



# Revenue Canada

1997-98  
Estimates

A Report on Plans and Priorities  
Pilot Document

## **The Estimates Documents**

The Estimates of the Government of Canada are structured in three 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 Part III documents provide additional detail on each department and its programs primarily in terms of the results expected for the money spent.

Instructions for obtaining each volume can be found on the order form enclosed with Part II.

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Approved

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Minister of National Revenue

## Foreward

The Improved Reporting to Parliament Project (IRPP) was established within the Treasury Board Secretariat to improve the Expenditure Management information provided to Parliament, and to update the processes used to prepare this information. This is part of a broader initiative to increase the results orientation and increase the transparency of information provided to Parliament known as “Getting Government Right”.

During the period from August 1995 to December 1996, extensive consultations were held with members of Parliament and other key stakeholders to examine options to improve the information provided to Parliament. A clear requirement was identified to improve performance information and to provide planning information that is results oriented, longer term and more strategic in focus, and clearly communicated.

The IRPP has unfolded in three phases. In March, 1996, six departments tabled revised Part III of the Main Estimates documents. These documents responded to requirements to provide a better focus on planning and performance information.

In June 1996, the House of Commons gave its concurrence to expand the pilot project and to test the tabling of separate planning and performance documents. In October, 1996, sixteen departments tabled performance reports as phase two of the IRPP. These performance reports have been evaluated and found to provide relevant and timely information, with broad support for providing separate performance reports on an ongoing basis.

The Report on Plans and Priorities is being tabled by the same sixteen pilot departments as phase three of the IRPP. These documents, and the separation of planning and performance information will be assessed, and if Parliament agrees, all departments and agencies will move to a spring Report on Plans and Priorities, and a fall Performance Report, with the first complete package of separate performance reports beginning in the fall of 1997.

These documents are available electronically from the Treasury Board Secretariat Internet site:  
<http://www.tbs-sct.gc.ca/tb/key.html>

Comments or questions about this document, or the Improved Reporting to Parliament Project, can be directed to the TBS Internet site, or to:

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## Preface

This document is Revenue Canada's contribution to the Treasury Board Secretariat initiative aimed at Improved Reporting to Parliament. It is primarily aimed at providing useful and timely information, about the Department's plans and priorities for the period to 1999-2000, in order to help Parliamentarians in their scrutiny role of departmental expenditures in the context of the New Expenditure Management System.

Following the Minister's Message, the document is divided into three sections:

- Section I      Departmental Business Overview: A brief summary of Revenue Canada's mandate, objectives, planning environment and key program commitments including major new initiatives.
- Section II     Plans and Priorities by Business Line: Provides a description of each Business Line and an overview of their objectives, key commitments and performance information.
- Section III    Supplementary Information: More detailed information on Revenue Canada's organization, resources, revenues and planned program evaluation studies and internal audits.

In accordance with Operating Budget principles, human resource consumption reported in this document is measured in terms of employee full-time equivalents (FTE). This is a measure based on the amount of time normally worked by a person during a 12-month period. The FTE measure takes into account the utilization of full and part-time workers.

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## Minister's Message

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For many Canadians, Revenue Canada is their main link to the federal government. Indeed, few other departments deal with so many Canadians each day. For this reason, the Department needs to be particularly sensitive to the evolving role of government in our society, while responding to the ongoing challenges of an increasingly competitive and global economy.

It is our goal to maintain the high quality of service that Canadians have come to associate with our programs. We are developing a smart border strategy that continues to protect Canadian society from contraband while facilitating legitimate travel and trade. By facilitating trade we can help Canadian businesses create jobs for Canadians. Since small- and medium-sized enterprises are so important in creating new jobs, we are continuing to pay particular attention to their special needs.

Along with our colleagues in New Brunswick, Newfoundland and Labrador, and Nova Scotia, we will implement a harmonized sales tax that will effectively cut in half the paperwork required of businesses. This will result in considerable savings that will allow businesses to focus on growth. We are confident that when the benefits of harmonization are fully understood, other provinces will want to join in.

We continue to benefit from the consolidation of the two former departments of Customs and Excise, and Taxation. The benefits of this reorganization have been most obvious through the single-window access to Revenue Canada's services. Canadians now benefit from a department that works in partnership with them to contribute to their personal as well as economic well-being, and provides a competitive advantage for Canadian business in the global economy.

We want to go one step further. The Government of Canada has proposed an agency that could consolidate revenue collection for all levels of government in Canada. This organization would be solidly based on fairness, confidentiality, and integrity. In the end, the creation of the agency will mean less complexity, less cost, and a reduced compliance burden for all Canadians. This will be achieved while maintaining an open, transparent, and accountable customs border and revenue administration. In the coming year, we will continue discussions with the provinces on the implications of their participation in the proposed agency.

As Minister of National Revenue, it is my privilege to table this report on our future plans and priorities. Given the integrity and professionalism of the men and women of Revenue Canada, I remain confident that, working together, we can face whatever challenges the future may bring.

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Minister of National Revenue

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## Section I

### Departmental Business Overview

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#### a. Mandate

Revenue Canada exerts a profound influence on the lives of all Canadians, the social and economic well-being of their families and communities, the health and prosperity of their businesses, and the affordability and sustainability of their social programs.

The reason for this profound influence is that Revenue Canada is mandated to collect revenues; to administer tax laws, both for the federal government and on behalf of 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.

In doing so, and under its general mandate from the Department of National Revenue Act, 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 III and VII of the Employment Insurance Act, and numerous other pieces of legislation on behalf of other federal departments and provincial and territorial governments.

Revenue Canada collects income taxes for the provinces and territories under agreements entered into by the Minister of Finance with the provincial and territorial governments concerned according to

provisions of Part III of the Federal-Provincial Fiscal Arrangements Act. Revenue Canada collects: federal income tax; personal income tax on behalf of all provinces except Quebec; corporate income tax on behalf of all provinces except Alberta, Ontario and Quebec; the Goods and Services Tax (GST) in all provinces except Quebec; commodity taxes, Excise duties and import levies; provincial sales, alcohol and tobacco taxes at the border on behalf of certain provinces; employee and employer contributions under the Canada Pension Plan; and employee and employer premiums for Employment Insurance. The Department also administers International Tax Agreements signed with a large number of countries aimed at promoting the exchange of information between treaty partners and the avoidance of double taxation of foreign-earned income of their respective citizens.

Revenue Canada protects Canadian individuals, business and society as a whole from the entry of dangerous or illegal goods (e.g., drugs, weapons) and inadmissible people (e.g., criminals, illegal immigrants). The Department also administers border and trade legislation, including international agreements, such as the World Trade Organization (WTO), the Canada - U.S. Free Trade Agreement (FTA), and the North American Free Trade Agreement (NAFTA), as well as domestic laws, such as the Exports and Imports Permits Act aimed at protecting and supporting sovereignty at the border, Canadian industrial competitiveness, economic policies and society as a whole.

Furthermore, Revenue Canada administers numerous pieces of legislation, in whole or in part, on behalf of other departments, notably: Agriculture and Agri-Food; Industry; Citizenship and



Immigration; International Trade; Health; and Environment.

In carrying out its mandate, Revenue Canada administers more than 185 Acts, regulations, incentives, credits, surtaxes, and international tax treaties.

The Department serves some:

- 21.8 million individual income tax filers;
- 205,000 trusts;
- 1.1 million corporations;
- 2.4 million Goods and Services Tax (GST) registrants;
- 1.3 million employers;
- 158,000 commercial importers;
- 107 million travellers;
- 23,000 registered pension and deferred profit sharing plans; and
- 74,000 charities.

In 1997-98, Revenue Canada will process an estimated:

- \$258 billion in trade representing more than 30.9 million commodity declarations resulting from 10.9 million commercial entries;
- 35.5 million Child Tax Benefit payments;
- 32.9 million GST credit payments;
- 17.1 million public enquiries; and
- 467 thousand Children's Special Allowance payments.

## b. Objectives

To ensure the fair and timely assessment, collection and, where appropriate, refund of all taxes, duties and other relevant charges and levies; to enhance the competitiveness of Canadian business

through the administration of a wide variety of the Government's trade policy instruments and the facilitation of trade, international commerce and tourism; to enforce Canadian laws and sovereignty at the border and protect Canadian business, individuals and society generally from inadmissible or dangerous goods and people; and to support the social and economic programs and goals of the Government such as competitiveness through fair and equitable administration of legislation, international treaties and agreements and other federal and provincial statutes and regulations.

## c. Planning Environment

The March 1996 Budget, which announced the Government's intention to establish a national revenue agency, is of critical importance to Revenue Canada's future plans and priorities.

However, as discussions regarding issues such as the governance and accountability regime of the agency have yet to be concluded, the following outlines current influences affecting Revenue Canada's programs:

- the importance attached to ensuring that the administration of formal international trade agreements, to which Canada is a signatory, support the international competitiveness of the Canadian economy and Canadian businesses;
- the increasing pressure to optimize the use of resources and to reduce overlap and duplication through greater coordination of activities, and by

integrating processes and initiatives with other orders of government and other institutions;

- the movement away from paper-based transactions towards electronic commerce which will enable Revenue Canada to deliver services faster, and in a more consistent manner;
- the potential of the Internet and the world-wide-web to aid the delivery of the Department's services is being actively explored in order to further exploit electronic commerce opportunities;
- the continuing focus on deficit reduction and the need for government to identify core roles and responsibilities and provide modern affordable government;
- the ongoing emphasis on minimizing any leakage in government revenues and ensuring that all Canadians pay their fair share of taxes;
- the need, through tax treaties and Advanced Pricing Agreements, to protect Canada's tax base and ensure Canadian corporations do not face double taxation;
- increasing pressure from Canadians for strengthened protection at the border from the entry of illegal and dangerous weapons, goods and inadmissible people; and
- the importance of ensuring that provincial interests are taken into consideration when administering legislation on their behalf.

In addition, Revenue Canada also has to contend with challenges emanating from the following areas:

**New Legislation and Government Priorities:** The introduction of any new or revised tax and trade legislation and arrangements, federal/provincial or international, has a significant impact on departmental operations and resource needs. Revenue Canada liaises on a continuing basis 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.

**Impact of Changing Economy:** Revenue Canada's programs are all impacted by changes in the economy. The amount of work the Department must do is also largely a function of such external influences as growth in population and per-capita income, changes in interest rates, labour force participation and unemployment rates. For example, over the past 10 years T1 Individual Returns have grown by 30% from 16.8 million in 1987-88 to 21.8 million in 1997-98, while T2 Returns have grown by 44% from 0.8 million to 1.1 million in the same period. The work is also affected by the increasing use of the tax system as a vehicle for implementing various socio-economic programs, such as: the GST credit; the Child Tax Benefit; the Scientific Research and Experimental Development Tax Credit; duty remissions and drawback programs.

In delivering the benefits intended by social and economic programs, tax and border administration have become more complex. This results in more workload in areas such as enquiries, data capture, and adjustments to filed returns. Also, Revenue Canada's workload is affected by the continuing movement towards liberalized trade and changes in the number of cross-border travellers and commercial transactions. Furthermore, as taxable populations grow, the Department has more work to do to ensure levels of direct enforcement sufficient to protect the integrity of Canadian laws, establish a level playing field, and assure the collection of government revenues.

#### d. Summary of Key Program Commitments and Major New Initiatives

##### 1. Key Program Commitments

Revenue Canada is committed to provide Canadians with:

##### a. Effective Revenue Administration

This involves 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.

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

- implement a single administration of a combined federal/provincial sales tax in Nova Scotia, New Brunswick and Newfoundland and Labrador beginning April 1, 1997

##### Verification and Enforcement

- refine the compliance strategy through ongoing research on patterns and trends in compliance and non-compliance in order to provide a deterrent to future non-compliant behaviour and to send positive messages to those who comply voluntarily
- reinforce current Underground Economy activity through sector-specific strategies and implementation of new procedures for reporting payments to subcontractors
- increase the Total Fiscal Impact of enforcement to \$5.2 billion by 1999-2000
- maintain a strong International Tax program to respond to the growing significance of international trade and the challenges posed by the increased international movement of people, goods and services

##### Revenue Collections

- maintain accounts receivable at a level not in excess of 4% of gross revenue

##### Appeals

- provide clients with a means of redress through an impartial review of Notices of Objection and Appeals within reduced timeframes
- analyze the reasons for objections to ensure optimal practices and techniques are implemented
- review how Appeals Officers interact with clients and their representatives to ensure a fair hearing

## b. Smart Border

This involves the enforcement of Canadian laws and sovereignty at the border and the support of Canadian industrial competitiveness and economic policies.

### Customs Border Services and Trade Administration

- develop and implement a strategic approach to contraband and illegal cross-border activity, designed to focus enforcement resources on activities of highest risks and to make it more difficult for controlled, dangerous and illegal goods and inadmissible persons to enter or leave Canada
- re-engineer the travellers process to facilitate tourism through the streamlined movement of low-risk travellers
- re-engineer the commercial process to speed the processing of low-risk goods while maintaining appropriate controls and reduce the burden and cost of compliance for Canadian business
- ensure that administrative and regulatory practices are transparent, trade irritants are reduced and Canada's participation in the global marketplace is enhanced

In addition to the above key program commitments, specific business line commitments are detailed in Section II.

## 2. Major New Initiatives

- Individual Enquiries Re-engineering: This initiative is focused on telephone service which, in addition to being the clients' preferred mode of contact with the Department, is the most cost-effective

method of providing service to our clients. A two-part strategy has been adopted. The first part of the strategy involves aggressively pursuing initiatives that will reduce the need for clients to contact us. Such initiatives include promoting the benefits of direct deposit to our clients as this will reduce the number of credit/refund enquiries, simplifying publications, and expanding the availability of general tax information by, for example, use of the Internet.

The second part of the strategy entails the utilization of technology and the adoption of managerial and operational best practices from the telephone service industry in order to handle those enquiries we do receive in a more efficient and effective manner.

The new process will be implemented in the three major metropolitan areas of Montréal, Toronto and Vancouver. These areas are a logical starting point for implementing the new telephone process as they handle approximately 40% of the national workload. How and when this new process will be applied to telephone operations in the remainder of the country will be determined after the results from the three locations are known.

- Collections Re-engineering: The new process involves adopting industry best-practices of maximum early telephone contact and the increased use of risk scoring to identify priorities, as well as the full integration of collections activities and information across all departmental operations.

A national phone contact centre will be established by June 1997 contingent on the private sector response to the request for proposal to purchase the required technology and equipment. This centre

will be equipped with automated telephone call processing technology (predictive dialling). Calling campaigns planned and implemented daily by Call Centre management will ensure prompt attention to high risk accounts while treating a maximum number of contacts daily.

The national phone contact centre will begin by handling T1 individual accounts receivable in August 1997, followed by Goods and Services Tax accounts receivable in October 1997. Other receivables will be included as they become available from the Standardized Accounting Re-engineering Process culminating with the Deductions at Source in 1999-2000.

○ Standardized Accounting: All of Revenue Canada's major accounting systems now perform the same basic functions. Each was implemented in a proprietary fashion with the intention of supporting one particular revenue type (i.e., individual taxes, corporation taxes, goods and services tax (GST), etc.).

The Standardized Accounting initiative is focusing redevelopment efforts on harmonizing business rules so as to develop a single accounting system for all business programs including: Corporation Tax, Excise Tax and Excise Duties, GST, Source Deductions and Customs. Standardization of accounting components that are capable of supporting multiple revenue programs will provide flexibility to enable the integration of clients' accounts. By the end of year 2000, the Department expects to have a comprehensive single Accounting system in place for all business programs.

○ Document and Payment Processing (Scanning): Revenue Canada will continue to focus on electronic data interchange as the preferred means of capturing payments and information. Nonetheless, it is recognized that large volumes of paper will still be received for processing for at least the next seven to ten years. As a result, a solution is required to deal with the paper. Thus an image based data capture system has been identified as the best solution to replace the current data capture process for both payments and information returns. In order to maximize the efficiencies inherent in the technology, the proposal includes centralized processing of payments and information returns in one site. It is anticipated that other applications will be added in the future.

○ T2 Redesign: The T2 Redesign project will modernize the processing of Corporation Income Tax (T2) Returns and provide an electronic filing facility for corporations. Extensive consultations with the accounting community, industry, provincial governments, and other federal departments have resulted in a call for the development of a new process to collect financial statement information from corporations in a predictable manner.

The redesigned system will provide electronic versions of the T2 return as originally filed by the corporation and all subsequent assessment information on-line in "real time". The new system will be adaptable to current and future re-engineering initiatives. Electronic filing via Electronic Data Interchange will further improve the speed and accuracy of processing and will foster the spirit of federal/provincial co-operation. When

fully implemented by the year 2000, the Department expects substantial savings and increased revenues to the Government.

○ TELEFILE: TELEFILE is an automated voice response system which allows Revenue Canada to accept income tax returns over the telephone. Clients enter their tax data by pressing the numbers on a Touch-Tone™ telephone keypad. The service was developed in response to client demand for a method to electronically file their tax returns from home.

This initiative is currently being piloted in New Brunswick and is aimed solely at senior citizens and eligible recipients of social benefit credits. Pending the results of the pilot, it is anticipated to implement this service nationally by the year 2000.

○ Appeals Business Process Re-Design: Proposed improvements in the handling of Income Tax and GST objections, which were identified through a task force review of objections business processes in 1996, will be field-tested via a pilot project in 1997. This re-engineering should lead to optimal workload assignment, improved work processes and a more effective organization. The computerized workload management system will be redesigned to streamline work flows and enhance productivity and management information. Service standards will be developed to assist in providing clients with information about the timeliness of the objections process.

○ Child Support Reform: A variety of child support reform measures were announced in the March 1996 Budget, including tax changes to the deduction/inclusion rules for child and spousal support. These reforms affect Revenue Canada in four ways: child support payments required under written

agreements or court orders after May 1, 1997, and under certain agreements and orders made before May 1, 1997, will no longer be taxable and deductible; where the above applies, spousal support payments will only be deductible where child support is not in arrears; the Working Income Supplement is to be doubled in two stages, the first in July 1997 and the second in July 1998; and select information on Revenue Canada's databanks will be provided to the Department of Justice to assist in tracing child support defaulters.

This initiative will result in more effective compliance as it relates to the accuracy of income reported and deductions claimed for support payments. It will also contribute to improved compliance in the collection of outstanding child support payments, which will benefit government in general (reduced compliance and social benefit costs) and custodial parents in particular. This initiative will benefit clients by removing child support from the income tax system, thereby simplifying return completion and eliminating concerns about annual income tax debits raised by taxable child support payments.

○ British Columbia Family Bonus (BCFB) Program: On behalf of the province of British Columbia, Revenue Canada administers the BCFB, which is a program that provides monthly payments to low-income BC families with children under age 18. Revenue Canada will recalculate the BCFB each July to reflect the changes in family income reported on the most recent tax returns. Enhancements being made to the BCFB system in February 1997 and July 1997 will allow the province to further customize the program. Discussions are taking place with other provinces, including Alberta, concerning the delivery by Revenue Canada of similar provincial programs.

○ Register of Electors Project: On December 18, 1996 legislation received Royal Assent that amends the Canada Elections Act and Referendum Act to allow for the creation of a Register of Electors and to set the electoral calendar to a minimum of 36 days from 47 days. Elections Canada has estimated that, once fully implemented, this initiative will save approximately \$30 million per federal electoral event. Maintaining and sharing an automated register of electors among electoral jurisdictions eliminates duplication, promotes inter-governmental cooperation, and improves service to Canadians. In order to assist Elections Canada, Revenue Canada will request consent via the T1 return to transfer name, address and date of birth information from the individual identification data base. This information will be used to update the information initially compiled by Elections Canada in one final door-to-door enumeration expected to be held in the spring of 1997.

The Department's costs, which will be recovered, will involve obtaining client consent, dealing with public enquiries, providing statistical data to measure client acceptance and revocation of consent. The Department will maintain client privacy by developing a unique identifier for each client who consents to have information transferred to Elections Canada.

○ Business Number (BN) Registry: In order to improve the competitiveness of Canadian business, provide one-stop service, and reduce the compliance burden on business, Revenue Canada will spearhead an expansion of the use of BN as

the common client identifier for all levels of government and create a national business registry. Revenue Canada will develop, in the planning period, an open and expandable technical infrastructure to support electronic transactions so that federal-provincial program delivery can be integrated while the independence of the agencies and programs can be maintained. This will lead to the development of an electronically-linked web of government programs for business using the BN and a central registry for federal, provincial and municipal accounts.

○ Commercial Vehicle Processing Center (CVPC): Under the auspices of the Canada/U.S. Accord on Our Shared Border, agreed to in February, 1995, Revenue Canada and the United States Customs Service are exploring opportunities in the area of shared facilities, equipment and resources along the Canada/U.S. border. The CVPC being planned for Fort Erie, Ontario will serve as an opportunity to further explore the development of the legislative and operational frameworks necessary to support such activities.

○ Tariff Simplification: The Tariff Simplification Project is an initiative of the Department of Finance. The main objective of this project is to make Canada's tariff regime more responsive to the competitive pressures facing Canadian industry as a result of freer trade, through the introduction of a new Customs Tariff on January 1, 1998 that will serve as the basis of a simpler, more transparent, and more predictable tariff regime. Tariff Simplification will also result in a tariff regime which lessens the regulatory burden and associated costs to both the Government and the business community.

The Tariff Simplification Project melds a great number of existing duty-relieving provisions and remission orders of the current regime. This provides clients with a business-friendly “one-stop shopping catalogue” for imported goods that will assist them in complying with departmental legislation, regulations and policies, at the same time as it harmonizes business practices and rules and increases the competitiveness of Canadian industry in domestic and global markets.

○ Asia Pacific Economic Cooperation (APEC): For 1997, Canada has assumed the chair of APEC. Revenue Canada is responsible for the clearance of delegates to the Leaders’ Summit in Vancouver in November 1997 and will be showcasing initiatives at ministerial meetings on trade, transportation and small and medium enterprises. However, Revenue Canada’s main involvement in 1997 will be chairing the Sub Committee on Customs Procedures (SCCP).

The SCCP will meet three times in 1997, seeking ways of simplifying and harmonizing customs procedures with the objective of modernizing customs administration in APEC countries by the year 2020. The Department is also co-hosting a customs/industry symposium with the Canadian Chamber of Commerce to provide a forum for customs administrations and the private sector to discuss issues of common interest.

In future years, Revenue Canada will become increasingly involved in the delivery of technical assistance to developing APEC economies. The goal is to assist in modernizing customs administrations in APEC economies by the year 2020 and to simplify and harmonize customs procedures.

○ Increased Enforcement: The Department is committed to ensuring the

integrity of the self-assessment tax system in Canada. A major portion of underground economy efforts have been focused on unincorporated and self-employed businesses. The purpose of this initiative is to enhance the level of audit coverage in this segment of the population in order to address the growth in small business and the trend toward contractor relationships.

An increase in audit coverage levels will significantly increase the Department’s visibility and highlight the Government’s resolve to deal with the problem of the underground economy. The resulting deterrent effect will result in long-term increases in voluntary compliance and associated revenues. Therefore, additional resources will be applied to audit this segment of the population.

○ Combating Tax Avoidance: This initiative will enable the Department to address emerging tax avoidance issues on a timely basis and increase the identification and audit of abusive tax shelters.

Taxpayers are entitled to organize their affairs so as to pay the least amount of tax, but not to circumvent the law to obtain unintended tax benefits. The Income Tax Act now contains about 40 anti-avoidance provisions including the general anti-avoidance rule (GAAR).

Additional resources will be devoted to address new workload created by the challenges of international commerce, legislative complexities and the continual evolution of tax avoidance arrangements.

Furthermore, with GST legislation maturing, avoidance arrangements are expected to be found in GST audits resulting in additional tax avoidance workload.



○ Enhancement of the International Tax Program: Revenue Canada is committed to having a strong International Tax program to respond to the growing significance of international trade and the challenges posed by increased international movement of people, goods and services, including the transfer of goods and services between related parties. The Department is preparing to implement proposed changes to income tax rules to ensure that taxpayers who move or transfer property from Canada will remain subject to Canadian tax on their gains from such property.

The Department will ensure that Canadian residents properly report their total world income through implementation of new foreign investment report requirements, enhanced coordination and information exchange with other countries, and increased enforcement activities. A matching program is being implemented with regard to foreign source income received by Canadian residents in order to identify instances where this income has not been reported by the taxpayers. This program will also allow the Department to identify non-filers. These measures will provide a deterrent against non-compliance and strengthen the credibility and integrity of revenue administration.

○ Harmonized Sales Tax (HST): On October 23, 1996 the Governments of Canada, Nova Scotia, Newfoundland and Labrador, and New Brunswick signed agreements to harmonize the federal and provincial sales taxes in those provinces. This initiative was aimed at eliminating administrative duplication and overlap, reducing the compliance burden, and making business in the participating provinces more competitive through the removal of taxes from business inputs.

This program will take effect April 1, 1997. Specifically, the agreements provide for single administration of the combined federal/provincial sales tax in Nova Scotia, New Brunswick and Newfoundland and Labrador. Because the combined tax is under the single administration of Revenue Canada, it results in the elimination of three existing provincial retail sales tax administrations. Businesses in the participating provinces will be more competitive, internationally and at home.

○ GST Legislative Amendments: In addition to the new HST requirements, the Government has also introduced over 100 legislative proposals to streamline and simplify the Goods and Services Tax (GST). These proposals are an essential part of the architecture of a much-improved system that will affect many sectors of the economy, including: charities, non-profit organizations, health care, education, municipalities, financial services, telecommunications, tourism, employee benefits, agents, auctioneers, partners, trusts, and international transactions.

The Ways and Means Motion tabled in the House of Commons on April 23, 1996, contained a number of amendments to the Excise Tax Act, the Income Tax Act, and related statutes, which were developed in response to concerns raised by businesses and other organizations. They were intended to simplify the tax for businesses, charities, and non-profit organizations, improve the fairness of the tax for business and consumers, clarify the tax and ease compliance.

Over one-third of the changes are intended to simplify such things as the treatment of used goods, charities and non-profit organizations (which means that fewer of these organizations will have to register and administer the GST). They will also simplify the calculation of employee and shareholder benefits (which will allow businesses to do a one-step calculation using the same information as that used for income tax purposes).

○ NISA (Net Income Stabilization Account) Application for Farmers: The NISA application process will be amalgamated with the income tax filing requirements for the 1997 tax year. One joint form will be filed with the 1997 tax return of farmers participating in NISA which will reduce paper burden and costs. This initiative commenced in 1994 pursuant to the Memoranda of Understanding between Agriculture and Agri-Food Canada and Revenue Canada.

e. Summary of Financial Requirements by Business Line

(\$ millions)	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Assistance to Clients and Assessment of Returns	615.0	609.0	618.4
Customs Border and Trade Administration Services	379.9	371.1	373.1
Verification and Enforcement	513.2	532.0	548.9
Revenue Collections	246.0	243.3	252.5
Appeals	65.7	64.5	66.2
Administration and Information Technology	587.2	569.0	582.2
Gross expenditures	2,407.0	2,388.9	2,441.3
Less: Revenues Credited to the Vote	138.1	144.2	147.9
Total appropriations	2,268.9	2,244.7	2,293.4
Human Resources (FTE)	39,774	39,576	40,271

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## Section II

### Plans and Priorities by Business Line

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#### A. Assistance to Clients and Assessment of Returns

##### 1. Objective

To foster self-assessment and compliance and to process client returns.

##### 2. Description

To communicate to clients their rights and obligations; to develop and maintain a registry of clients; to provide them with the necessary forms and information for filing returns accurately and on time; to respond to client enquiries; to process and assess their returns when received; to advise clients of results through the issuance of notices of assessment; to process payments; to update client accounts for all assessments and remittances; and to conduct a limited verification of items that were accepted at the assessing stage. Also included are an advisory function to other government departments with respect to the administrative feasibility of new legislation and treaties under negotiation; activities related to the registration of charities, pension and deferred income plans; and the provision of advance rulings on the tax implications of potential transactions.

A final component is to respond to the federal government's thrust toward reform of social policy through the administration of socio-economic payments made to low and modest income individuals and families, in the form of the Child Tax

Benefit, Children's Special Allowances, Goods and Services Tax Credit, British Columbia Family Benefit and other provincial benefit payments.

#### 3. Key Business Line Commitments and Initiatives

The following commitments and initiatives are in addition to the key program commitments and major new initiatives described in Section I(d):

- to continue the aggressive application of technology in order to seek reductions in the administrative burden and costs experienced by business and individual clients through various re-engineering initiatives resulting also in substantial operational efficiencies for the Department by 1999-2000
- to maintain a more proactive program of consultation with clients to identify measures to reduce the burden of compliance
- to continue to improve service and operational performance by being client focused and by supporting simplification initiatives such as the provision of "one-stop service" across the country whereby clients can obtain various information, acquire forms and make payments in one location
- to simplify statements and improve service by consolidating accounts allowing business to offset liability in one area such as Income Tax, with overpayments or refunds from another, such as GST
- to maintain service levels to clients, a re-engineering project was undertaken in the GST Rulings and Interpretations Program to set the foundation for a more effective and efficient program. New work processes were introduced in

headquarters in 1996 and will be introduced in the regions in 1997. The re-engineered program will see a concentration of resources in a smaller number of offices in each region. This will allow the development of highly trained, knowledgeable and versatile staff in each region to deliver accurate and timely responses to clients

○ to complete, in collaboration with the Department of Finance, a comprehensive review of the Excise Act, and related provisions of the Excise Tax Act, pertaining to the taxation of alcohol

and tobacco products. The objective is to modernize and streamline many antiquated provisions and at the same time safeguard the significant tax revenues from these products. Changes should contribute to a reduction in administration and compliance costs for both industry and government

○ to enhance the identification of individual tax returns that have a greater risk of non-compliance

#### 4. Results Expectations

Figure 1: Public Enquiries Handled

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Public Enquiries (000's) <sup>1</sup>	17,146	16,507	16,525
Associated FTE	1,877	1,807	1,809
Enquiries Handled per FTE	9,135	9,135	9,135
<sup>1</sup> Excludes enquiries answered by way of automated voice response systems; includes enquiries related to the Goods and Services Tax and employer deductions at source.			

Figure 2: Tax Filers by Type

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
(000's)			
Individuals and Trusts <sup>1</sup>	22,037	22,370	22,712
Corporations	1,125	1,158	1,194
Goods and Services <sup>2</sup>	1,984	2,121	2,227
Total Tax Filers	25,146	25,649	26,133
Associated FTE	6,612	6,598	6,748
Tax Filers per FTE	3,803	3,887	3,873
<sup>1</sup> Includes 205,000 Trust Returns in each of 1997-98, 1998-99 and 1999-2000.			
<sup>2</sup> Excludes 440,000 tax files registered in the province of Quebec, for a total of 2,424,000 nationally for 19998, 2,561,000 for 1998-99 and 2,667,000 for 1999-2000.			

Figure 3: Processing Review of Individual Returns, Additional Tax Assessed <sup>1</sup>

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Returns Reviewed (000's)	950	1,050	1,150
Additional Tax Assessed (\$000's)	125,000	138,000	151,000
<sup>1</sup> Includes additional federal and provincial taxes assessed.			

Figure 4: Matching of Individual Returns, Additional Tax Assessed <sup>1</sup>

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Returns Reviewed (000's)	1,735	1,735	1,735
Additional Tax Assessed (\$000's) <sup>2</sup>	253,300	282,433	272,433
<sup>1</sup> Includes both manual and computer assisted and fully automated matching			
<sup>2</sup> Includes additional federal and provincial taxes assessed.			

## B. Customs Border and Trade Administration Services

### 1. Objective

To enforce Canadian laws and sovereignty at the border, and support Canadian industrial competitiveness and economic policies.

### 2. Description

To enforce Canadian laws and sovereignty at the border and deliver customs border and trade services designed to advance and support the government's foreign policy and domestic socio-economic objectives, and thereby protect Canadian industry and society, through control of the movement of people, goods, and conveyances entering or leaving Canada and through the detection of contraband; to support Canadian industrial competitiveness by ensuring that Canadian business receives the advantages intended by various international agreements and other government trade policy instruments; and

to support domestic economic policy, such as industrial development, by administering duty relief measures with respect to certain imported goods which are exempt from the application of the Government's trade policies.

### 3. Key Business Line Commitments and Initiatives

The following commitments and initiatives are in addition to the key program commitments and major new initiatives described in Section I(d):

- to improve quick and non-intrusive client-oriented processes for low-risk commercial shipments, particularly for "just-in-time" manufacturing processes through enhanced EDI technology
- to facilitate the entry of low-risk travellers to enter Canada while interdicting the non-compliant element, through the use of advance technology, the redeployment of resources from low to higher risk areas, and partnerships in the private and public sector

○ to make it more difficult for controlled, dangerous and illegal goods and inadmissible persons to enter or leave Canada through a more effective enforcement program and use of high risk analysis

○ to support Canadian industrial competitiveness and domestic economic policy through transparent administrative and regulatory practices, removal of trade irritants and increasing Canada's participation in the global market place

○ to enhance the quality of services by focusing on client needs and implementing new approaches to client services by making it easier for the commercial client to comply with customs requirements

○ to develop a modern and responsive legislative base, designed to support the re-engineering process

#### 4. Results Expectations

Figure 5: Travellers

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Travellers Processed (000's) <sup>1</sup>	107,000	109,000	110,000
Compliance Rate: <sup>2</sup>			
Air	92%	93%	93%
Highway	98%	98%	98%
Client Satisfaction <sup>3</sup>	92%	93%	93%
1	Individuals entering Canada and reporting to Customs by any mode.		
2	Travellers, by mode, who comply with the law administered by Customs Border Services. This measurement is a result of statistical sampling carried out systematically at points of entry across the country.		
3	Travellers who, when surveyed, indicate that they are reasonably to very satisfied with the service they received.		

Figure 6: Commercial

(000's)	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Releases Processed <sup>1</sup>	10,380	11,000	11,660
Entry Accounting Documents Processed <sup>2</sup>	10,900	11,400	11,900
Postal Shipments Assessed <sup>3</sup>	2,000	2,000	2,000
Courier Shipments Released <sup>4</sup>	8,000	8,800	9,700
1	Commercial shipments arriving by highway, air, rail, and marine modes and released.		
2	Customs Accounting 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.		

Figure 7: Contraband and Fraud

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Contraband Seizures: <sup>1</sup>			
Value (\$000's)	900,000	900,000	900,000
Investigations:			
Cases Investigated	1,300	1,300	1,300
Criminal Prosecutions Completed	145	145	145
Successful Prosecution Rate	95%	95%	95%
<sup>1</sup> Includes drugs, alcohol, jewellery and tobacco.			

Figure 8: Appraisal and Adjustment

(000's)	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Commercial Entry Accounting Documents			
Processed	10,900	11,400	11,900
Commodity Declarations Presented	30,861	33,948	37,342
Commodity Declarations Referred to Commodity Specialist Review <sup>1</sup>	1,685	1,651	1,625
Adjustments Processed	315	296	285
<sup>1</sup> Decrease due to introduction of the Periodic Verification Initiative and better targeting.			

Figure 9: Interpretative Policy Determination and Appeals

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
SIMA Complaints from Canadian industries <sup>1</sup>	24	24	24
SIMA Investigations (on a country basis) <sup>2</sup>	25	25	25
SIMA Measures (on a country basis) <sup>3</sup>	72	72	72
Valuation Policy Interpretations	87	44	44
Tariff Classification and Policy Interpretations	11,185	12,710	11,310
Tariff, Valuation and SIMA Appeals	4,500	2,450	2,500
Adjudication Decisions	4,200	4,200	4,200
<sup>1</sup> SIMA (Special Import Measures Act/Anti-Dumping) figures include initial inquiries and formal complaints whether or not they lead to an investigation.			
<sup>2</sup> A country may be included more than once in this figure if it is subject to more than one investigation.			
<sup>3</sup> Number of re-investigations. A country may be included more than once in this figure if it was subject to more than one SIMA/Anti-Dumping measure.			

Figure 10: Interpretative Policy Determination and Appeals - Acceptance of Final Departmental Decisions <sup>1</sup>

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Accepted	96%	96%	96%
Upheld by External Tribunal	2%	2%	2%
Overtaken by External Tribunal	2%	2%	2%
<sup>1</sup> Includes decisions which are potentially appealable to an external body, where the final departmental decision does not fully agree with the appellant's contention.			

## C. Verification and Enforcement

### 1. Objective

To enhance compliance with the laws administered.

### 2. Description

To carry out a range of programs related to the verification and enforcement of compliance with tax legislation. These programs include a variety of examinations, audits and investigations designed to increase compliance and ensure fairness in the self-assessment system.

### 3. Key Business Line Commitments and Initiatives

The following commitments and initiatives are in addition to the key program commitments and major new initiatives described in Section I(d):

- to promote public trust in the fairness, integrity and efficiency of Canada's revenue system by encouraging voluntary compliance, by ensuring that taxpayers pay their fair share of taxes and by maintaining public confidence in the integrity of the taxation system

- to ensure compliance and maintain the integrity of the self-assessment system in the face of growth and changes in the economy, by maintaining responsible levels of enforcement activity

- to continue research into patterns and trends in compliance and implement a process to provide reports on local compliance issues

- to increase audit coverage for unincorporated and self-employed businesses to better address non-compliance issues in that sector

- to implement new measures to enhance compliance with respect to reporting of foreign source income

- to increase targeting of avoidance issues, including meeting the challenges of international commerce and the evolution of tax avoidance arrangements

- to increase the use of professional experts as needed to ensure that necessary expertise is available to deal with complex and specialized issues

- to respond to several legislative changes proposed in the 1996 Federal Budget related to Flow Through Shares, Resource Allowance, Canadian Film or Video Production Tax Credit, and Non-refundable tax credits for Non-Residents

- to continue to focus on current initiatives underway including Audit Improvement Plan, Non-Resident Withholding and Recovery Taxes, and International Tax Advisor System

- to further refine the compliance strategy through studies of the impact and penalties and information, service and other activities on compliance and through the establishment of a Compliance Advisory Committee

- to enhance risk assessment capabilities through access to increased information and analysis to identify risk factors and through development of a data



warehouse which will allow extraction and analysis of data from a wide variety of departmental systems and external sources

○ to enhance identification of persons not filing income tax returns or not registering for GST through analysis and matching data from various sources

#### 4. Results Expectations

Figure 11: Verification and Enforcement Results Expectations

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Total Fiscal Impact (\$ millions) <sup>1</sup>	4,851	5,016	5,242
<b>Major Outputs</b>			
Files Audited	226,429	236,971	242,981
Non-Filers - Returns Obtained	336,400	352,759	377,441
Special Investigations - Enforcement Actions	2,095	2,095	2,124
GST Domestic Rebates Processed	236,628	236,628	236,628
Non-Resident Returns Processed	262,423	287,077	294,121
International Tax - Other Outputs	35,432	36,893	39,048
Associated FTE <sup>2</sup>	9,012	9,398	9,652
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.			
2 Associated FTE includes resources associated with all direct and indirect Verification and Enforcement activities.			

#### D. Revenue Collections

##### 1. Objective

To collect tax, levies, duties, and other amounts such as Canada Pension Plan and Employment Insurance payments.

##### 2. Description

To collect tax, levies, duties, and other amounts including collections of amounts deducted at source by employers on behalf of employees; and outstanding balances resulting from assessment or reassessment of both income and GST amounts as well as outstanding levies and duties. Also included is the issuance of rulings on

whether individuals are entitled to benefits under the Canada Pension Plan and Employment Insurance Act, and making other determinations at the request of the Department of Human Resources Development.

##### 3. Key Business Line Commitments and Initiatives

The following commitments and initiatives are in addition to the key program commitments and major new initiatives described in Section I(d):

○ to re-engineer the revenue collections program to identify additional opportunities for enhancement, including adoption of best practices from local

offices, private sector and other tax administrations

○ to establish a centralized Collection Call Centre in Ottawa to replace the existing multiple routine letter procedures with earlier telephone contact

○ to implement a collections follow-up system utilizing risk scoring and account streaming logic to route accounts according to compliance patterns or potential for loss

○ to develop procedures to include customs and excise commercial accounts into the Integrated Revenue Collections System

○ to continue the development of an all-encompassing statistical reporting system to assist in the management and analysis of the Department's account receivable inventory so that informed decision can be made and meaningful strategies developed

#### 4. Results Expectations

Figure 12: Annual Intake and Closing of Accounts Receivable <sup>1</sup>

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
<u>Annual Intake</u>			
Number of Accounts	553,988	570,970	588,556
Total Amount (\$000's)	7,412,475	7,620,621	7,836,621
<u>Annual Closings</u>			
Collections:			
Number of Accounts	253,988	260,970	282,316
Total Collections (\$000's)	6,212,632	6,301,152	6,592,014
Other Closings: <sup>2</sup>			
Number of Accounts	300,000	310,000	320,000
Total Amount (\$000's)	1,200,000	1,320,000	1,450,000
Total Closings:			
Number of Accounts	553,988	570,970	602,316
Total Amount (\$000's)	7,412,632	7,621,152	8,042,014
Associated FTE	3,544	3,564	3,718
Total Closings (Number of Accounts) per FTE	156	160	162
Total Collections per FTE (\$000's)	1,753	1,768	1,773
1	Tax Services Office Accounts only; excludes routine accounts actioned by <del>any</del> of computerized collection notices and Ministère du revenu du Québec activities with respect to GST.		
2	"Other Closings" include accounts written off as uncollectible; and other sundry work disposal measures.		

## E. Appeals

### 1. Objective

To provide taxpayers and Goods and Services Tax registrants with a redress process.

### 2. Description

To provide clients with a means of redress, involving the resolution of Notices of Objection and Appeals by an impartial review of an assessment or reassessment contested by a client. Also included is the disposal of applications from employers or employees regarding the determination of eligibility under the provisions of the Canada Pension Plan Act and the Employment Insurance Act.

### 3. Key Business Line Commitments and Initiatives

The following commitments and initiatives are in addition to the key program commitments and major new initiatives described in Section I(d):

- to review and streamline processes and harmonize policies and procedures to simplify administration, eliminate duplication and improve the timeliness of service to clients

- to improve and consolidate information systems used for Income Tax, Excise/GST and CPP-EI objections and appeals, and ensure that all the relevant management information required to facilitate decision-making is available

- to implement an improved risk management process in order to protect government revenues from risks that arise during the dispute resolution process. Revenue Canada, in co-operation with the Departments of Finance and Justice, and in conformity with Treasury Board risk management policies, has developed an improved risk management regime. Policies, procedures, processes and computer systems are being modified to implement these improved practices

- to examine the nature of objections and appeals received to identify the underlying reasons which give rise to disputes, and share information with other relevant Branches to improve departmental operations

- to continue to strive for the settlement of disputes as early as possible, to avoid the necessity of proceeding to court

- to examine Alternative Dispute Resolution in conjunction with the Departments of Finance and Justice

### 4. Results Expectations

Revenue Canada expects to reduce the average elapsed time to resolve objections. The average number of days required to dispose of objections has been increasing . Through a review of workflows and procedures, and enhanced use of information technology, the Department expects to improve client service levels and continue to improve its productivity

Figure 13: Objections, Determinations and Appeals Handled

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Income Tax Objections and Appeals	66,000	64,500	69,000
Excise/GST Objections and Appeals	6,700	6,500	7,100
CPP-EI Determinations and Appeals	9,800	9,500	10,290
Associated FTE	1,142	1,115	1,143

## F. Administration and Information Technology

### 1. Objective

To provide executive direction, information technology, and financial, administration and human resource services necessary to administer the law uniformly and economically.

### 2. Description

To provide executive direction and a range of support and central services to the other business lines. These include electronic data processing and information technology, internal audit and program evaluation, financial management, resource management, office systems, security, human resources, training, laboratory and legal services.

### 3. Key Business Line Commitments and Initiatives

The following commitments and initiatives are in addition to the key program commitments and major new initiatives described in Section I(d):

- 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 reuse approach to delivering systems applications, a corporate data warehouse for decision support and a single computing platform

- to expand the use of electronic commerce to ensure faster, more consistent and more efficient delivery of information and transaction processing services to clients. This involves the exploration of potential electronic service delivery opportunities with the Internet and the world-wide-web

- 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 through initiatives like the Business Number and Standardized Accounting initiatives. A common IT infrastructure will improve the quality and reduce the cost of providing adaptable and effective support for service delivery. Corporate Case Management and departmental wide area network (RCNet) are initiatives that will enable employees in the effective delivery of departmental programs

- to reach full IT readiness for the Year 2000 by January 1, 1999. Processing dates correctly is fundamental to the integrity, accuracy, and effectiveness of the Department's automated systems

4. Results Expectations

Administration and Information  
Technology Business Line full-time  
equivalents to that of the total  
Department.

Figure 14 captures the relativity of the

Figure 14: Administration and Information Technology Human Resources as a Percentage of Total Department

	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Total Business Line FTE	6,476	6,244	6,327
Total Department FTE	39,774	39,576	40,271
Total Business Line FTE as a Percentage of Total Department FTE	16.3%	15.8%	15.7%

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## Section III

### Supplementary Information

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#### Appendix 1 - Department Spending Authorities

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##### 1.1 Summary of Authorities Contained in Part II of the 1997-98 Main Estimates

Financial Requirements by Authority			
Vote	(\$ millions)	1997-98 Main Estimates	1996-97 Main Estimates
	National Revenue		
1	Operating expenditures	1,850.9	1,834.3
5	Capital expenditures	15.7	12.3
10	Contributions	92.8	92.8
(S)	Minister of National Revenue - Salary and motor car allowance		
(S)	Contributions to employee benefit plans	266.5	222.8
(S)	Children's Special Allowance payments	43.0	42.0
	Total Department	2,268.9	2,204.2

##### 1.2 Votes - Wording and Amounts

Vote (dollars)		1997-98 Main Estimates
	National Revenue	
1	National Revenue - Operating expenditures and recoverable expenditures on behalf of the Canada Pension Plan and the Employment Insurance Act	1,850,902,000
5	National Revenue - Capital expenditures	15,678,000
10	National Revenue - Contributions	92,750,000

Appendix 1 - Department Spending Authorities (cont'd)

1.3 Program by Business Line

(\$ millions)	1997-98 Main Estimates Budgetary					1996-97 Main Estimates
	Operating	Capital	Transfer Payments	Less: Revenues Credited to the Vote	Total	
Assistance to Clients and Assessment of Returns	479.2		135.8		615.0	619.6
Customs Border and Trade Administration Services	364.2	15.7			379.9	378.4
Verification and Enforcement	513.2				513.2	462.6
Revenue Collections	246.0				246.0	213.7
Appeals	65.7				65.7	58.3
Administration and Information Technology	587.2				587.2	591.9
Revenues Credited to the Vote				138.1	(138.1)	(120.3)
<b>Total Budgetary</b>	<b>2,255.5</b>	<b>15.7</b>	<b>135.8</b>	<b>138.1</b>	<b>2,268.9</b>	<b>2,204.2</b>

## Appendix 1 - Department Spending Authorities (cont'd)

### 1.4 Explanation of Change from 1996 -97 to 1997-98

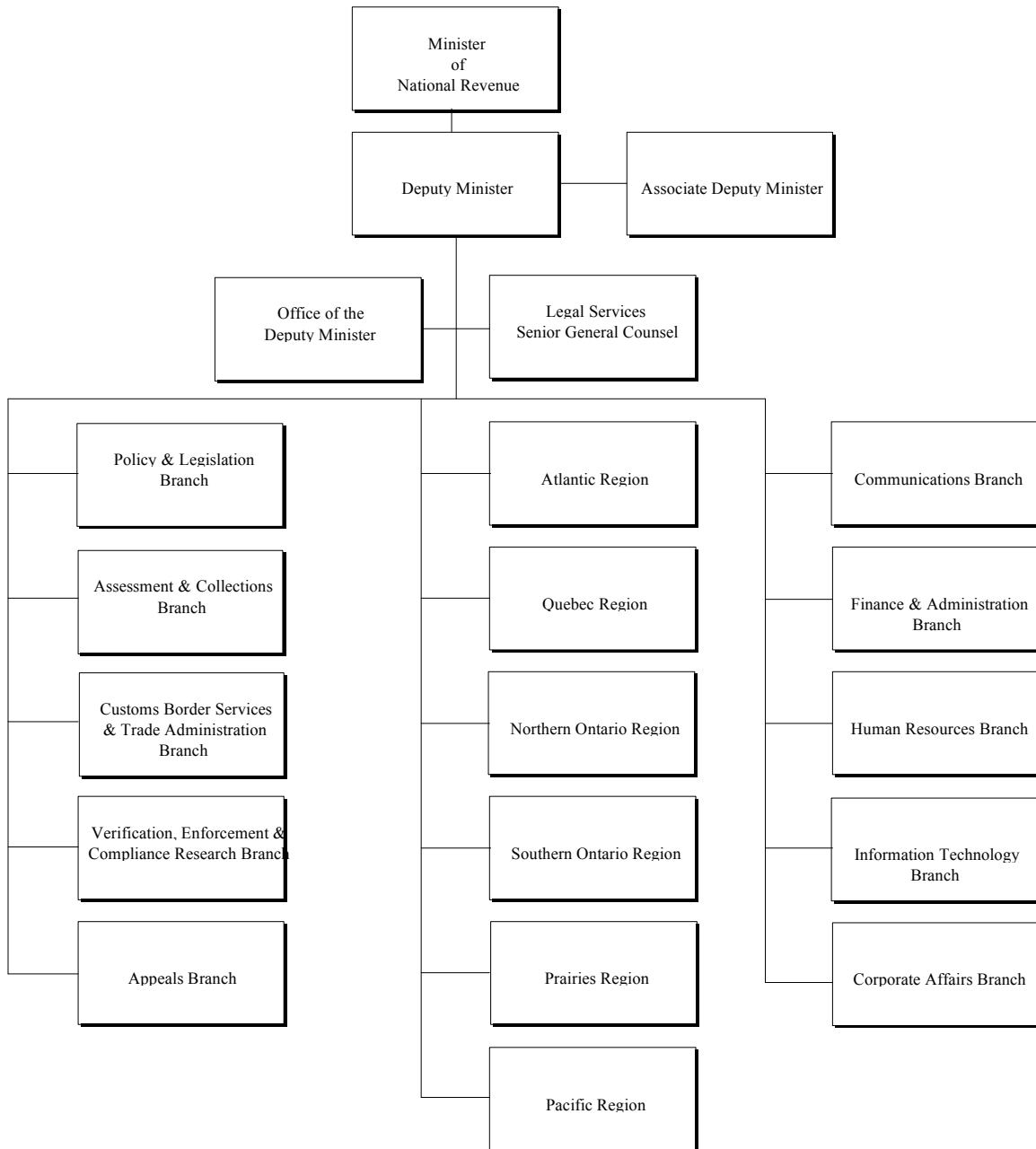
(\$000's)	
1996-97 Estimates	<u>2,204,222</u>
<u>Impact of New Government Approvals (1997-98)</u>	
• To implement a series of measures announced in the Federal Budget of March 1996 such as:	
Increase in Enforcement Activities	34,323
Changes to RPPs, RRSPs, and DPSPs	1,700
Section 217 - Non-Resident Elections	1,197
Charities Enforcement Capabilities	1,028
Child Care Expenses	37
Labour-Sponsored Venture Capital	153
SR&ED	601
Flow Through Shares	1,679
Resource Allowance Calculations	1,340
Assignment or Income Tax Refunds	1,383
International Audit - New Foreign Info. Reporting	<u>1,471</u>
	<u>44,912</u>
• Impact of Changing Economy on Volume and Complexity of Workload:	
Increased Visitor Volumes (Open Skies & Casinos)	12,310
Objections and Appeals	6,725
Accounts Receivable	11,823
GST Failure-to-File	21,635
Tax Avoidance	5,523
Returns and Payment Processing and Public Enquiries	<u>10,600</u>
	<u>68,616</u>
• Employee Benefit Plan rate increase from 14.5% to 17% as directed by Treasury Board	37,216
• Technical adjustments and other increases/decreases to funding levels for approved initiatives	<u>1,669</u>
Sub-Total	<u>152,413</u>
<u>Impact of Previous Government Decisions (1995-96 and 1996-97)</u>	
• Increase/(Decreases) in the Federal Budget reductions compared to 1996-97 Estimates:	
Program Review - February 1995 Budget	(29,127)
Salary Increment Freeze - February 1995 Budget	12,557
General Reduction - April 1993 and February 1994 Budgets	<u>(34,046)</u>
	<u>(50,616)</u>
• Approved increases in enforcement activities, including Accounts Receivable, Audit, Non-Resident	16,435
• Planned reduction in Major capital funding for Customs border facilities	(6,599)
• Planned reductions associated with a series of measures announced in the Federal Budget of February 1995 such as SR&ED, Elimination of Tax deferral, Construction Initiative, Legislative Reporting, and other sunseting initiatives	(44,923)
• Miscellaneous: Technical adjustments and other increases/decreases to funding levels for approved initiatives	<u>(2,071)</u>
Sub-Total	<u>(87,774)</u>
Total Increase/(Decrease)	<u>64,639</u>
1997-98 Estimates	<u>2,268,861</u>



## Appendix 2 - Organization

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### 2.1 Organization Chart



## Appendix 2 - Organization (cont'd)

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### 2.2 Organization Structure

The Department reports to Parliament through the Minister of National Revenue.

Headquarters Program Branches: are responsible for the development of policy, programs and procedures and provide functional guidance and direction.

The Policy and Legislation Branch: legislative development, interpretation and remission administration; international and intergovernmental relations; and the registration of charities and deferred income plans.

The Assessment and Collections Branch: tax services such as client assistance, registration, assessment, accounting, collection, the Child Tax Benefit (CTB) and the Goods and Services Tax Credit (GSTC).

The Customs Border Services and Trade Administration Branch: border services including the full range of facilitation, inspection, detention, collection and enforcement activities at all ports of entry; trade policy administration including multilateral and regional trade policy agreements, other trade policy instruments and duties relief programs.

The Verification, Enforcement and Compliance Research Branch: ensuring compliance with Excise, GST and Income Tax legislation including international transactions and non-residents.

The Appeals Branch: resolution of disputes relative to Excise, GST and Income Tax, Canada Pension Plan, and Employment Insurance legislation.

Regional Operations: are responsible for the delivery of Customs Border, Trade Administration and Tax Services in the Atlantic, Quebec, Northern Ontario, Southern Ontario, Prairies and Pacific regions.

Corporate Services Branches: provide the necessary support for program delivery.

The Communications Branch: communications research, planning, advice, guidance and services.

The Finance and Administration Branch: finance, administration, security, resource and corporate information management, real property management, publishing of departmental documents including forms and guides, and laboratory and scientific services.

The Human Resources Branch: strategic support for major change initiatives; executive services; and programs, policies and services related to staffing, training and development, staff relations, organization, classification, human resources planning, official languages, employee assistance, pay and benefits and employment equity.

The Information Technology Branch: information technology (IT) strategy, management and operation of the network and computing infrastructure, and development of systems.

The Corporate Affairs Branch: corporate horizontal issues, employee and organizational renewal initiatives and client service quality strategies, ministerial correspondence, Access to Information and Privacy, parliamentary liaison, program evaluation and internal audit services.

The Legal Services Branch: counsel and legal advisory services, and coordination of Justice Canada services to the Department.

## Appendix 3 - Capital Projects

### 3.1 Details of Major Capital Projects <sup>1</sup>

(\$ millions)	Forecast			Future Years Requirements
	Current Estimated Total Cost <sup>2</sup>	Expenditures to March 31, 1997 <sup>3</sup>	Planned Expenditures 1997-98	
New Facilities Projects:				
Saint-Bernard-de-Lacolle, Que.	18.7	15.1	3.5	
Pigeon River, Ontario	3.6	3.6		
Coutts, Manitoba	14.5	.1	2.0	12.4
Emerson, Manitoba	10.0	.1	3.2	6.5
Little Gold Creek, B.C.	.6		.3	.3
Osoyoos, B.C.	5.2		.2	5.0
Andover, N.B.	4.8		.1	4.7
Armstrong, Que.	4.8		.1	4.7
Existing Facilities Projects:				
Health and Safety Projects		1.5	1.5	
Other Projects		1.3	4.8	
Total Spending Planned for Major Capital Projects		21.7	15.7	33.6
1 Major Capital is included within the Customs Border and Trade Administration Services business line.				
2 Excludes 7% GST.				
3 Total Spending (all years) to March 31, 1997.				

### 3.2 Distribution of Major Capital Expenditures

(\$ millions)	Estimates	Planned	Planned
	1997-98	1998-99	1999-2000
New Facilities Projects	9.4	11.0	11.7
Existing Facilities	6.3	2.7	2.0
Total <sup>1</sup>	15.7	13.7	13.7
1 Major Capital is included within the Customs Border and Trade Administration Services business line.			

## Appendix 4 - Additional Financial Information

### 4.1 Details of Financial Requirements by Standard Object

(\$ millions)	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
<b>Personnel</b>			
Salaries and Wages	1,567.6	1,563.5	1,601.5
Contributions to employee benefit plans	266.5	265.8	272.2
Minister's Salary and motor car allowance			
	<u>1,834.1</u>	<u>1,829.3</u>	<u>1,873.7</u>
<b>Goods and Services</b>			
Transportation and Communications	144.4	140.2	142.9
Information	38.8	37.7	38.4
Professional and Special Services	100.5	97.6	99.5
Rentals	8.6	8.3	8.5
Purchased Repair and Maintenance	45.4	44.1	44.9
Utilities, Materials and Supplies	32.2	31.3	31.9
Other Subsidies and Payments	.3	.2	.3
	<u>370.2</u>	<u>359.4</u>	<u>366.4</u>
<b>Capital</b>			
Controlled Capital <sup>1</sup>	15.7	13.7	13.7
Minor Capital <sup>2</sup>	51.2	49.7	50.7
	<u>66.9</u>	<u>63.4</u>	<u>64.4</u>
<b>Transfer payments</b>			
Grants (statutory payments)	43.0	44.0	44.0
Contributions	92.8	92.8	92.8
	<u>135.8</u>	<u>136.8</u>	<u>136.8</u>
<b>Gross Expenditures</b>	<u>2,407.0</u>	<u>2,388.9</u>	<u>2,441.3</u>
<b>Less: Revenues Credited to the Vote</b>	<u>138.1</u>	<u>144.2</u>	<u>147.9</u>
<b>Net Expenditures</b>	<u>2,268.9</u>	<u>2,244.7</u>	<u>2,293.4</u>
1	Controlled capital contains budgetary expenditures for investment in: the acquisition of land, buildings and engineering structures and works; the acquisition or creation of other capital assets considered essential to ongoing program delivery; and major alterations, modifications or renovations that extend the use of capital assets or change their performance or capability.		
2	Minor capital is the residual after the amount of controlled capital has been established. In accordance with the Operating Budget principles, these resources are interchangeable with Personnel and Goods and Services expenditures.		

Appendix 4 - Additional Financial Information (cont'd)

4.2 Revenue Analysis

(\$000's)	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Revenues Credited to the Vote			
Canada Pension Plan	58,474	61,163	64,011
Employment Insurance	79,614	83,000	83,868
<b>Total Revenues Credited to the Vote</b>	<b>138,088</b>	<b>144,163</b>	<b>147,879</b>
Receipts credited to the Consolidated Revenue Fund (non-tax revenue)			
Return on investments:			
Rental of Public Building and Property	308	308	308
Rental of Parking Space	233	233	233
<b>Sub-Total</b>	<b>541</b>	<b>541</b>	<b>541</b>
Privileges, Licenses, User & Service Fees:			
Administration of Provincial Tax Credits	10,992	11,336	11,701
Advance Income Tax Rulings	1,400	1,400	1,400
Customs Special Services	1,641	1,641	1,641
Customs Brokers' Licence Fees	225	225	225
Customs Sufferance Warehouse License Fees	635	635	635
Customs Bonded Warehouse Fees	745	745	745
Queens' Frontier Warehouse Storage Fees	130	130	130
Duty Free Shops License Fees	4,340	4,340	4,340
Other Initiatives Less than \$100,000			
Advance Pricing Agreement Program	240	255	270
Technical Publications Subscriptions	166	166	166
Foreign Travel to Audit Taxpayers' Records	95	90	90
Court Cost Awards	119	125	131
CANPASS	1,800	2,500	2,750
Visitor Rebate Program	503	553	608
Provincial Tobacco Taxes and Alcohol			
Mark-ups/Levies	753	753	753
B.C. Family Benefit Program	3,884	2,579	2,579
<b>Sub-Total</b>	<b>27,668</b>	<b>27,473</b>	<b>28,164</b>
Proceeds from Sales:			
Sale of Unclaimed Goods, Seals, etc.	617	617	617
Other, Proceeds from Sales	26	26	26
<b>Sub-Total</b>	<b>643</b>	<b>643</b>	<b>643</b>
Other Non-Tax Revenue:			
Income Tax Fines and Forfeitures	6,700	6,700	6,700
Customs Seizures	6,809	6,809	6,809
Recovered Employee Benefit Plan Contributions	25,997	25,997	25,997
Others	11,993	11,993	11,993
<b>Sub-Total</b>	<b>51,499</b>	<b>51,499</b>	<b>51,499</b>
Total Receipts credited to the Consolidated Revenue Fund			
	80,351	80,156	80,847
<b>Total</b>	<b>218,439</b>	<b>224,319</b>	<b>228,726</b>

Appendix 4 - Additional Financial Information (cont'd)

4.3 Transfer Payments

(\$ millions)	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Grants			
Children's Special Allowance payments	43.0	44.0	44.0
Contributions			
Contributions to the Province of Quebec in respect of the joint administration costs of federal and provincial sales taxes	92.8	92.8	92.8
	135.8	136.8	136.8

4.4 Net Cost of Program

(\$ millions)	Estimates 1997-98	Planned 1998-99	Planned 1999-2000
Main Estimates (Gross)	2,407.0	2,388.9	2,441.3
Services received without charge			
Accommodation			
– from Public Works and Government Services Canada	157.8	157.8	160.9
– from Transport Canada	4.4	4.0	3.6
Cheque issue			
– from Public Works and Government Services Canada	2.2	2.2	2.2
Employer's share of employee benefit costs and insurance premiums			
– from Treasury Board Secretariat	89.4	89.1	91.3
Workers' compensation benefits			
– from Human Resources Development Canada	3.0	3.0	3.0
Legal Services			
– from Justice Canada	27.9	27.9	27.9
Total Services received without charge	284.7	284.0	288.9
Less: Revenues (including Revenues credited to the Vote and Receipts credited to the Consolidated Revenue Fund)	218.4	224.3	228.7
Net Cost of Program	2,473.3	2,448.6	2,501.5

## Appendix 5 - Revenue Canada Points of Service by Region

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### 5.1 Atlantic Region

- Atlantic Regional Office
- Trade Administration Office: Atlantic Region
- Customs Border Services Offices: Atlantic Region  
Newfoundland and Labrador District: Clarenville, Cornerbrook, Fortune, Gander, Goos Bay, Grand Falls, St. John's and Stephenville  
Central New Brunswick District: Andover, Bloomfield, Centreville, Forest City, Fosterville, Foulf Falls, Fredericton, River De Chute, St. Croix and Woodstock  
Northern New Brunswick District: Bathurst, Clair, Dalhousie, Edmundston, Gillespie, Grand Falls and St. Leonard  
Southern New Brunswick/ Prince Edward Island District: Campobello, Charlottetown, Deer Island, Grand Manan, Milltown, Miramichi, Moncton, Saint John, St. Andrews and St. Stephen  
Nova Scotia District: Halifax International Airport, Kentville, Liverpool, Lunenburg, New Glasgow, Port Hawkesbury, Shelburne, Sydney, Truro and Yarmouth
- Tax Centres: St. John's, Summerside
- Tax Services Offices: Bathurst, Charlottetown, Halifax, Moncton, Newfoundland and Labrador (St. John's), Saint John and Sydney

### 5.2 Quebec Region

- Regional Excise GST Liaison Office: Québec
- Federal-Provincial and Interdepartmental Relations Office
- Trade Administration Offices: Montréal, Québec, Quebec Region
- Customs Border Services Offices: Quebec Region  
Montréal District: International Mail, Longroom, Marine and Rail Services  
Airports District: Commercial Operations, Dorval, Joliette, Mirabel  
Montréal District: Clarenceville, Covey Hill, Dundee, East Pinnacle, Franklin Centre, Frelighsburg, Hemmingford, Herdman, Jamieson's Line, Morses Line, Noyan, Saint Armand-de-Philipsburg, Saint Bernard-de-Lacolle (Quai Richelieu, Routes 15, 221 and 223), Saint-Jean, Trout River, Valleyfield  
Estrie District: Abercorn, Beeke, Chartierville, Cowansville, Drummondville, East Hereford, Glen Sutton, Granby, Hereford Road, Highwater, Rock Island (Routes 55 and 143), Saint-Hyacinthe, Sherbrooke, Stanhope, Victoriaville, Woburn  
Québec District: Armstrong, Baie Comeau, Cap-aux-Meules, Chicoutimi, Daaquam, Gaspé, Pohénégamook, Port Cartier, Québec, Rimouski, Rivière-du-Loup, Rouyn-Noranda, Saint-Pamphile, Sainte-Aurélie, Sept-Îles, Sorel, Trois-Rivières,
- Tax Centres: Jonquière, Shawinigan Sud
- Tax Services Offices: Chicoutimi, Laval, Montérégie-Rive-Sud, Montréal, Outaouais, Québec, Rimouski, Rouyn-Noranda, Sherbrooke, Trois-Rivières

### 5.3 Northern Ontario Region

- Northern Ontario Regional Office
- Trade Administration Office: Northern Ontario Region
- Customs Border Services Offices: Northern Ontario Region  
Ottawa District: Arnprior, Ottawa (Casual Refund Centre, Customs Air Cargo, International Airport and Longroom), Pembroke, Perth, Smith Falls  
St. Lawrence District: Belleville, Brockville, Cobourg, Cornwall, Kingston, Lansdowne, Lindsay, Peterborough, Prescott, Trenton  
Sault Ste. Marie District: Gore Bay, North Bay, Sault Ste. Marie, Sudbury, Timmins  
Thunder Bay District: Pigeon River, Saganaga Lake, Thunder Bay  
Fort Frances District: Cyclone Island, Fort Frances, Kenora, Prairie Portage, Rainy River, Sandpoint Lake
- Tax Centre: Ottawa
- Tax Services Offices: Belleville, International, Kingston, North Bay, Ottawa, Peterborough, Sudbury, Thunder Bay

## Appendix 5 - Revenue Canada Points of Service by Region (cont'd)

### 5.4 Southern Ontario Region

- Southern Ontario Regional Office
- Trade Administration Offices: Hamilton, London, Southern Ontario Region, Toronto, Windsor
- Customs Border Services Offices:
  - Inland: Barrie, Bracebridge, Brantford, Cambridge, Chatham, City Centre, Collingwood, Greater Toronto Area Commercial Operations, Guelph, Halton Hills, Hamilton (Airport and Warehouse), Hanover, Kitchener, London (Airport Longroom and Highway), Oakville, Orangeville, Orillia, Oshawa, Owen Sound, Pearson International Airport (Terminals 1, 2 and 3), Port Colborne, St. Catharines, St. Thomas, Simcoe, Stratford, Tillsonburg, Walleceburg, Woodstock
  - Frontier:
    - Windsor District: Leamington, Pelee Island, Windsor (Ambassador Bridge and Tunnel)
    - St. Clair District: Sarnia, Sombra, Walpole
    - Niagara District: Fort Erie (Peace Bridge), Niagara Falls (Queenston and Rainbow Bridges and Whirlpool), Welland
- Tax Services Offices: Barrie, Hamilton, Kitchener/Waterloo, London, Oshawa, St. Catharines, Toronto Centre, Toronto East, Toronto North, Toronto West, Windsor

### 5.5 Prairie Region

- Prairie Regional Office
- Trade Administration Offices: Calgary, Prairie Region, Winnipeg
- Customs Border Services Offices: Prairie Region
  - Winnipeg District: Churchill, Inuvik, Iqaluit, Winnipeg (Longroom and Postal), Yellowknife
  - Emerson District: Boissevain, Cartwright, Coulter, Crystal City, Emerson (Highway 75 and Lynne), Goolands, Gretna, Lena, Lyleton, Piney, Snowflake, South Junction, Sprague, Tolstoi, Windygates, Winkler
  - Saskatchewan District: Big Beaver, Carievale, Climax, Coronach, Estevan Highway, Monchy, Mooslaw, North Parbal, Northgate, Oungre, Prince Albert, Regina, Saskatoon, Torquay, Willow Creek
  - North Central Alberta District: Calgary (Air Cargo, Longroom and Casual Refund Centre), Edmonton (Air Cargo and Main Longroom)
  - Southern Alberta District: Aden, Carway, Chief Mountain, Coumts, DeBonita, Lethbridge, Wildhorse
- Tax Centre: Winnipeg
- Tax Services Offices: Brandon, Calgary, Edmonton, Lethbridge, Red Deer, Regina, Saskatoon, Winnipeg, Yellowknife

### 5.6 Pacific Region

- Pacific Regional Office
- Trade Administration Office: Pacific Region
- Customs Border Services Offices: Pacific Region
  - Metro Vancouver District: Customs Mail Center, Commercial Operations, Marine Operations
  - Vancouver International Airport District: Commercial Operations, Traffic Operations
  - Pacific Highway District: Aldergrove, Boundary Bay, Douglas, Huntingdon, Pacific Highway Canpass
  - West Coast and Yukon District: Atlin, Banfield, Beaver Creek, Bedweel Harbor, Campbell River, Courtenay, Dawson City, Fraser, Gold River, Kitimat, Little Gold, Nanaimo, Port Alice, Port Hardy, Powell River, Prince Rupert, Sidney, Smithers, Stewart, Tohsis, Uchelet, Victoria, Whitehorse
  - Okenagan and Kootenay District: Carson, Cascade, Chopaka, Cranbrook, Dawson Creek, Flathead, Kamloops, Kelowna, Kingsgate, Midway, Nelway, Osoyoos, Paterson, Penticton, Prince George, Ronsville, Rykerts, Waneta
- Tax Centre: Surrey
- Tax Services Offices: Burnaby-Fraser, Kelowna, Northern British Columbia and Yukon, Southern Interior British Columbia, Vancouver, Vancouver Island, Whitehorse

### 5.7 Foreign Offices

- Belgium, Brussels
- Japan, Tokyo



Appendix 6 - Internal Audit and Program Evaluation  
 Review Priorities for 1997 -98 to 1999-2000

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In support of Government and Departmental priorities, internal audits, for the next three fiscal years, will focus on the following themes: Partnerships; Policy Development; Compliance; Service Delivery; Systems Audits; and, Monitoring.

PLANNED AUDITS

1997-98	1998-99	1999-2000
Accelerated Commercial Release Operation, Support System Staffing Classification Firearms Registry	Tariff Classification Investigations Training	Cargo Control Contracting Passenger Processing

PROGRAM EVALUATION

1997-98	1998-99	1999-2000
Audit Programs Trade Administration Service to Public Compliance Measurement Re-engineering Interdepartmental Initiatives Review Continuum Revenue Collections Customs Border Operations	Enforcement Service to Public Information Technology Compliance Measurement Harmonized Tax Income Distribution Revenue Collections Contraband Strategy Interdepartmental Initiatives	Appeals Agreements Harmonization Fairness Service to the Public Information Technology Policy Interpretation Compliance Measurement