excise/GST/HST	12%	10%	<b>9%</b>
CPP/EI	29%	33%	<b>25%</b>
Adjudications <sup>1</sup>	1	1	<b>0</b>
Trade Administration <sup>2</sup>	n/a	n/a	<b>n/a</b>
<sup>1</sup> Less than 1% of objections in the Adjudications Program proceeded to court in 1998-99. <sup>2</sup> Methods for collecting this data are being developed.			

2. To explore the feasibility of Alternative Dispute Resolution approaches in conjunction with the Departments of Finance and Justice to resolve tax disputes without relying on costly and time consuming litigation

Working closely with the departments of Finance and Justice, Revenue Canada undertook extensive research of Alternative Dispute Resolution processes to consider possible alternatives to the current litigation process. The result of this review suggested mediation as the most viable alternative to traditional litigation. A mediation pilot is being considered for next fiscal year.

# Administration and Information Technology

## Description

The objective of the Administration and Information Technology business line is to provide executive direction, information technology, finance, administration, and human resource services. These services ensure that the right people, processes, and systems are in place to efficiently and effectively administer the law in a consistent and fair manner.

It does this by providing a range of support and central services to other business lines, including:

- the management of information technology applications and investments such as electronic data processing;
- the management of human resources;
- the review of internal processes and programs through internal audit and program evaluation;
- the provision of office systems, security, and laboratory services;
- the provision of services that support results-based management, financial and resource management, and the corporate management framework; and
- the provision of legal advice to all areas of the organization.

## Financial Information

<b>Administration and Information Technology</b>	<b>1998-99</b>
Planned Spending	\$610,300,000
<b>Actual Spending</b>	<b>\$746,000,000</b>

Additional spending authority, beyond the planned spending (Main Estimates), was provided through in-year Supplementary Estimates for a number of initiatives such as the implementation of Federal Budget measures; Year-2000 compliance requirements; Operating Budget carry-forward; laboratory royalties; additional operating costs including Federal Worker's Compensation costs; and costs associated with the T2 re-engineering project. In addition, the impact of new collective agreements covering both 1997-1998 and 1998-1999 fiscal years are reflected in actual spending.

As noted above, this business line includes a number of common services, which are not reflected in other business lines. Some of these services, such as information technology, represent very large resource commitments which are integral to the fulfilment of program accountabilities in the Department and are not considered an administrative cost.

## **Performance Overview**

In the 1998-1999 Report on Plans and Priorities (RPP), the Department committed to creating the Canada Customs and Revenue Agency, modernizing service delivery, managing key human resources issues, enhancing management processes, and ensuring IT readiness for Year 2000.

After extensive consultation, the *Canada Customs and Revenue Agency Act* (Bill C-43) was tabled on June 4, 1998 and received Royal Assent on April 29, 1999. A comprehensive transition plan is in place and progress in all key areas is on track for November 1, 1999 — Day 1 of the Agency.

The Department has engaged in the co-ordinated implementation of the RC7 standard platform as the basis for Revenue Canada's distributed computing architecture at approximately 216 Revenue Canada sites serving close to 32,000 users.

A new HR management system has been designed, after extensive staff/union consultation, and an interim version of the new system will be ready to be implemented on November 1, 1999. A training and development strategy is in place and being implemented.

The Department is implementing a new integrated planning process and management framework to link together corporate planning, performance measurement, resource management, and accountability reporting into a cohesive framework that will result in more effective corporate support and administrative practices.

Treasury Board Secretariat reports that, as of June 1999, Revenue Canada's Year 2000 overall progress is at 100%. All 13 government-wide mission critical systems that support Revenue Canada's essential business functions of tax processing, income redistribution, trade administration, and border protection are Year 2000 compliant.

A more detailed review of the results achieved for each commitment identified in the RPP is provided in the following pages.

## **Report on Specific Commitments**

### **To create the Canada Customs and Revenue Agency we committed:**

1. To finalize consultation with provinces and other stakeholders in spring 1998 on the proposed legislative framework and draft enabling legislation for the Agency

After extensive consultation with central agencies, other federal government departments, the provinces, and external stakeholders, agreement on major policy issues

was achieved and the legislation creating the Canada Customs and Revenue Agency (Bill C-43) was finalized and tabled on June 4, 1998. It received Royal Assent on April 29, 1999, and Day 1 of the Agency is scheduled for November 1, 1999.

2. To develop implementation planning for the Agency start-up, including design of new human resources and administrative systems

During 1998-1999, a transition plan and detailed work program were developed to ensure the planning, monitoring, and readiness of a wide range of new policies and processes, as well as departmental management system changes required for Day 1 of the Agency.

The major components of the transition plan include:

- focus on federal-provincial/territorial relations;
- preparation for the establishment of a Board of Management;
- development of a new integrated planning framework;
- design of a new policy framework for finance, administration, and property management activities;
- design of a new policy framework for human resources management; and
- communications activities to ensure that the public and employees are aware of the changes that affect them.

The focus on closer federal-provincial/territorial relations has led to the signature of a first service agreement with Nova Scotia on October 13, 1998. The service agreement defines the new Agency's accountability for program delivery and the management framework for future partnership with the province. Discussions with other provinces and territories are ongoing with the objective of having signed service agreements with all the provinces and territories this year.

In preparation for the establishment of the Board of Management, the Department took steps to create a permanent secretariat to support and co-ordinate Board activities. In addition, selection guidelines, qualifications, and profiles for the Chair and Directors of the Board of Management were approved, and transition products such as the Agency Governance Framework, Board of Management by-laws and resolutions, and a Board of Management committee structure were developed for Board of Management consideration.

The creation of the Canada Customs and Revenue Agency entails significant changes in corporate support and administrative management to reflect the new administrative authorities and the governance structure of the Agency (e.g., Board of Management). To support this change, the Department has initiated the implementation of a new integrated planning process and management framework to link together corporate

planning, performance measurement, resource management, and accountability reporting into a cohesive framework that will result in more effective corporate support and administrative practices.

Performance information is the foundation of sound management processes, and it is critical to effective governance. In 1998-1999, the Department conducted a study of best practices in performance measurement and performance reporting, and consulted with a number of specialists and third-party experts in performance measurement, who have experience in the Balanced Scorecard (BSC) methodology. This research has reinforced the view that the BSC methodology is a viable option for Revenue Canada, and the Department initiated the development of a corporate performance measurement framework using the BSC approach.

The development of performance agreements is a critical component in implementing transparent management processes across the organization. To this end, Revenue Canada has taken the important next step of cascading the performance agreement process to all members of the departmental executive cadre.

A new real property management framework and administrative regime (materiel management, corporate telecommunications, and information management) for the CCRA were developed. Supporting policies are now being prepared for approval by the Board of Management. The form and overall content of the CCRA's financial statements has been determined and consultations are continuing with all stakeholders.

### *Human Resources System*

During 1998-1999, joint union/management design teams tabled reports for each of the following Human Resources areas: staffing, training and learning, recourse, employment equity, classification, National Joint Council Directives, and Employment Adjustment. These reports were used to develop a new Human Resources (HR) System tailored to the operational requirements of the Agency and reflecting best practices in human resources management. The new system was endorsed by both the union/management design teams in October 1998 and by the Departmental Management Committee. The Board of Management will be asked to approve an interim version of the new system and related policies so they may be implemented on November 1, 1999. Developmental work will continue thereafter with full implementation of the Agency HR regime expected by fiscal year 2001-2002. Training related to the HR system will be provided to all employees, managers, and human resources professionals before November 1, 1999.

To improve recruitment practices, a Web page for external recruitment is being developed. Related projects include the development of a strategy and selection process to filter candidates. This functionality is being developed in view of the requirements of the Agency's HR system. The plan is to employ Internet technology to post external

competitions on the Agency Internet site, receive applications electronically, provide the facility for initial screening, and forward screened applications to managers.

### *Public Awareness and Communications*

To ensure that the public and employees are aware of the changes that affect them, the Department has undertaken the modification of tax guides and other products for the 1999 tax year to carry a dual identification of both Revenue Canada and the CCRA, along with a message informing the public of the change. This client-centred strategy is being adopted for Revenue Canada's Web site, automated telephone greetings, and public phone directories. With this approach, the Department can use the brand recognition inherent in its name to raise awareness of the new identity.

Departmental employees have been receiving regular information on the Agency transition through the *Agency Update* and the employee newsletter, *Interaction*. These communications, distributed via the Internet and in paper form to all employees, will be supplemented by personal information sessions with their managers, videos, and notification kits before November 1.

### **To modernize service delivery we committed:**

1. To re-examine the delivery of information technology (IT) services in support of common systems development, including a corporate architecture view, single systems to service multiple programs, a high re-use approach to delivering systems applications, a corporate data warehouse for decision support, and a single computing platform

The Department has engaged in the co-ordinated implementation of the RC7 standard platform as the basis for Revenue Canada's distributed computing architecture at approximately 216 Revenue Canada sites serving close to 32,000 users.

The refocus of the Department's investment in information technology through RC7 provides an immediate payback in terms of Year 2000 readiness. The RC7 platform provides Year 2000 compliant software for the desktop, new state-of-the-art file and print servers, Internet/intranet capability, a standardized and more robust electronic mail system, the foundation for a national telecommuting solution, and an infrastructure capable of supporting new applications such as SAP, without the requirement to upgrade any infrastructure components.

At the beginning of the 1998-1999 fiscal year, RC7 infrastructure was in the process of being installed at 73 sites representing 16,036 users. By the end of March 1999, the infrastructure had been installed at 169 sites representing 29,725 users.

2. To expand the use of electronic commerce to ensure faster, more consistent, and more efficient delivery of information and transaction processing services to clients, including service delivery opportunities with the Internet and World-Wide-Web

The Department's Strategy for Electronic Service Delivery has been developed jointly by the departmental Electronic Commerce and Service Delivery working groups. The strategy is corporate in nature and presents a unified approach to the electronic delivery of programs and services. It outlines the federal government's position on electronic service delivery and also explains how the Canada Customs and Revenue Agency will improve existing services and offer new services to meet the needs of our clients and stakeholders using various electronic tools.

For quite some time, the Department has been providing employees, clients, and other stakeholders with access to its services and information through what are now considered traditional electronic channels such as facsimile, diskette, email, and telephone. Some of the newer services that are now being provided or are under development include T1 Homefile, the Business Number system, T2 EFILE, the Children's Special Allowance electronic processing system, the Customs Automated Data Exchange (CADEX) network, the Customs Electronic Commerce Platform, and the Integrated Customs System.

#### *Information Highway Internet/Intranet Initiative*

In support of the Information Highway Internet/Intranet initiative, focus groups were conducted with external users to develop a strategy for improved navigation through the Department's Internet site. Key issues identified were general "look and feel", topicality and relevance of information, and language quality. A new Web site structure for the Internet will become operational on Day 1 of the Agency.

In addition, the Department is working to enhance the quality and quantity of materiel that is being posted to its intranet site, as branches and regions continue to add materiel to the site, gradually increasing the number of work tools that employees can access. The recent development of authoring guidelines are designed to support authors developing materiel for the site, to ensure it will be relevant and readable for staff.



Following are quantitative data collected in 1998-1999 regarding Internet and intranet usage:

Indicator	Internet	Intranet
Total number of "hits"	52 million	8 million
Page usage data	Top 3 subject pages: <ul style="list-style-type: none"> <li>• Forms look-up page</li> <li>• 1998 T1 General package</li> <li>• Menu of frequently requested forms</li> </ul>	
Availability of services	99%	n/a

3. To streamline departmental IT activities by evolving to a new style of computing that shares IT infrastructure, data, and expertise within the Department and with other departments; client usage of systems will be used to measure performance

Due to priority changes and Year 2000 preparedness, the initiative has been delayed.

**To manage key human resource issues we committed:**

To develop and implement a training and development strategy during the first half of 1998-1999 that ensures employees have the knowledge and skills to work effectively in a changing environment

The Training and Development Strategy has three priorities:

- the provision of integrated learning solutions that improve employee performance in support of program priorities;
- the development of a departmental leadership capacity that supports an environment of continuous improvement and change; and
- the development of infrastructure to improve training administration.

A Learning Network pilot was initiated to explore more direct and timely access to learning opportunities that are linked to day-to-day business requirements. The Learning site available on the intranet (Infozone) was also expanded to include discussion groups and encourage greater knowledge and information sharing across the organization.

A Leadership Program aimed at building managerial capacity to lead the Agency transition was developed and piloted in the Southern Ontario and Quebec regions. Pilot initiatives will continue throughout the coming year in other regions.

A Manager's Charter was developed as a working protocol to guide managerial behaviour in pursuit of Agency objectives. Implementation of the Charter will be carried out in the first year of Agency operation.

Finally, the development of core competency profiles for the new HR system progressed throughout the year. Training programs linked to core competency development and agency status will be addressed in tandem with the building of a continuous learning environment.

**To enhance management processes we committed:**

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To implement an integrated corporate administrative system

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The integrated Corporate Administrative System (CAS) modules for Finance, Sales, Billing and Receipts, FIS and the majority of Asset Management and, Materiel Management modules became operational on April 1, as scheduled. All required training modules were completed on time and were accessible via the CAS intranet site or delivered through classroom sessions.

The original CAS plan was to configure all modules for implementation on April 1, 1999, with a roll-out plan to bring users on board in three waves (April, July, and September). The Human Resources users were intended to be among the April wave; however, on February 5, 1999, the Department agreed to defer the implementation of the Human Resources module until July 1999. This decision was taken to accommodate the considerable impact of recent PSAC collective agreement changes on both the Human Resources user community and the CAS development team. Because of their close links to Human Resources, certain Finance and Resource Management functions were deferred to synchronize with the Human Resources module roll-out. Reporting for sales, billing, and receipts was also deferred to allow more time for testing.

**To ensure IT readiness for Year 2000 we committed:**

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To reach full IT readiness for the Year 2000 by January 1, 1999, and maintain the integrity, accuracy, and effectiveness of the Department's automated systems

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Treasury Board Secretariat reports that, as of June 1999, Revenue Canada's Year 2000 overall progress is at 100%. Revenue Canada's Business Continuity and Contingency plans have also received an "A" and a Green rating from TBS and the National Contingency Planning Group (NCPG) respectively. All major milestones established by TBS and NCPG for Business Continuity planning and Year 2000 Contingency planning were achieved.

All 13 government-wide mission critical systems that support Revenue Canada's essential business functions of tax processing, income redistribution, trade administration, and border protection are Year 2000 compliant. Revenue Canada completed the conversion and testing of all these systems for Year 2000 readiness on schedule, by January 1999.

Many of Revenue Canada's systems perform calculations into the future. This is especially true of its accounting systems. While the potential was there for Year 2000 problems to occur as early as January 1999, no Year 2000 problems have been found to date. This is a good indicator that the work of converting the code for Year 2000 compliance has been successful.

**Other commitment:**

To develop various contraband detection systems in support of contraband and intelligence efforts

The Department's laboratory has progressed in relation to a number of scientific development initiatives which have resulted in the following achievements:

- A prototype system for marijuana, hashish, and tobacco detection in tractor trailers was installed at the Lacolle border crossing in January 1999.
- Proposal and dates for vapour sampling for the detection of cocaine in cargo containers in Fort Huachuca, Arizona, have been agreed upon with the U.S. Customs Service and U.S. Coast Guard. The sampling of containers will begin in June 1999. The sampling system has resulted in a U.S. patent granted to the Department.
- A prototype automated ultrasonic instrument was developed for the detection of contraband concealed in liquids stored in drums.
- A device for the automatic detection of explosives in suitcases is being tested for its application to cocaine and heroin detection.
- An X-ray system is being modified to provide for better detection of drug contraband in pallet-size cargo.

## Key Performance Statistics

While expenditures were greater in 1998-1999, this was a reflection of unavoidable increased activity, particularly in the information technology area. Year 2000 preparedness and major re-engineering projects required significant additional effort. If FTE expenditures were adjusted to reflect this reality, they would have remained constant as a percentage of total departmental FTEs (see Figure 6-1).

**Figure 6-1: Administration and Information Technology Business Line as a Percentage of Departmental Total**

	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Estimates 1998-99
Total Business Line FTE	6,597	6,700 <sup>1</sup>	7,054 <sup>2</sup>	<b>7,549</b>	<b>6,523</b>
Total Departmental FTE	38,786	39,163	40,055	<b>41,354</b>	<b>40,422</b>
Total Business Line FTE, as a % of Total Department FTE	17.0%	17.1%	17.6%	<b>18.3%</b>	<b>16.1%</b>
1	1996-97 Actual FTE utilization excludes 674 FTE related to the 1996 Census, the costs of which are paid by Statistics Canada.				
2	Actual utilization includes reallocation of resources to information technology and new resources approved by Treasury Board impacting on this business line.				

## **Section IV**

### **Consolidated Reporting**

#### **A. Materiel Management**

The accountability and added responsibilities resulting from the new Canada Customs and Revenue Agency have imposed a review of all Treasury Board and National Joint Council contracting and materiel management policies to tailor these policies to Agency requirements. The Department has introduced a comprehensive procurement training program to meet these new responsibilities.

The introduction of 1-800 numbers for ordering tax forms and publications and the departmental-wide distribution of the Forms Ordering and Control System to track all orders have allowed Revenue Canada to rationalize most of its regional warehousing facilities, thus eliminating smaller and inefficient distribution operations in most of its tax services offices.

To meet the requirements of the financial information system (FIS) and move to full accrual accounting including the capitalization of fixed assets, the Department has developed new assets and inventories policies and guidelines to track all its assets (capital, custodial and attractive) and inventories (forms, uniforms, seized and abandoned goods).

## B. Sustainable Development

In December 1997, the Department tabled its first sustainable development strategy. A key commitment in the Strategy was the development and implementation of an action plan with targets and timeframes defining the Department's plans for contributing to sustainable development. Three goals were identified:

<b>Goal 1: Strengthen Internal Capacities to Contribute to SD</b> – A key goal of the SD Strategy was to begin the process by heightening employee awareness and understanding of how our decisions, actions, and activities can contribute to a prosperous economy, fair and just society and healthy environment, and to put the tools in place to enable us to measure and monitor progress towards the goal.			
<b>Key SD Goals/ Objectives / Long-term Targets</b>	<b>Performance Indicators or Measurement Strategy</b>	<b>Targets for the Reporting Period</b>	<b>Progress to Date and any Corrective Action</b>
renewed commitment	<ul style="list-style-type: none"> <li>management participation in the planning/review process</li> <li>management input</li> </ul>	<ul style="list-style-type: none"> <li>performance agreements</li> <li>action plan sign-off</li> </ul>	<ul style="list-style-type: none"> <li>performance agreements between the ADMs and the Deputy Minister now include a commitment to SD</li> <li>action plans are approved at senior management level</li> </ul>
increased awareness and training	<ul style="list-style-type: none"> <li>communications tools</li> </ul>	<ul style="list-style-type: none"> <li>an intranet site</li> </ul>	<ul style="list-style-type: none"> <li>the intranet site has been developed to assist in the exchange of information</li> </ul>
	<ul style="list-style-type: none"> <li>training</li> <li>feedback</li> </ul>	(no targets were set for the reporting period)	<ul style="list-style-type: none"> <li>SD has been integrated into the Department's new employee orientation program</li> <li>regional environmental teams have been established</li> <li>the Department participates in the interdepartmental working group that is developing training tools for managers and employees</li> </ul>
measuring, reviewing and improving	<ul style="list-style-type: none"> <li>performance indicators for key impact areas</li> </ul>	(no targets were set for the reporting period)	<ul style="list-style-type: none"> <li>the Department participates in the interdepartmental working group that has drafted potential performance measures for environmental issues</li> </ul>
	<ul style="list-style-type: none"> <li>process for regular management review</li> </ul>	<ul style="list-style-type: none"> <li>internal audit criteria</li> </ul>	<ul style="list-style-type: none"> <li>audit criteria have been established for monitoring progress</li> <li>SD has been integrated into audit lines of enquiry to monitor whether programs are taking SD into consideration</li> </ul>

<b>Goal 2: Integrate SD into Decision-making Plans and Processes</b> – The Department committed to integrate sustainable development considerations into existing processes that lead to policy, program, and operational decisions at all levels. The corporate planning process was targeted as the starting point for integration activities. Progress has been good and the most notable achievements over the past year are described below.			
<b>Key SD Goals/Objectives/ Long-term Targets</b>	<b>Performance Indicators or Measurement Strategy</b>	<b>Targets for the Reporting Period</b>	<b>Progress to Date and any Corrective Action</b>
integrate SD into decision-making plans and processes	SD integrated into: Corporate Business Plan; branch business plans; performance reports; internal audit lines of enquiry; operational guidelines, procedures, agreements, etc.	(no targets were set for the reporting period)	<ul style="list-style-type: none"> <li>SD is integrated into the Department’s business planning cycle, Ministerial Action Plan, internal audit and program evaluation lines of enquiry</li> <li>all branches are committed to reviewing their decision-making tools for opportunities to integrate SD considerations</li> </ul>

<b>Goal 3: Reduce the Impact of Operations on the Environment</b> – A key longer term commitment in the SD Strategy is to develop and implement an environmental management system for priority issues and opportunities. The primary areas of impact that the Department’s operations have on the environment are in procurement, facilities, publishing and fleet management. Progress towards this commitment has been made is outlined below.			
<b>Key SD Goals/Objectives/ Long-term Targets</b>	<b>Performance Indicators or Measurement Strategy</b>	<b>Targets for the Reporting Period</b>	<b>Progress to Date and any Corrective Action</b>
<p>promoting pollution prevention</p> <p>promoting efficient use of resources</p> <p>managing environmental liabilities</p>	<ul style="list-style-type: none"> <li>quantity of waste, emissions, and resource consumption</li> <li>quantity of green procurement</li> <li>compliance with statutes and regulations</li> </ul>	<ul style="list-style-type: none"> <li>environmental reviews</li> <li>prioritization of issues</li> <li>detailed action plans</li> </ul>	<ul style="list-style-type: none"> <li>environmental reviews were conducted on 27 priority custodial facilities</li> <li>environmental issues were confirmed and prioritized</li> <li>environmental action plans were developed for priority custodial facilities including specific targets for fleet management, related to the <i>Alternative Fuels Act</i> and reducing vehicle emissions; reducing paper consumption by 5% by December 2001; and increasing green procurement by 5% by March 2001.</li> <li>resources were allocated to upgrade 12 storage tanks and to commence solid waste management studies in priority facilities</li> <li>obsolete computer equipment continues to be replaced with energy efficient/non-ozone depleting substances (ODS) containing equipment</li> </ul>

## C. Storage Tanks

### Status of Fuel Storage Tank Management on Revenue Canada Land

As required under the *Canadian Environmental Protection Act (CEPA)*, Part IV, *Registration of Storage Tank Systems for Petroleum Products and Allied Petroleum Products on Federal Lands Regulations*, this report provides the information set out in Schedule II of the aforementioned regulations, updated to December 31, 1998.

#### 1. The following number of above-ground storage tank systems:

Are registered with Revenue Canada: 5

Comply with the *Federal Above-ground Storage Tank Technical Guidelines*: 0

Do not comply with the *Federal Above-ground Storage Tank Technical Guidelines*: 5

Should be upgraded in accordance with Schedule I of the *Federal Above-ground Storage Tank Technical Guidelines*:

- a) in 1999: 4
- b) in 2000: 1

#### 2. The following number of underground storage tank systems:

Are registered with Revenue Canada: 19

Comply with the *Federal Underground Storage Tank Technical Guidelines*: 3

Do not comply with the *Federal Underground Storage Tank Technical Guidelines*: 16

Should be upgraded in accordance with Schedule II of the *Federal Underground Storage Tank Technical Guidelines*:

- a) in 1998: 0
- b) in 1999: 8
- c) in 2000: 8



## D. Regulatory Initiatives

The following outlines legislative or regulatory initiatives as reported in the 1998 Federal Regulatory Plan (FRP), their expected results, and results achievements.

<b>Revenue Canada Performance of Regulatory Initiatives</b>		
<b>Purpose of Legislative or Regulatory Initiative</b> (as reported in the FRP)	<b>Expected Results</b> (as reported in the FRP)	<b>Results Achieved</b>
<b>1. Fees Orders</b>		
<b><u>1.1 Advance Income Tax Rulings Fees Order</u></b>		
<p>These amendments will revise the hourly fees charged to prepare advance rulings. The revised hourly rates will be in accordance with the government's policy of recovering costs from users of government services. Clients seeking advance rulings may pay higher or lower fees, depending on whether costs go up or down.</p>	<p>The amendments will allow the Department to recover the increased cost of processing advance rulings. They are in keeping with the government's program of cost recovery.</p>	<p>This fees order is in the process of being reviewed in accordance with the government's policy of recovering costs from users of government services.</p>
<b><u>1.2 Electronic Data Processing and Statistical Services Fees Order</u></b>		
<p>These amendments will revise the fees charged for special services provided by this department. The revised fees will be based on a cost-recovery calculation approved by the Treasury Board. The services to be provided consist of the use of computers and related services to offer specialized analyses of taxation data, not otherwise available, to provincial governments, other public authorities, educational institutions and private consultants. The analyses provided will not contravene the confidentiality provisions of the <i>Income Tax Act</i>.</p>	<p>The amendments will allow the Department to recover the cost of providing services using computers for specialized analyses of taxation data. The fees will be established in accordance with the government's policy of cost recovery.</p>	<p>This fees order is in the process of being reviewed in accordance with the government's policy of recovering costs from users of government services.</p>
<b><u>1.3 Registered Charities Return Fees Order</u></b>		
<p>The Order is to be amended as a result of changes in the legislation. The Minister is currently authorized to prescribe fees pertaining to information under subsection 149.1(15) of the <i>Income Tax Act</i>, by virtue of P.C. 1988-2271. The effect of the new Order is to extend this authority to information made available under subsection 241 (3.2) of the Act.</p>	<p>The amendments will allow the recovery of the cost of providing copies of documents containing information regarding registered charities. The amount of the revised fees cannot be determined at this time. The fees will be established in accordance with the government's policy of cost recovery.</p>	<p>This fees order is in the process of being reviewed in accordance with the government's policy of recovering costs from users of government services.</p>

<b>Revenue Canada Performance of Regulatory Initiatives</b>		
<b>Purpose of Legislative or Regulatory Initiative</b> (as reported in the FRP)	<b>Expected Results</b> (as reported in the FRP)	<b>Results Achieved</b>
1.4 <b><u>Income Tax Act Re-registration Fees Order</u></b>		
A new regulation will be implemented that will charge a fee for reinstating a charitable organization which has lost its status as a result of the organization failing to comply with the <i>Income Tax Act</i> .	The main intent of charging a fee for applications for re-registration is to impress upon registered charities the importance of complying with the <i>Income Tax Act</i> . The fee will be established in accordance with the government's policy of cost recovery.	This fees order is in the process of being reviewed in accordance with the government's policy of recovering costs from users of government services.
2. <b><u>Customs Legislation</u></b>		
2.1 As a result of internal study and the significant consultative process related to the <i>Customs Blueprint</i> , Revenue Canada wishes to modernize certain reporting processes for persons and goods to provide for alternative means of report and to address enforcement gaps.	The legislation and regulations will clarify obligations for the report of travellers and goods and permit the re-engineering of border processes.	<i>Customs Blueprint</i> consultations with public stakeholders and other government departments are being finalized. Recommendations for legislative change will be formulated and forwarded for senior management approval in the fall.
2.2 Revenue Canada wishes to amend the <i>Customs Act</i> to introduce collection tools to harmonize with other Revenue programs.	The new provisions will harmonize the collection tools, clarify the rules and ensure that they are the same for everyone.	Consultations are ongoing with the various stakeholders to determine the extent and exact nature of the changes that may be required to the <i>Customs Act</i> . Draft proposals are being developed and will be presented for consideration later this year.
2.3 Revenue Canada wishes to amend customs legislation to create new regulations to provide for administrative monetary penalties which would be proportionate to the severity of contraventions and based on clients' compliance history.	The new administrative monetary penalty framework will be developed to address the compliance shortfalls in the present penalty regime and support customs' new re-engineering and business initiatives.	Concurrent with the <i>Customs Blueprint</i> process, consultations were held with the business community on the proposed penalty framework for commercial importations. Work is ongoing to establish graduated penalty amounts that are appropriate for each customs infraction. The new penalty scheme will be fully developed and submitted for management approval in the fall.

<b>Revenue Canada Performance of Regulatory Initiatives</b>		
<b>Purpose of Legislative or Regulatory Initiative</b> (as reported in the FRP)	<b>Expected Results</b> (as reported in the FRP)	<b>Results Achieved</b>
<b>3. <u>Income Tax Regulations</u></b>		
Various provisions need to be amended to remove the references to the <i>Unemployment Insurance Act</i> and replace them with either a reference to the <i>Employment Insurance Act</i> or to both Acts.	Amendments were made due to the repeal of the <i>Unemployment Insurance Act</i> and <i>National Training Act</i> .	Regulations were amended.
Parts I and II  Paragraph (h) of the definition “remuneration” in subsection 100(1) and paragraph 200(2)(c) needs to be amended to reflect changes to the taxability of certain amounts, and to ensure that there was no withholding on contributions to a retirement compensation arrangement received as a result of a transfer pursuant to subsection 207.6(7) of the Act.  Subsection 104(3) and (4.1) needs to be amended as a result of the 1998 Budget announcement regarding the Home Buyer’s Plan and Life Long Learning Plan.  Subsection 100(5) needs to reflect the current dollar amounts which are reflected in the <i>Income Tax Act</i> .  Amendments are required to Part II to introduce magnetic media filing for large entities, contractor reporting and the 1998 Budget announcement on government payment reporting.	Required by passage of Bill C-28.	Regulations were amended.
Paragraph 600(1)(b.1) to be repealed as it contains a sunset clause which has expired.	Repeal required.	Regulation repealed.
Section 3300 needs to be revised to decrease the prescribed rate in respect of Tax Transfer Payments to 40%.	Prescribed rate was changed from 45% to 40%, therefore amendment required.	Regulation amended.
Section 6301 affects the Child Tax Benefit and refers to both the Minister of National Health and Welfare and the Minister of National Revenue. As the Minister of National Revenue now has sole authority in this area, reference to the former Minister needs to be deleted.	Amendment required.	Regulation amended.

<b>Revenue Canada Performance of Regulatory Initiatives</b>		
<b>Purpose of Legislative or Regulatory Initiative</b> (as reported in the FRP)	<b>Expected Results</b> (as reported in the FRP)	<b>Results Achieved</b>
Section 8600 prescribes financial institutions. The 1998 Budget announced additions to the list of institutions.	Amendments required to reflect the Budget announcement.	Regulation amended.
<p>4. <b><u>Canada Pension Plan Regulations and Insurable Earnings and Collection of Premiums Regulations</u></b></p> <p>Amendments are needed to the CPP Regulations regarding coverage for census and election workers and to <i>Employment Insurance Act</i> (EI) Regulations in respect of withholding requirements, to reflect the 1999 maximum contribution and revised premium rates.</p>	Amendments were required due to changes to the CPP and EI Acts.	Regulations were amended.

# Section V

## Financial Performance

### Overview

The Planned Spending amount below represents the original funding approved through Main Estimates. This authority increased to \$2,791 million during 1998-1999 through Supplementary Estimates approvals of \$413 million for items such as the carry-forward entitlement (\$25 million); compensation for collective bargaining (\$152 million); costs associated with the T2 re-engineering project (\$44 million); Year 2000 compliance (\$54 million); National Child Benefit program (\$21 million); 1998 Federal Budget measures (\$48 million); the Children's Special Allowance payments (\$23 million); and the contribution to the province of Quebec for the joint administration of the provincial and federal (GST) sales taxes (\$2 million). The balance of the additional authorities covered increased operating costs associated with: enhanced compliance activity for Harmonized Sales Tax (\$10 million); the Canada-U.S. Treaty on the 4<sup>th</sup> Protocol (\$5 million); and Scientific Research and Experimental Development (\$4 million).

Along with the additional authorities, actual spending increased correspondingly and totalled \$2,757 million, reflecting a planned lapse which the Department is entitled to carry-forward in to 1999-2000. Partly attributable to the resumption of collective bargaining, the actual spending shows an increase of \$179 million, or 7.0%, in 1998-1999 over 1997-1998.

### Departmental Financial Information

<b>Revenue Canada</b>	<b>1998-99</b>
Planned Spending	\$2,377,297 000
<i>Total Authorities</i>	\$2,790,698 000
<b>Actual Spending</b>	<b>\$2,757,183 000</b>

The year 1998-1999 ended the four-year Program Review. Reflected in the planned and actual spending is an additional \$70 million in Program Review reductions for 1998-1999, bringing the Department's total contribution to some \$300 million from 1994-1995. While Program Review did not result in any change to the Department's mandate, the reductions were managed successfully to avoid or lessen their impact on service and Government revenue.

Of the gross revenue collected by the Department, federal revenues totalled \$204 billion, which typically represents about 95% of all government revenue. The gross revenues collected by the Department increased by 4.5% from \$245 billion in 1997-1998 to \$256 billion in 1998-1999.

## Financial Summary Tables

The following tables are applicable to Revenue Canada:

- Table 1: Summary of Voted Appropriations
- Table 2: Comparison of Total Planned Spending to Actual Spending
- Table 3: Historical Comparison of Total Planned Spending to Actual Spending
- Table 5: Resource Requirements by Organization (Functional) and Business Line
- Table 6: Respendable Revenues
- Table 7: Non-Respendable Revenues
- Table 8: Statutory Payments
- Table 9: Transfer Payments
- Table 10: Capital Spending
- Table 11: Capital Projects

**Table 1: Summary of Voted Appropriations**

<b>Financial Requirements by Authority (\$ millions)</b>				
Vote		Planned Spending 1998-99	<i>Total Authorities 1998-99</i>	<b>Actual 1998-99</b>
	<b>National Revenue</b>			
1	Operating expenditures	1,891.7	2,264.0	<b>2,230.8</b>
5	Capital expenditures	13.7	9.5	<b>9.3</b>
10	Contributions	92.8	95.0	<b>95.0</b>
(S)	Minister of National Revenue			
	- Salary and motor car allowance	-	-	-
(S)	Contributions to employee benefit plans	335.1	351.9	<b>351.9</b>
(S)	Children's Special Allowance payments	44.0	69.0	<b>69.0</b>
(S)	Spending of proceeds from the disposal of Surplus Crown Assets	-	0.4	<b>0.3</b>
(S)	Court Awards	-	0.9	<b>0.9</b>
	<b>Total Department</b>	<b>2,377.3</b>	<b>2,790.7</b>	<b>2,757.2</b>

**Table 2: Comparison of Total Planned Spending to Actual Spending**

Departmental Planned versus Actual Spending by Business Line (\$ millions)									
Business Lines	FTE	Operating	Capital	Voted Grants & Contri- butions	Subtotal: Gross Voted Expendi- tures	Statutory Grants and Contri- butions	Total Gross Expendi- tures	Less: Responsible Revenues	Total Net Expendi- tures
Assessment of Returns	10,385	499.4	-	92.8	592.2	44.0	636.2	-	636.2
<i>Total Authorities</i>		<i>616.7</i>		<i>95.0</i>	<i>711.7</i>	<i>69.0</i>	<i>780.7</i>		<i>780.7</i>
<b>Actual Spending</b>	<b>11,195</b>	<b>616.1</b>	<b>-</b>	<b>95.0</b>	<b>711.1</b>	<b>69.0</b>	<b>780.1</b>	<b>-</b>	<b>780.1</b>
<b>Customs and Trade Administration</b>									
Administration	7,381	383.2	13.7	-	396.9	-	396.9	-	396.9
<i>Total Authorities</i>		<i>432.3</i>	<i>9.5</i>		<i>441.8</i>		<i>441.8</i>		<i>441.8</i>
<b>Actual Spending</b>	<b>7,199</b>	<b>432.5</b>	<b>9.3</b>	<b>-</b>	<b>441.8</b>	<b>-</b>	<b>441.8</b>	<b>-</b>	<b>441.8</b>
<b>Verification and Enforcement</b>									
Verification and Enforcement	9,408	554.5	-	-	554.5	-	554.5	-	554.5
<i>Total Authorities</i>		<i>600.4</i>			<i>600.4</i>		<i>600.4</i>		<i>600.4</i>
<b>Actual Spending</b>	<b>9,281</b>	<b>600.3</b>	<b>-</b>	<b>-</b>	<b>600.3</b>	<b>-</b>	<b>600.3</b>	<b>-</b>	<b>600.3</b>
<b>Revenue Collections</b>									
Revenue Collections	5,507	247.9	-	-	247.9	-	247.9	-	247.9
<i>Total Authorities</i>		<i>253.4</i>			<i>253.4</i>		<i>253.4</i>		<i>253.4</i>
<b>Actual Spending</b>	<b>5,048</b>	<b>253.3</b>	<b>-</b>	<b>-</b>	<b>253.3</b>	<b>-</b>	<b>253.3</b>	<b>-</b>	<b>253.3</b>
<b>Appeals</b>									
Appeals	1,218	68.8	-	-	68.8	-	68.8	-	68.8
<i>Total Authorities</i>		<i>73.4</i>			<i>73.4</i>		<i>73.4</i>		<i>73.4</i>
<b>Actual Spending</b>	<b>1,082</b>	<b>73.4</b>	<b>-</b>	<b>-</b>	<b>73.4</b>	<b>-</b>	<b>73.4</b>	<b>-</b>	<b>73.4</b>
<b>Administration and Information Technology</b>									
Administration and Information Technology	6,523	610.3	-	-	610.3	-	610.3	-	610.3
<i>Total Authorities</i>		<i>778.7</i>			<i>778.7</i>		<i>778.7</i>		<i>778.7</i>
<b>Actual Spending</b>	<b>7,549</b>	<b>746.0</b>	<b>-</b>	<b>-</b>	<b>746.0</b>	<b>-</b>	<b>746.0</b>	<b>-</b>	<b>746.0</b>
<b>Revenues Credited to the Vote</b>									
Revenues Credited to the Vote		-	-	-	-	-	-	(137.3)	(137.3)
<i>Total Authorities</i>								<i>(137.7)</i>	<i>(137.7)</i>
<b>Actual Spending</b>								<b>(137.7)</b>	<b>(137.7)</b>
<b>Total</b>	<b>40,422</b>	<b>2,364.1</b>	<b>13.7</b>	<b>92.8</b>	<b>2,470.6</b>	<b>44.0</b>	<b>2,514.6</b>	<b>(137.3)</b>	<b>2,377.3</b>
<i>Total Authorities</i>		<i>2,754.9</i>	<i>9.5</i>	<i>95.0</i>	<i>2,859.4</i>	<i>69.0</i>	<i>2,928.4</i>	<i>(137.7)</i>	<i>2,790.7</i>
<b>Actual Spending</b>	<b>41,354</b>	<b>2,721.6</b>	<b>9.3</b>	<b>95.0</b>	<b>2,825.9</b>	<b>69.0</b>	<b>2,894.9</b>	<b>(137.7)</b>	<b>2,757.2</b>
<b>Other Revenues and Expenditures</b>									
Non-Responsible Revenues - Non-Tax Revenues <sup>1</sup>									(237.0)
<i>Total Authorities</i>									<i>(237.0)</i>
<b>Actual Spending</b>									<b>(277.3)</b>
Cost of services provided by other departments									302.2
<i>Total Authorities</i>									<i>302.2</i>
<b>Actual Spending</b>									<b>302.2</b>
<b>Net Cost of the Program</b>									2,442.5
<i>Total Authorities</i>									<i>2,855.9</i>
<b>Actual Spending</b>									<b>2,782.1</b>

<sup>1</sup> Note: These revenues were formally called "Revenues Credited to the Consolidated Revenue Fund (CRF). Details are found in Section VI, Appendix 5. Numbers in normal font are planned spending as per 1998-99 Report on Plans and Priorities. Numbers in italics denote Total Authorities for 1998-99 (main and supplementary estimates and other authorities). Bolded numbers denote actual expenditures/revenues in 1998-99.

**Table 3: Historical Comparison of Total Planned Spending to Actual Spending**

Departmental Planned Versus Actual Spending by Business Line (\$ millions)					
Business Lines	Actual 1996-97	Actual 1997-98	Planned Spending 1998-99	Total Authorities 1998-99	Actual 1998-99
Customs and Trade Administration	404.5	410.8	396.9	441.8	<b>441.8</b>
Verification and Enforcement	464.1	519.1	554.5	600.4	<b>600.3</b>
Revenue Collections	207.0	239.5	247.9	253.4	<b>253.3</b>
Appeals	57.7	63.1	68.8	73.4	<b>73.4</b>
Administration and Information Technology	590.4	680.0	610.3	778.7	<b>746.0</b>
Revenues Credited to the Vote	(129.1)	(136.1)	(137.3)	(137.7)	<b>(137.7)</b>
<b>Total</b>	<b>2,236.2</b>	<b>2,441.9</b>	<b>2,377.3</b>	<b>2,790.7</b>	<b>2,757.2</b>

Note: Planned spending numbers are those reported in 1998-99 Report on Plans and Priorities. Total authorities are Main Estimates plus Supplementary Estimates plus other authorities.

**Table 5: Resource Requirements by Organization (Functional) and Business Line**

Comparison of 1998-99 Planned Spending, and Total Authorities to Actual Expenditures by Organization and Business Line (\$ millions)								
Organization	Business Lines						Revenues Credited to the Vote	Organization Total
	Assistance to Clients and Assessment of Returns	Customs and Trade Administration	Verification and Enforcement	Revenue Collections	Appeals	Administration and Information Technology		
Executive Office	-	-	-	-	-	4.3	-	4.3
<i>Total Authorities</i>	-	-	-	-	-	4.4	-	4.4
<b>Actual Spending</b>	-	-	-	-	-	4.4	-	4.4
ADM, Policy and Legislation Branch	149.0	-	-	-	-	-	-	149.0
<i>Total Authorities</i>	152.5	-	-	-	-	-	-	152.5
<b>Actual Spending</b>	152.4	-	-	-	-	-	-	152.4
ADM, Assessment and Collections Branch	391.6	-	-	247.9	-	4.0	-	643.5
<i>Total Authorities</i>	516.9	-	-	253.4	-	4.0	-	774.3
<b>Actual Spending</b>	516.8	-	-	253.3	-	12.9	-	783.0
ADM, Customs and Trade Administration Branch	-	383.3	-	-	-	-	-	383.3
<i>Total Authorities</i>	-	432.3	-	-	-	-	-	432.3
<b>Actual Spending</b>	-	432.5	-	-	-	-	-	432.5
ADM, Verification, Enforcement, Compliance and Research Branch	-	-	554.5	-	-	-	-	554.5
<i>Total Authorities</i>	-	-	600.4	-	-	-	-	600.4
<b>Actual Spending</b>	-	-	600.3	-	-	-	-	600.3
ADM, Appeals Branch	-	-	-	-	68.8	-	-	68.8
<i>Total Authorities</i>	-	-	-	-	73.4	-	-	73.4
<b>Actual Spending</b>	-	-	-	-	73.4	-	-	73.4
6 ADMs, Regional Operations	-	-	-	-	-	34.9	-	34.9
<i>Total Authorities</i>	-	-	-	-	-	46.0	-	46.0
<b>Actual Spending</b>	-	-	-	-	-	44.2	-	44.2
DG, Communications Branch	8.1	-	-	-	-	-	-	8.1
<i>Total Authorities</i>	9.8	-	-	-	-	-	-	9.8
<b>Actual Spending</b>	9.7	-	-	-	-	-	-	9.7
ADM, Finance and Administration Branch	87.4	13.7	-	-	-	279.7	-	380.8
<i>Total Authorities</i>	101.5	9.5	-	-	-	282.0	-	393.0
<b>Actual Spending</b>	101.2	9.3	-	-	-	251.2	-	361.7
ADM, Human Resources Branch	-	-	-	-	-	71.7	-	71.7
<i>Total Authorities</i>	-	-	-	-	-	100.8	-	100.8
<b>Actual Spending</b>	-	-	-	-	-	97.9	-	97.9
ADM, Information and Technology Branch	-	-	-	-	-	194.2	-	194.2
<i>Total Authorities</i>	-	-	-	-	-	316.3	-	316.3
<b>Actual Spending</b>	-	-	-	-	-	311.4	-	311.4
DG, Corporate Affairs Branch	-	-	-	-	-	21.5	-	21.5
<i>Total Authorities</i>	-	-	-	-	-	25.2	-	25.2
<b>Actual Spending</b>	-	-	-	-	-	24.0	-	24.0
Responsible Revenues	-	-	-	-	-	-	(137.3)	(137.3)
<i>Total Authorities</i>	-	-	-	-	-	-	(137.7)	(137.7)
<b>Actual Spending</b>	-	-	-	-	-	-	(137.7)	(137.7)
<b>Totals</b>	636.1	397.0	554.5	247.9	68.8	610.3	(137.3)	2,377.3
<i>Total Authorities</i>	780.7	441.8	600.4	253.4	73.4	778.7	(137.7)	2,790.7
<b>Actual Spending</b>	780.1	441.8	600.3	253.3	73.4	746.0	(137.7)	2,757.2

Note: Numbers in normal font are planned spending as per 1998-99 RPP; Numbers in italics denote Total Authorities for 1998-99 (main and supplementary estimates and other authorities); and Bolded numbers denote actual expenditures/revenues in 1998-99. Due to rounding, figures may not add to totals shown.





**Table 6: Respendable Revenues**

<b>Respendable Revenues by Business Line (\$ millions)</b>					
Business Line	Actual 1996-97	Actual 1997-98	Planned Revenues 1998-99	<i>Total Authorities 1998-99</i>	<b>Actual 1998-99</b>
<b>Total Respendable Revenues</b> <sup>1</sup>	(129.1)	(136.1)	(137.3)	(137.7)	<b>(137.7)</b>
<sup>1</sup> These revenues were formally called "Revenues Credited to the Vote".					
Note: The breakdown by business line is not available for Revenue Canada.					

**Table 7: Non-Respendable Revenues**

<b>Non-Respendable Revenues by Business Line (\$ millions)</b>					
Business Line	Actual 1996-97	Actual 1997-98	Planned Revenues 1998-99	<i>Total Authorities 1998-99</i>	<b>Actual 1998-99</b>
<b>Total Non-Respendable Revenues</b> <sup>1</sup>	289.1	241.4	237.0	237.0	<b>277.3</b>
<sup>1</sup> These revenues were formally called "Revenues Credited to the Consolidated Revenue Fund (CRF)".					
Note: The breakdown by business line is not available for Revenue Canada. See Section VI, Appendix 5 for details of Non-Respendable Revenues: Non-Tax Revenues.					

**Table 8: Statutory Payments**

<b>Statutory Payments by Business Line (\$ millions)</b>					
Business Line	Actual 1996-97	Actual 1997-98	Planned Spending 1998-99	<i>Total Authorities 1998-99</i>	<b>Actual 1998-99</b>
Assistance to Clients and Assessment of Returns	42.1	45.5	44.0	69.0	<b>69.0</b>
<b>Total Statutory Payments</b>	42.1	45.5	44.0	69.0	<b>69.0</b>
Note: These amounts represent Children's Special Allowance Statutory Vote Payments for which responsibility was transferred effective August 28, 1995 from Human Resources Development Canada (P.C. Order 1995-342).					

**Table 9: Transfer Payments**

<b>Transfer Payments by Business Line (\$ millions)</b>					
Business Line	Actual 1996-97	Actual 1997-98	Planned Spending 1998-99	<i>Total Authorities 1998-99</i>	<b>Actual 1998-99</b>
Assistance to Clients and Assessment of Returns	94.9	95.0	92.8	95.0	<b>95.0</b>
<b>Total Transfer Payments</b>	94.9	95.0	92.8	95.0	<b>95.0</b>
Note: These amounts represent contributions to the Province of Québec in respect of the joint administration costs of federal and provincial sales taxes.					

**Table 10: Capital Spending**

<b>Capital Spending by Business Line (\$ millions)</b>					
Business Line	Actual 1996-97	Actual 1997-98	Planned Spending 1998-99	Total Authorities 1998-99	Actual 1998-99
Customs and Trade Administration	13.2	8.2	13.7	9.5	<b>9.3</b>
<b>Total Capital Spending</b>	13.2	8.2	13.7	9.5	<b>9.3</b>

**Table 11: Capital Projects**

<b>Capital Projects by Business Line (\$ millions)</b>						
Business Line	Current Estimated Total Cost	Actual 1996-97	Actual 1997-98	Planned Spending 1998-99	Total Authorities 1998-99	Actual 1998-99
Customs and Trade Administration						
<b>New Facilities Projects:</b>						
Saint-Bernard-de-Lacolle, Que.	18.7	10.2	3.5	-	0.2	<b>0.1</b>
Coutts, Alberta	15.5	0.1	0.1	5.0	0.3	<b>0.1</b>
Emerson, Manitoba	10.7	-	0.4	5.0	3.5	<b>3.7</b>
Little Gold Creek, B.C.	1.2	-	-	0.3	0.5	<b>1.4</b>
Osoyoos, B.C.	5.2	-	0.1	0.4	0.4	<b>0.1</b>
Andover, N.B.	4.8	-	-	0.9	0.1	<b>0.1</b>
Armstrong, Que.	4.8	-	-	-	-	-
Douglas, B.C.	1.0	-	-	-	-	-
<b>Existing Facilities Projects:</b>						
Health and Safety Projects	6.1	1.5	1.5	-	2.5	<b>1.8</b>
Other Projects	4.8	1.4	2.6	2.1	1.9	<b>2.1</b>
<b>Total Capital Projects</b>	72.8	13.2	8.2	13.7	9.5	<b>9.3</b>
Note: Due to rounding, figures may not add to totals shown.						

# Section VI

## Supplementary Information

### Appendix 1: Details of Spending by Object

(\$ millions)	Actual 1996-97	Actual 1997-98	Planned Spending 1998-99	Total Authorities 1998-99	Actual 1998-99
Personnel					
Salaries and wages	1,535.4	1,631.2	1,595.8	1,842.4	1,834.5
Contributions to employee benefit plans	231.3	266.5	335.1	351.9	351.9
<i>Sub-total</i>	1,766.7	1,897.7	1,930.9	2,194.3	2,186.4
Goods and services					
Transportation and Communications	156.7	168.6	148.1	187.5	159.4
Information	33.5	34.4	36.5	46.2	33.5
Professional and special services	99.9	127.8	102.6	139.9	160.7
Rentals	9.8	12.8	9.8	12.4	10.3
Purchased repair and maintenance	45.5	52.5	45.5	57.6	50.0
Utilities, materials and supplies	38.7	49.5	34.6	43.9	46.1
Other subsidies and payments	(.6)	(5.8)	.2	2.3	(4.2)
Minor Capital	64.9	91.8	55.9	70.8	79.4
<i>Sub-total</i>	448.4	531.6	433.2	560.6	535.2
Capital					
Controlled Capital	13.2	8.2	13.7	9.5	9.3
Transfer payments					
Grants (statutory payments)	42.1	45.5	44.0	69.0	69.0
Contributions	94.9	95.0	92.8	95.0	95.0
<i>Sub-total</i>	137.0	140.5	136.8	164.0	164.0
Gross Expenditures	2,365.3	2,578.0	2,514.6	2,928.4	2,894.9
Less: Respendable Revenues <sup>1</sup>	(129.1)	(136.1)	(137.3)	(137.7)	(137.7)
Net Expenditures	2,236.2	2,441.9	2,377.3	2,790.7	2,757.2

<sup>1</sup> These revenues were formally called "Revenues Credited to the Vote".

## Appendix 2: Revenue Collections by Type

(\$ thousands)	Gross Collections 1998-99	Refunds Drawbacks and Credits <sup>1</sup> 1998-99	Net Collections <b>1998-99</b>	Net Collections 1997-98	Net Collections 1996-97
<b>Income Tax</b>					
Personal <sup>2</sup>	162,404,762	21,142,011	<b>141,262,751</b>	134,384,483	125,726,968
Corporation	28,956,046	5,747,644	<b>23,208,402</b>	23,867,097	19,349,695
Non-Resident	2,057,137	126,767	<b>1,930,370</b>	1,983,456	2,137,690
Petroleum and Gas					
Revenue Tax	-	37,412	<b>(37,412)</b>	(307)	(792)
Resource Royalties Tax	11,396	-	<b>11,396</b>	12,933	28,932
Miscellaneous <sup>3</sup>	1,074,134	103,226	<b>970,908</b>	990,223	709,280
<i>Sub-total</i>	194,503,475	27,157,060	<b>167,346,415</b>	161,237,885	147,951,773
<b>Customs, Excise, GST and HST</b>					
Goods and Services Tax (GST)/Harmonized Sales Tax (HST) <sup>4</sup>	50,114,371	27,827,584	<b>22,286,787</b>	20,879,827	18,015,509
Customs Import Duties	2,636,362	276,999	<b>2,359,363</b>	2,765,822	2,677,030
Federal Sales Tax	1,084	67,316	<b>(66,232)</b>	(29,755)	(27,628)
Motive Fuels	4,764,581	22,343	<b>4,742,238</b>	4,625,493	4,439,067
Excise Duties	2,357,839	3	<b>2,357,836</b>	2,262,843	2,275,116
Other Excise Taxes	1,181,212	127,680	<b>1,053,532</b>	1,021,216	889,615
<i>Sub-total</i>	61,055,449	28,321,925	<b>32,733,524</b>	31,525,446	28,268,709
<b>Other</b>					
Softwood Lumber Products Export Charge	-	-	-	242	96
Air Transportation Tax <sup>5</sup>	294,793	-	<b>294,793</b>	741,834	737,241
Provincial Sales, Tobacco and Alcohol Taxes	9,181	-	<b>9,181</b>	9,299	9,003
<i>Sub-total</i>	303,974	-	<b>303,974</b>	751,375	746,340
<b>Total Tax Revenue</b>	255,862,898	55,478,985	<b>200,383,913</b>	193,514,706	176,966,822
<b>Non-Tax Revenue</b>	277,266	-	<b>277,266</b>	241,372	289,146
<b>Total Revenue</b>	256,140,164	55,478,985	<b>200,661,179</b>	193,756,078	177,255,968
<sup>1</sup>	Refunds, Drawbacks, and Credits include:				
	A. Child Tax Benefit (CTB) payments	<b>1998-99</b>	<b>\$5,715,306,381</b>		
	as follows:	1997-98	\$5,351,674,068		
		1996-97	\$5,238,750,638		
	B. Goods and Services Tax Credit (GSTC)	<b>1998-99</b>	<b>\$2,849,817,148</b>		
	payments as follows:	1997-98	\$2,891,725,063		
		1996-97	\$2,872,080,664		
<sup>2</sup>	Includes provincial share of personal income tax, Canada Pension Plan and Employment Insurance contributions.				
<sup>3</sup>	Includes tax revenue from trusts and estates, and special returns not processed by the normal systems.				
<sup>4</sup>	Includes the provincial share of the HST collected on behalf of participating provinces (\$1,662,202,030).				
<sup>5</sup>	Air Transportation Tax is subsequently transferred to Transport Canada on a monthly basis.				

### Appendix 3: Allocations of Revenues Collected

(\$ thousands)	Gross Collections 1998-99	Refunds Drawbacks and Credits <sup>1</sup> 1998-99	Net Collections <b>1998-99</b>	Net Collections 1997-98	Net Collections 1996-97
<b>Federal</b>					
Income Tax	124,029,705	27,157,061	<b>96,872,644</b>	95,925,866	83,011,893
Goods and Services Tax (GST)/Harmonized Sales Tax (HST)	48,452,169	27,827,584	<b>20,624,585</b>	19,409,361	18,015,509
Other Taxes, Duties and Non-Tax Revenue	11,513,139	494,340	<b>11,018,799</b>	11,628,826	11,279,588
<i>Sub-total</i>	183,995,013	55,478,985	<b>128,516,028</b>	126,964,053	112,306,990
<b>Provincial</b>					
Income Tax <sup>2</sup>	35,970,007	-	<b>35,970,007</b>	33,370,991	33,342,007
Harmonized Sales Tax (HST) <sup>3</sup>	1,662,202	-	<b>1,662,202</b>	1,470,465	-
Other Taxes <sup>4</sup>	9,181	-	<b>9,181</b>	9,541	9,099
<i>Sub-total</i>	37,641,390	-	<b>37,641,390</b>	34,850,997	33,351,106
<b>Canada Pension Plan Contributions <sup>5</sup></b>	14,799,700	-	<b>14,799,700</b>	12,790,363	11,390,703
<b>Employment Insurance Contributions <sup>5</sup></b>	19,704,061	-	<b>19,704,061</b>	19,150,665	20,207,169
<b>Total Revenues Allocated</b>	256,140,164	55,478,985	<b>200,661,179</b>	193,756,078	177,255,968
<sup>1</sup>	Refunds, Drawbacks, and Credits include:				
	A. Child Tax Benefit (CTB) payments as follows:		<b>1998-99</b>	<b>\$5,715,306,381</b>	
			1997-98	\$5,351,674,068	
			1996-97	\$5,238,750,638	
	B. Goods and Services Tax Credit (GSTC) payments as follows:		<b>1998-99</b>	<b>\$2,849,817,148</b>	
			1997-98	\$2,891,725,063	
			1996-97	\$2,872,080,664	
<sup>2</sup>	Provincial Income Tax is allocated from the collection of personal income tax and corporation income tax.				
<sup>3</sup>	Harmonized Sales Tax collected on behalf of participating provinces.				
<sup>4</sup>	Other Taxes include sales, tobacco, and alcohol taxes, as well as the Softwood Lumber Products Export Charge collected on behalf of the provinces.				
<sup>5</sup>	Canada Pension Plan and Employment Insurance contributions are allocated from the collection of personal income tax.				

**Appendix 4: Statement of Tax and Non-Tax Accounts Receivable  
at Fiscal Year-End**

(\$ thousands)	As at March 31, 1997	As at March 31, 1998	As at March 31, 1999
<b>Income Tax</b>			
Personal <sup>1</sup>	4,477,398	5,075,721	5,312,130
Corporation	1,403,953	1,291,453	1,496,400
Scientific Research Tax Credit <sup>2</sup>	13,290	5,182	2,465
Source Deductions (Employers)	807,394	883,539	972,882
Non-Resident	211,583	227,904	248,141
Miscellaneous <sup>3</sup>	38,262	132,824	103,673
Retirement Compensation			
Arrangement Tax	24	790	806
Petroleum and Gas Revenue Tax	141	407	983
<i>Sub-total</i>	6,952,045	7,617,820	8,137,480
<b>Customs, Excise, GST and HST</b>			
Goods and Services Tax (GST) /			
Harmonized Sales Tax (HST)	2,284,747	2,391,817	2,739,694
Other Excise Taxes and Duties	241,133	89,689	165,087
Customs Import Duties	105,422	100,361	118,302
Adjudications	-	486	286
<i>Sub-total</i>	2,631,302	2,582,353	3,023,369
<b>Total Tax Revenue Accounts Receivable</b>	<b>9,583,347</b>	<b>10,200,173</b>	<b>11,160,849</b>
<b>Sundry (Non-Tax Revenue) Accounts Receivable <sup>4</sup></b>	<b>233,197</b>	<b>311,054</b>	<b>414,285</b>
<b>Total Accounts Receivable <sup>5</sup></b>	<b>9,816,544</b>	<b>10,511,227</b>	<b>11,575,134</b>
<sup>1</sup>	Excludes the prepayment of the Child Tax Benefit (CTB) and the Goods and Services Tax Credit (GSTC).		
<sup>2</sup>	Represents "returns assessed" under Part VIII of the Income Tax Act relating to scientific research project expenditures that have not been accepted as tax credits under SRTC legislation.		
<sup>3</sup>	Includes tax and penalties assessed under T3-T4-T5 series of returns.		
<sup>4</sup>	Excludes revenue internal to the Government (1998-99, \$1,098,603; 1997-98, \$1,339,179 and 1996-97, \$168,331).		
<sup>5</sup>	Excludes amounts not payable under tax in dispute legislation (\$3,283.3 million at March 31, 1999; \$4,207.5 million at March 31, 1998; \$4,105.5 million at March 31, 1997).		

## Appendix 5: Non-Respendable Revenues: Non-Tax Revenues

(\$ millions)	Actual 1995-96	Actual 1996-97	Actual 1997-98	Actual 1998-99	Planned 1998-99
<b>Return on investments</b>					
Public buildings and properties rental	0.3	0.4	0.3	<b>1.0</b>	0.3
<b>Refunds of previous years' expenditures</b>					
Refunds of previous years' expenditures	1.3	1.9	2.9	<b>1.9</b>	1.2
Adjustment of Prior Year's Payable at Year-End	1.4	9.0	12.6	<b>3.9</b>	0.1
<b>Privileges, licenses and permits</b>					
Brokers' licence fees	0.4	0.4	0.4	<b>0.4</b>	0.4
<b>Services and Service Fees</b>					
Ruling fees	1.2	1.2	1.0	<b>1.1</b>	1.4
Photocopying charitable organization returns	-	-	-	-	-
Special reports on tax statistics	-	-	-	<b>0.2</b>	0.1
Foreign travel	-	0.1	0.2	<b>0.2</b>	0.1
Inspection fees	-	-	-	-	-
Recovery of conference and seminar fees	-	-	-	-	-
Customs bonded warehouse fees	0.8	0.9	0.8	<b>0.8</b>	0.8
Provincial tax credit fees	-	29.5 <sup>1</sup>	9.8	<b>10.2</b>	10.4
Special services fees	1.4	1.4	1.2	<b>1.1</b>	1.8
Sufferance Warehouse Licence Fees	0.6	0.8	1.0	<b>0.7</b>	0.6
CANPASS	1.3	0.9	0.9	<b>0.8</b>	1.0
Immigration Revenue - Administration Fees	-	-	-	<b>0.2</b>	-
Other fees	-	0.5	1.1	<b>0.1</b>	2.4
<b>Proceeds from Sales</b>					
Proceeds from sales	0.2	-	0.1	-	-
Sale of unclaimed goods, seals, etc.	0.6	0.3	0.2	-	0.2
Copies of Documents	-	0.1	-	-	-
<b>Proceeds from the disposal of surplus</b>					
<b>Crown Assets</b>	0.3	0.3	0.4	<b>0.4</b>	0.2
<b>Penalties</b>					
Goods and services tax	67.4	79.9	70.4	<b>72.6</b>	71.0
Other	3.0	6.9	6.3	<b>4.2</b>	5.5
<b>Interest</b>					
Goods and services tax	67.6	78.8	56.5	<b>50.0</b>	71.0
Other	9.7	8.1	19.0	<b>73.1</b>	11.4
<b>Miscellaneous</b>					
Customs Seizures	0.2	-	-	-	-
Investigation services seizures	2.0	1.8	2.5	<b>1.8</b>	2.7
Port seizures	8.2	6.9	9.9	<b>11.3</b>	7.8
Duty free shops	3.3	3.6	3.9	<b>5.0</b>	4.3
Fines and forfeitures	9.6	8.0	8.3	<b>7.4</b>	8.1
Access to information	-	-	-	-	-
Law costs awards	-	-	-	-	-
Miscellaneous user fees	-	-	-	-	-
Advance Pricing Agreements fees	0.2	0.2	0.2	<b>0.1</b>	0.3
Rental of parking space	0.2	0.2	0.3	<b>0.3</b>	0.2
British Columbia Family Bonus	-	2.5	2.1	<b>0.7</b>	2.5
New Brunswick Child Tax Credit	-	-	1.2	<b>0.6</b>	1.1
Alberta Family Employment Tax Credit	-	-	2.1	<b>0.7</b>	1.8
Recovery of employee benefits	16.7	20.5	22.1	<b>22.8</b>	21.3
Other	17.2	24.0	3.4	<b>3.7</b>	7.0
<b>Total Non-Tax Revenues</b>	<b>215.1</b>	<b>289.1</b>	<b>241.1</b>	<b>277.3</b>	<b>237.0</b>
<sup>1</sup>	Includes \$9.5 million for the Administration of Provincial Tax Credits for 1994-95 and \$9.7 million for 1995-96, which were received in 1996-97 and reported in the 1996-97 Public Accounts.				



## Appendix 6: Legislation Administered

Acts under the responsibility of the Minister of National Revenue, including certain acts for which the Minister of National Revenue has a role.

<i>Canada-Chile Free Trade Agreement Implementation Act</i>	
<i>Canada-Israel Free Trade Agreement Implementation Act</i>	
<i>Canada Pension Plan</i> .....	<i>C-8 (Part I)</i>
<i>Canada-United States Free Trade Agreement Implementation Act</i>	
<i>Children's Special Allowances Act, 1992</i> .....	<i>c. 48 (Schedule)</i>
<i>Customs Act, R.S.</i> .....	<i>c. 1 (2nd Supp.)</i>
<i>Customs Tariff, R.S.</i> .....	<i>c. 41 (3rd Supp.)</i>
<i>Customs and Excise Offshore Application Act</i> .....	<i>C-53</i>
<i>Department of National Revenue Act</i> .....	<i>N-16</i>
<i>Employment Insurance Act, 1996</i> .....	<i>c. 23 (Parts IV and VII)</i>
<i>Excise Act</i> .....	<i>E-14</i>
<i>Excise Tax Act (includes GST/HST)</i> .....	<i>E-15 (Part II-IX)</i>
<i>Export Act</i> .....	<i>E-18</i>
<i>Export and Import Permits Act</i> .....	<i>E-19</i>
<i>Federal-Provincial Fiscal Arrangements Act</i> .....	<i>F-8</i>
<i>Foreign Missions and International Organizations Act</i>	
<i>Fruit and Vegetable Customs Orders Validation Act</i> .....	<i>1988, c. 5</i>
<i>Importation of Intoxicating Liquors Act</i> .....	<i>I-3</i>
<i>Income Tax Act, R.S.</i> .....	<i>c. 1 (5th Supp.)</i>
<i>Income Tax Application Rules, R.S.</i> .....	<i>c. 2 (5th Supp.)</i>
<i>Income Tax Conventions Interpretations Act</i>	
<i>North American Free Trade Agreement Implementation Act</i>	
<i>Petroleum and Gas Revenue Tax Act</i> .....	<i>P-12</i>
<i>Privileges and Immunities (North Atlantic Treaty Organization) Act</i>	
<i>Public Utilities Income Tax Transfer Act</i> .....	<i>P-37</i>
<i>Special Import Measures Act</i> .....	<i>S-15</i>
<i>Surcharge on Imports Order Act, etc., 1963</i> .....	<i>c. 18</i>
<i>Tax Rebate Discounting Act</i> .....	<i>T-3 (SI/95-102)</i>
<i>Trade Marks Act</i> .....	<i>T-13 (ss. 53 to 53.3)</i>
<i>World Trade Organization Agreement Implementation Act</i>	

## **Appendix 7: Departmental Audits and Reviews**

### **Audits:**

Application of Fairness Legislation  
CANPASS  
Child Tax Benefit Audit  
Client Services Redress Mechanisms  
Data Integrity of the Underground Economy Initiative  
Departmental Emergency Response Audit  
Joint Audit of Justice Tax Law Services  
Origin Determination  
Scanning Payments  
Storage of Goods  
Year-End Cash Cut-Off

### **Reviews:**

Anti-Smuggling Initiatives - Interdepartmental Review  
Employer Compliance Risk Assessment Study - Phase I  
Evaluation Assessment on Departmental Memoranda of Understanding (MOU)  
NATAP Evaluation Study - Tri-lateral Review (Canada, United States and Mexico)  
Survey of Revenue Canada's Appeals Branch Clientele

## **Appendix 8: References**

1. 1998-1999 Reports on Plans and Priorities
2. Our Roadmap for the Future  
(Excerpts from Revenue Canada's 1999-2000 Corporate Business Plan)
3. Index to Revenue Canada Services
4. Revenue Canada Web site (<http://www.rc.gc.ca>) includes:
  - ◇ At the Heart of Fairness Report
  - ◇ Charities information
  - ◇ Compliance: From Vision to Strategy
  - ◇ Customs and Trade Administration Blueprint documents
  - ◇ E-Commerce - Speech: OECD Conference
  - ◇ GST/HST News publications
  - ◇ Registered Plans information
  - ◇ Revenue Canada: Benefit Programs
  - ◇ Special Importations Measures Act (SIMA) publications
  - ◇ Scientific Research and Experimental Development - Cash & Tax Credits
  - ◇ Underground Economy: Contract Payment Reporting System - Construction Sector
  - ◇ 7-Point Plan for Fairness and the Fairness Pledge

5. Documents:

- ◇ Customs and Trade Administration Blueprint: A Discussion Paper
- ◇ C-092 - Importing a Firearm or Weapon Into Canada
- ◇ IC92-2 - Guidelines for Cancellation and Waiver of Interest and Penalties (Fairness)
- ◇ IC93-3 - Registered Education Savings Plan Information Circular
- ◇ IC98-1 Collections Policies
- ◇ Income Tax Statistics
- ◇ RC4041 - Guide to Importing Commercial Goods
- ◇ RC4044 - I Declare
- ◇ RC4061 - CANPASS/PACE - Autoroutes: Extending Border Services
- ◇ RC4062 - CANPASS - Airport: Extending Border Services
- ◇ RC4074 Rev. 98 - CANPASS - Private Boats: Extending Border Services
- ◇ RC4075 Rev. 98 - CANPASS - Private Aircraft: Extending Border Services
- ◇ RC4092 - Registered Education Savings Plan Guide
- ◇ Statistics Canada 1996 - Reading the Future: A Portrait of Literacy in Canada
- ◇ Tables on Diskette
- ◇ T4060 - Revenue Canada Collections Policies
- ◇ T4113 - Federal Youth Hires Plan

**Appendix 9: Contacts for More Information**

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