

# Measuring the Small Business Compliance Burden **Status Report**



Canada Revenue  
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## Commissioner's Message



The Canada Revenue Agency (CRA) plays an important role in contributing to the quality of life of Canadians. We do this by ensuring that taxpayers meet their obligations under Canada's tax laws and the CRA's regulations. One of our objectives is to make it easier for all Canadians to comply by strengthening our service delivery channels and reviewing our regulations to reduce the administrative costs of compliance.

While regulations serve to protect the safety of Canadians and maintain the fairness and integrity of our tax system, the CRA is committed to reducing the burden on small businesses. Keeping that burden reasonable, while still ensuring that businesses meet their obligations, is a key challenge for the CRA.

In 2009, benchmarks were established for monitoring the progress of the CRA in reducing the compliance burden on small businesses. This document, *Measuring the Small Business Compliance Burden – Status Report*, is the next step in measuring this compliance burden. The Status Report measures the change in the compliance burden that the CRA imposes on small businesses. It shows the changes in terms of money, time, and the quality and quantity of CRA services provided that contribute to reducing the compliance burden. Undertaking this analysis has contributed to an enhanced Agency-wide consciousness of the compliance burden. This is particularly important in the current environment of fiscal restraint where greater efficiency is a priority.

The benchmark results allow for an evaluation of CRA's continued efforts in reducing the small business compliance burden. The report is timely as it aligns with recent Government-wide exercises such as the Red Tape Reduction Commission. It is important that the CRA play an active role in minimizing the burden related to the administration of tax laws and improving service delivery in order to contribute to small business competitiveness.

A handwritten signature in black ink that reads "L. Lizotte-MacPherson".

Linda Lizotte-MacPherson  
Commissioner and Chief Executive Officer  
Canada Revenue Agency



As part of our goal to reduce the compliance burden on small businesses, the Canada Revenue Agency published the *Measuring the Small Business Compliance Burden, Benchmark Report* in 2009. The report established a baseline for monitoring progress in reducing the compliance burden.

This *Status Report* presents the changes in respect to small business compliance burden since the *Benchmark Report*. It explains the CRA's actions taken since the benchmarks were created and analyses of internal and external factors that could have led to the results achieved.

## **Key findings – overall statement**

There was a decline in the average annual costs per establishment to comply with the legislative requirements in 2008 compared to 2005. During the same time period, the rate of satisfaction with the CRA's services and service channels remained relatively consistent.

### **1. Direct measures: costs in time and costs in money**

- The average annual time spent per establishment to comply with the CRA's requirements dropped from 17.7 hours in 2005 to 15.0 hours in 2008; and
- The average annual costs per establishment decreased from \$1,825.39 to \$1,724.10<sup>1</sup>.
  - These costs slightly decreased for small businesses with 1 to 99 employees and significantly decreased for those with 100 to 499 employees; and
  - The costs of service providers (i.e. tax practitioners) remained the highest component of compliance costs for small businesses.

### **2. Indirect measures – complexity of the compliance process, quantity and quality of CRA services for taxpayers**

- In 2008, 23.3% of the total taxpayer errors were attributable to incorrectly filed returns, compared with 26.8% in 2006.
- 79% of Canadians who contacted the CRA in 2008 were satisfied with the overall service received, the same result as in 2006.
- In 2008, 81% of small businesses and 84% of intermediaries said that they were satisfied with the CRA Web site, compared with 74% of small businesses and 80% of intermediaries in 2006.

Many actions were undertaken by the CRA to reduce the compliance burden, such as changing thresholds, reducing filing frequencies, simplifying forms and enhancing electronic services. This report evaluates results to enable and provide a focus for future steps in the CRA's ongoing process to reduce the compliance burden.

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<sup>1</sup> 2008 dollars.

## Purpose

In 2009, the Canada Revenue Agency (CRA) released the *Measuring the Small Business Compliance Burden, Benchmark Report*. The report established benchmarks for measuring the small business compliance burden by using data from the 2006-2007 *Annual Report to Parliament*, the 2005 *Survey of Regulatory Compliance Costs*, the CRA's *Annual Corporate Survey*, and from the CRA 2006 *Web Site Business User Survey*. The *Survey of Regulatory Compliance Costs* is produced by Statistics Canada every three years. As this survey is one of the primary sources of data for the report, the Benchmark Report will be reported in the same cycle period.

This Status Report evaluates the CRA's performance in reducing the small business compliance burden. It compares the CRA's 2008-2009 *Annual Report to Parliament* results and the data from the 2008 Statistics Canada *Survey of Regulatory Compliance Costs* with the baseline established in the *Measuring the Small Business Compliance Burden, Benchmark Report*. The Status Report shows the changes in compliance costs in time and money. It also discusses the perception of the quality and quantity of CRA services provided to small businesses as compared to the benchmarks.

The issue of reducing the compliance burden is not unique to Canada. Many administrations around the world, as well as the World Bank and the Organisation for Economic Co-operation and Development (OECD), are still in the process of developing similar performance measurement studies with the goal of reducing compliance costs or creating a better investment environment.

## History

The Status Report is the third step in the process of measuring the small business compliance burden as requested by the Action Task Force on Small Business Issues.

- First, the CRA developed the *Performance Measurement Framework for Compliance Burden Reduction* where it adopted two types of measures that relate to the time and money expended by small businesses to comply with their tax obligations:
  - Direct measures: measures that have a direct impact on time and money spent by small businesses; and
  - Indirect or proxy measures: measures of factors that have some influence on time and money spent.
- Second, it created *Measuring the Small Business Compliance Burden, Benchmark Report* to establish the baseline for measuring progress in reducing the compliance burden faced by small businesses.

The Action Task Force was created in 2006 in order to address small business issues. Its mandate was to identify the CRA's administrative practices that imposed the greatest burden on small businesses, develop solutions to reduce the burden, and introduce a systematic approach to burden reduction across the CRA.



## Sources

The first and second sections of this report present and explain the small business compliance costs in terms of time and money. Data in these sections are provided by four main sources:

- Statistics Canada's *Survey of Regulatory Compliance Cost*, 2005 and 2008<sup>2</sup>;
- The CRA's 2008 *Web Site Business User Survey*;
- The CRA's 2008-2009 *Annual Report to Parliament*; and
- The World Bank's report, *Paying Taxes 2009: The Global Picture*.

The third section focuses on the indirect measures used to determine how legislative complexity affects the compliance process. Finally, the fourth section deals with the indirect measures of the quantity and quality of the CRA services available for small businesses and their trends over time. The main data sources used in this section of the report include:

- Statistics Canada's *Survey of Regulatory Compliance Cost*, 2005 and 2008;
- The CRA's 2008 *Web Site Business User Survey*;
- The CRA's 2008-2009 *National Outreach Coordinating Committee Database*; and
- The CRA's 2008 *Annual Corporate Survey*.

## Considerations

Throughout this report, non-2008 dollar values were adjusted by using the CPI growth rate of 6.6355.<sup>3</sup> Therefore, to ensure comparability, all dollar values are expressed in 2008 dollars.

It is important to note that a number of the calculations made to obtain values within this report were performed by Statistics Canada and cannot be manipulated or replicated without access to the respective databases. Therefore, totals are not a simple addition of the individual elements. This is due to the varying response rates and applicability of survey questions to respondents, resulting in a total number of respondents that is not constant throughout survey results. This is applicable to data Tables 2, 5, 6, 7, 8, 9 and Results tables on pages 11 and 18.

## Definitions

- **Small business** – In the CRA, the definition of a small business varies by program and jurisdiction. This report takes into account the definition used by Statistics Canada in its *Survey of Regulatory Compliance Costs*. For the purposes of this survey, small businesses are defined as having fewer than 500 employees and generating between \$30,000 and \$50 million in annual gross revenues.
  - These businesses operate in: manufacturing; retail; professional, scientific, and technical services; accommodation and food services; and other service industries.
  - There are about 2.3 million business establishments<sup>4</sup> in Canada.

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<sup>2</sup> *Survey of Regulatory Compliance* is conducted every three years. The next survey will be completed for 2011. Corrections have been made to estimates from the Survey of Regulatory Compliance Costs for the reference year 2005. All statistical tables produced from the earlier database have been corrected and are now available. Corrected data have also been incorporated into the Daily text on Statistics Canada's website. These new data correct an error in calculating time conversion involving information from 2005 respondents who reported time using the "person-days per year" option. These data were processed using a conversion factor of 24 hours in a day instead of an eight-hour day. Estimates for 2005 were also improved by inputting for all missing variables from respondents using standard methodologies.

<sup>3</sup> This growth rate was obtained by averaging the annual average index of the years 2005 (107) and 2008 (114.1): <http://www40.statcan.ca/l01/cst01/econ09a-eng.htm>

<sup>4</sup> Statistics Canada, Business Register, June 2008.

**Table A: Distribution of establishments by region and employment size (Canada, 2008)**

Size	Atlantic	Quebec	Ontario	Prairies	British Columbia	Canada
1- 4	34.8%	33.2%	35.5%	38.0%	34.7%	35.3%
5-19	23.5%	20.4%	18.1%	20.3%	21.5%	19.8%
20- 99	7.5%	7.5%	5.9%	7.0%	6.6%	6.7%
100 - 499	0.6%	0.8%	0.8%	0.7%	0.9%	0.8%
Indeterminate*	33.6%	38.1%	39.6%	34.1%	36.3%	37.5%

Source: Statistics Canada, *Business Register*, June 2008.

\*Note: The "indeterminate" category consists of incorporated or unincorporated businesses that do not have a Canada Revenue Agency payroll deductions account. The workforce of such businesses may consist of contract workers, family members, and/or owners.

- **Compliance burden** – Refers to the amount of time and money spent by small businesses (owners, managers, or other staff) and the fees paid to external service providers to meet the CRA's administrative requirements.
- **Internal compliance** – Refers to the act of using inside resources (i.e., either the business owners or their staff) to meet the CRA's administrative requirements.
- **External compliance** – Refers to the act of using an outside professional, such as an accountant, tax specialist, or lawyer to meet the CRA's administrative requirements.
- **Employer business** – Refers to a business with at least one employee, excluding the owner/operator of the business.
- **Paperwork** – Refers to claims, forms, and submissions that businesses are required to fill out and submit, either on paper or electronically, to be compliant with the CRA's requirements. This includes income tax forms, sales tax submissions, corporate instalments and payroll reports such as T4s and T4 summaries.

Indicators 1.1 through 1.3 were established to monitor changes in the amount of time and money expended by small businesses to comply with CRA requirements. These changes are broken down into two main aspects:

- The hours and effort required to complete the CRA's administrative requirements as reported by small businesses; and
- An evaluation of the changes and results of related CRA services.

## 1.1 – Hours expended complying with CRA requirements

### 1.2 – Timeliness – Service standard results for small business-related services

### 1.3 – CRA response rate for telephone enquiries

## 1.1 – Hours expended complying with CRA requirements

### Definition

A measure of the actual time spent by small businesses to satisfy legislative requirements administered by the CRA.

### Expectation

A reduction in the average number of hours spent by small businesses satisfying legislative requirements that the CRA administers.

### Results

#### Hours expended complying with CRA requirements

	2005	2008
Average number of hours	17.7	15.0

Small businesses spend time complying with various requirements the CRA administers, such as: payroll remittances; T4 summaries and individual T4s, T1, and T2 income tax filing; federal and provincial sales taxes; and corporate tax instalments. Overall, the average internal annual time spent per establishment to comply with CRA requirements has decreased by 2.7 hours (from 17.7 hours to 15.0 hours).\*

\* The average number of hours presented in the results also includes Records of Employment. Human Resources and Skills Development Canada is the main administrator of this requirement, although the CRA assists in its delivery.

## Sources

Statistics Canada, *Survey of Regulatory Compliance Costs*, 2005 and 2008.

Government of Canada, *Analysis of Regulatory Compliance Costs: Part I Time/money saved, paperwork volume and methods of compliance*.

CRA, *Action Task Force on Small Business Issues, Update on Final Report on Action Items*.

## CRA Actions Since Benchmarking

On December 14, 2007, legislation aimed at reducing the frequency of interaction between small businesses and the CRA received Royal Assent. The following actions potentially reduced the time spent satisfying requirements that the CRA administers.

- Allow qualifying small businesses to remit their tax return instalment payments quarterly instead of monthly.
- Allow corporations to remit annually instead of quarterly, until their corporate tax return payable reaches \$3,000 instead of \$1,000.
- Allow eligible businesses whose average monthly withholdings are less than \$3,000 to remit source deductions quarterly instead of monthly. This change allows over 135,000 additional source deduction remitters to make quarterly remittances.
- Allow businesses whose net tax is less than \$3,000 to remit the GST/HST annually instead of quarterly and businesses with taxable supplies not exceeding \$1.5 million eligible to have GST/HST reporting periods that are fiscal years, instead of fiscal quarters.

By beginning to administer the increased thresholds in 2008, the CRA allowed small businesses to reduce the number of remittances they have to make to comply with their administrative requirements. This also helped small businesses to reduce the time required to satisfy the regulatory compliance process.

## Analysis

Table 2 highlights the time businesses spent completing CRA requirements according to categories established in the *Survey of Regulatory Compliance Costs*. While the CRA bears the majority of administrative responsibility for these categories, its exact role may vary according to agreements with provinces, territories, and other federal departments.

**Table 2: Estimate of the Average Internal Annual Time Spent Complying with CRA Requirements**

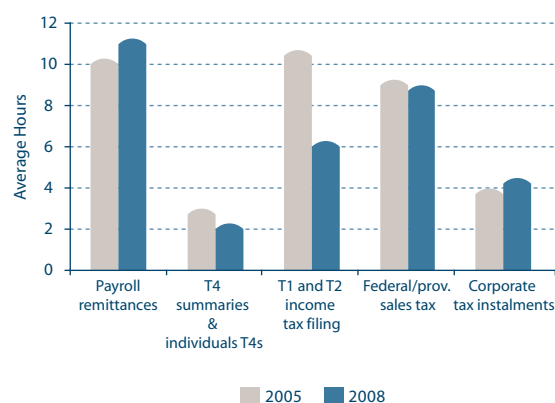
Requirements	Average Hours per Establishment per Year		Changes in Hours from 2005 to 2008
	2005	2008	
<b>EMPLOYMENT REQUIREMENTS</b>			
Payroll remittances	10.0	11.0	+1.0
<b>TAX-RELATED REQUIREMENTS</b>			
T4 summaries and individual T4s	2.7	2.0	- 0.7
T1 and T2 income tax filing	10.4	6.0	- 4.4
Federal and provincial sales taxes	9.0	8.7	- 0.3
Corporate tax instalments	3.7	4.2	+0.5

Source: Statistics Canada, *Survey of Regulatory Compliance Costs*, 2005 and 2008

The averages for the individual requirements include only the businesses to which the requirement applied. All businesses that had any of the applicable requirements appear in the average internal annual time spent per establishment to comply with CRA requirements. For example, a business that did not file a tax return in the 12 month period for which they responded would not contribute to the average for T1/ T2 income tax filing, but would contribute to the average annual internal time if it had submitted a payroll remittance during the same period.

Figure 1 shows the trends in the amount of time spent by small businesses to satisfy each of the CRA requirements, from 2005 to 2008.

Figure 1 Average Annual Time per Establishment (Hours)



Of the five regulatory compliance requirements examined in the survey, the most significant decrease was 4.4 hours, related to the time required to file T1 and T2 tax returns.

Changes to filing remittances were implemented in 2008 and the transition period may help explain the slight increase in the time spent on the payroll remittances and corporate tax instalments. Also, the rapid increase in use of electronic service to file T4 information during this period could have contributed to less labour required to file. In addition, improvements have

been made to the CRA's Web site resources for T4 summaries and individual T4s with the intent to decrease the time and effort needed to comply with requirements. Finally, increases in T2 internet filing and bar coding could also explain the reduction in time to comply. The CRA will continue to monitor changes and gather feedback on current filing needs so it can provide meaningful support to small businesses.

## Supplementary Information

Table 3 shows an overview of G8 countries in 2008 and 2009 in relation to the number of hours to comply in each country according to the World Bank study, *Paying Taxes 2009: The Global Picture*. Canada ranked 27th and 30th in 2008 and 2009, respectively, out of the 178 countries reviewed in the study. Out of the G8 countries ranked within the study, Canada ranked second in both 2008 and 2009 for number of hours spent on compliance.

Table 3: International Ranking of G8 Countries Based on Time to Comply (out of 178 countries)

Country	Global Ranking of G8 Countries	
	2008	2009
United Kingdom	22	24
<b>Canada</b>	27	30
France	36	40
United States	122	65
Germany	65	68
Italy	134	133
Japan	131	139
Russia	151	155

Source: World Bank, *Paying Taxes 2009 The Global Picture (Appendix 1.1)*

## 1.2 – Timeliness – Service standard results for small business-related services

### Definition

A measure of delay experienced by small businesses in receiving services from the CRA.

### Expectation

To meet the targets established for our service standards.

### Results

#### Service standard targets met

	Benchmark Year: 2006-2007	2008-2009
Number of service standard targets met out of total	11 out of 13	8 out of 11

The results show that the CRA consistently meets most of its service standard targets, which helps small businesses control compliance costs. Since the Benchmark Report, a few changes to service standards have been made. Two of the service standards relating to processing T2 returns were combined to create a new standard, *Processing T2 corporation income tax returns – Within 60 days*. This change was made based on the fact that the previous targets were continually exceeded and that there was an expected increase in electronic filing, as well as the implementation of bar-coded returns.\* Also, reliable data were not available with respect to the *Processing fairness requests related to accounts receivable and trust accounts programs within 4-6 weeks* service standard.

\* Canada Revenue Agency, Report on Plans and Priorities, 2007-2008.

### Source

CRA, *Annual Report to Parliament*, 2008-2009.

### CRA Actions Since Benchmarking

In 2008-2009, the CRA made a number of changes to its existing service standards including:

- Corporation income tax returns: the processing targets were combined and the standard improved.
- Processing GST/HST returns: the CRA changed the service standard for processing GST/HST returns from 21 days to 30 days. This change aligned with legislative changes that took effect on April 1, 2007, whereby the CRA now pays interest on refunds after 30 days.

### Analysis

Service standards publicly state the level of performance that Canadians can reasonably expect to encounter from the CRA under normal circumstances. Meeting service standards increases the level of confidence small businesses have in their interactions with the CRA. Examining whether we have met

our service standards for businesses is a key element in the evaluation process and plays a role in our assessment of the compliance burden.

Through external service standards, the CRA informs small businesses of the expected time required to process their information. Many of these service standards have been developed in consultation with external stakeholders.

Table 4 shows the 2006-2007 results of the 13 business-related service standards listed in the *Measuring the Small Business Compliance Burden, Benchmark Report* and the 11 remaining service standards for 2008-2009. The results of the pertinent service standards are compared between 2006-2007 and 2008-2009. Out of the 11 primary selected activities, the CRA met its targets for eight standards.

The service standards in Table 4 are applied to all types of businesses, including small businesses. These data do not permit separating the results for small business from all other types of businesses. However, the CRA commitment to providing better service to all types of businesses will have a positive impact on reducing the compliance burden for small businesses.

**Table 4: Key Service Standards for Businesses as Listed in the *Measuring the Small Business Compliance Burden, Benchmark Report***

Service and service standard	Targets	Benchmark Year 2006-2007	Results 2008-2009
Process GST/HST returns – Within 21 days	95%	98%	N/A*
Changed to: Process GST/HST returns – Within 30 days	95%	N/A*	97%
Process T2 corporation income tax returns – Within 50 days	75%	90%	N/A <sup>†</sup>
and, Processing T2 corporation income tax returns – Within 90 days, were combined to create:	90%	97%	N/A <sup>†</sup>
Above two standards combined to create: Processing T2 corporation income tax returns – Within 60 days	90%	N/A <sup>†</sup>	91%
First contact letter for disputes – 30 days	85%	89%	68%
SR&ED refundable claims – combined target – 120 days <sup>‡</sup>	90%	96%	96%
SR&ED claimant-requested adjustments to refundable claims – 240 days	90%	97%	97%
SR&ED claimant-requested adjustments to non-refundable claims – 365 days	90%	93%	95%
SR&ED non-refundable claims -combined target – 365 days <sup>‡</sup>	90%	96%	97%
Video and film tax credits – Refundable claims (unaudited) – 60 days	90%	97%	96%
Video and film tax credits – Refundable claims (audited) – 120 days	90%	96%	96%
Processing taxpayer relief requests related to accounts receivable and trust accounts programs within 4-6 weeks.	90%	reliable data not available	reliable data not available
Changed to: Processing fairness requests related to accounts receivable and trust accounts programs within 4-6 weeks			
Advance income tax rulings to taxpayers – Within an average of 60 days	100%	94 days	104 days
Technical interpretations to taxpayers – Within an average of 90 days	100%	105 days	91 days

\* This service standard was changed in 2008-2009 from 21 days to 30 days to align with legislative change. As a result data for the old service standard is unavailable for 2008-2009 and data for the new service standard is unavailable for 2006-2007.

<sup>†</sup> The Service standard and target were revised in 2007-2008. The CRA Combined two previous standards and targets for T2 processing workload. As a result data for the old service standards is unavailable for 2008-2009 and data for the new service standard is unavailable for 2006-2007.

<sup>‡</sup> In the Benchmark Report, a misprint occurred with the names of these service standards. They have now been corrected in this Status Report. Also, the “SR&ED non-refundable claims -combined target – 365 days” target was misprinted and has been changed accordingly.

Source: Canada Revenue Agency, *Annual Report to Parliament, 2008-2009*

With regard to the first contact letter for disputes, the results for 2008-2009, 68%, are significantly below the target of 85%. This is due to an increase in dispute received which increased from 22,028 to 41,549 during the period without a commensurate increase in resources. The increase in disputes was due to the Agency directed approach on aggressive tax plans.

As a result of the analysis of the CRA service standards, numerous improvements have been implemented. For example, the CRA has completed a review of its service standards to improve the efficiency and effectiveness of measuring and reporting on them. Further improvements are planned in response to this analysis of service standards in the next fiscal years.



# 1.3 – CRA response rate for telephone enquiries

## Definition

A measure of the delay experienced by small businesses in receiving telephone service from the CRA.

## Expectation

To meet the targets established in our service standards.

## Results

### Business calls answered within two minutes

	Benchmark Year: 2006-2007	2008-2009
Percentage of business calls in the agent queue answered within two minutes	81%	87%

The CRA consistently meets its target response rates for telephone enquiries.

## Source

CRA, *Annual Report to Parliament, 2008-2009*.

## CRA Actions Since Benchmarking

The CRA created Centres of Expertise responsible for answering enquiries on the following topics: dividends, farming and fishing (excluding GST/HST), automobile expenses, board and lodging expenses, stock options, clergy allowance, *Statement of Partnership Income* (T5013), investment tax credit, and corporate business investment losses.

The CRA met its service standard target of responding to 80% of business telephone enquiries within two minutes of entering the agent queue. The annual result was 81% for 2006-2007 and 87% for 2008-2009.<sup>5</sup>

<sup>5</sup> It is important to note that results cannot be broken down according to small business alone. Overall, the results provide a reasonable indication of the level of service offered.

Cost in money indicators measure the cost to comply with tax requirements and are represented as one main aspect: the changes in the cost for 2008 compared to 2005.

## 2.1 – Costs to file taxes

### 2.1 – Costs to file taxes

#### Definition

A measure of the actual amount of money spent by small businesses to satisfy legislated requirements administered by the CRA.

#### Expectation

To reduce the average annual direct cost to small businesses of satisfying legislated requirements administered by the CRA.

#### Results

##### Cost to satisfy legislative requirements

	2005	2008
The average annual direct cost per establishment to satisfy legislative requirements administered by CRA	\$1825.39*	\$1724.10

\*This amount is the finding of the 2005 Statistics Canada *Survey of Regulatory Compliance Costs*.

Overall, the average annual cost per establishment of complying with legislated requirements decreased by 5.5%, from \$1825.39 in 2005 to \$1724.10 in 2008. Costs also decreased for five of the six filing requirements: payroll remittances, T4 summaries and individual T4s, federal and provincial sales taxes, and corporate tax instalments. Cost increased by 1.3% for T1 and T2 tax return filing.\*

\* The average annual direct cost per establishment presented in the results also includes Records of Employment. Human Resources and Skills Development Canada is the main administrator of this requirement, although the CRA assists in its delivery.

#### Sources

Statistics Canada, *Survey of Regulatory Compliance Costs 2005 and 2008*.

CRA, *Helping Small Businesses by Reducing the Compliance Burden, Final Report on Actions Items*.

Government of Canada, *Analysis of Regulatory Compliance Costs: Part I Time/money saved, paperwork volume and methods of compliance*.

CRA, *Action Task Force on Small Business Issues – Update on Final Report on Action Items*.

**External costs:** All compliance costs related to the use of third party service providers.

**Internal costs:** All compliance costs related to time and money expended by small business owners or employees.

## CRA Actions Since Benchmarking

The CRA has proposed and provided simplified calculations for taxable benefits and changes to supporting documentation for automobile expenses to external stakeholders for their feedback.<sup>6</sup> The purpose of this is to find more ways to reduce the compliance burden that small businesses face.

### Analysis

T1 and T2 tax return filing and payroll remittances remained the most costly financial requirement administered by the CRA for small businesses.

The average annual cost per establishment to satisfy the corporate tax instalments decreased significantly from \$149.18 in 2005 to \$137.00 in 2008, a drop of 8.2%.

(Note: We have presented the categories for which the CRA bears an administrative responsibility. The CRA's exact role may vary according to agreements with provinces, territories, and other federal departments).

**Table 5: Average Annual Cost per Establishment to Comply with CRA (all small business sizes)**

Requirements	2005*	2008	Changes in %
<b>EMPLOYMENT REQUIREMENTS</b>			
Payroll remittances	\$481.35	\$481.00	- 0.1
<b>TAX-RELATED REQUIREMENTS</b>			
T4 summaries and individual T4 slips	\$250.49	\$245.20	-2.1
T1 and T2 income tax filing	\$839.46	\$851.10	+1.3
Federal and provincial sales taxes	\$309.46	\$289.00	-6.6
Corporate tax instalments	\$149.18	\$137.00	-8.2

Source: Statistics Canada *Survey of Regulatory Compliance Costs*, 2005, 2008

In the 2008 *Survey of Regulatory Compliance Costs* the average annual cost per establishment to comply with the tax requirements remained relatively stable. However, there was an increase in the average annual cost per employee in all five CRA requirements.

**Table 6: Average Annual Cost per Employee to Comply with CRA (all small business sizes)**

Requirements	2005*	2008	Changes in %
<b>EMPLOYMENT REQUIREMENTS</b>			
Payroll remittances	\$37.11	\$45.40	+22.34
<b>TAX-RELATED REQUIREMENTS</b>			
T4 summaries and individual T4s	\$19.51	\$24.00	+22.99
T1 and T2 income tax filing	\$91.17	\$119.80	+31.40
Federal and provincial sales taxes	\$33.16	\$40.30	+21.52
Corporate tax instalments	\$12.80	\$14.80	+15.66

Source: Statistics Canada, *Survey of Regulatory Compliance Costs*, 2005, 2008.

<sup>6</sup> Changes were announced for automobile expenses in June 2010, but will not be in this report for analysis as it is outside of the data period discussed.

As in 2005, the 2008 survey also identified two factors that affect the changes in compliance costs for small businesses:

- The size of the small business; and
- The use of external service providers to comply with some or all of their regulatory requirements.

The percentage of surveyed small businesses that relied on an external service provider to help prepare the CRA's claims and forms remained significant:

- 64% for the T1 and T2 income tax filing;
- 37% for the T4 summaries and individual T4s;
- 35% for the corporate tax instalments; and
- 22% for payroll remittances.

Tables 7 and 8 show a brief survey of external and internal costs for the most costly requirements in 2005 and 2008: payroll remittances, and T1 and T2 tax return filing.

**Table 7: Average Internal and External Annual Cost per Establishment per Business Size (Payroll Remittances)**

Business Size	Average Annual External Cost per Establishment		Average Annual Internal Cost per Establishment	
	2005	2008	2005	2008
1-4 employees	\$435.93	\$454.20	\$181.92	\$147.00
5-19 employees	\$665.62	\$693.50	\$217.54	\$278.10
20-99 employees	\$1,343.50	\$1,658.40	\$424.41	\$557.60
100-499 employees	\$6,420.95	\$3,805.40	F*	\$1,183.90

\* "Too unreliable to be published"

Source: Statistics Canada, *Survey of Regulatory Compliance Costs*, 2005 and 2008

**Table 8: Average Internal and External Annual Cost per Establishment per Business Size (T1 and T2 Income Tax Filing)**

Business Size	Average Annual External Cost per Establishment		Average Annual Internal Cost per Establishment	
	2005*	2008	2005*	2008
1-4 employees	\$635.97	\$628.10	\$259.02	\$148.70
5-19 employees	\$1,146.12	\$1,213.90	\$208.26	\$181.90
20-99 employees	\$2,040.26	\$2,286.90	\$323.11	\$234.10
100-499 employees	\$5,833.92	\$4,354.40	F	F

\* Amounts in this column are the findings of the 2005 Statistics Canada *Survey of Regulatory Compliance Costs*

Source: Statistics Canada, *Survey of Regulatory Compliance Costs*, 2005 and 2008

The average annual compliance costs of using service providers for T1 and T2 tax return filing and for payroll remittances are significantly higher than the average annual internal cost.

Overall, the findings of the 2008 and 2005 *Survey of Regulatory Compliance Costs* showed that there is no specific direction in trends, only that changes in both external and internal costs varied considerably. These findings also pointed out that costs of using a service provider remained the highest component of direct cost to small businesses to satisfy the requirements that the CRA administers.



## Indirect Measures – Complexity of the Compliance Process

Indirect measures evaluate the factors that have an indirect impact on the compliance burden. These measures are divided into two broad categories: the complexity of the compliance process, and the quality of CRA services.

In this section, we assess the CRA's progress in simplifying the compliance process and in improving the quality of services provided. This assessment was based on:

- An examination of the error rate (to assess the understanding of legislated requirements); and
- A demonstration of the need for supplementary information, where applicable, to clarify legislative requirements.

It is assumed that the more supplementary information needed to understand the compliance obligations, the more complex the legislated requirement.

### **3.1 – Taxpayer error rate**

### **3.2 – Percentage change of telephone enquiries by topic**

### **3.3 – Percentage of Web page visits by topic**

### **3.4 – Perceived changes in the effort required to understand and fill out claims and forms**

## 3.1 – Taxpayer error rate

### Definition

A proxy measure of the compliance burden due to the complexity of legislated requirements.

### Expectation

To reduce taxpayer errors that result from complex legislated requirements.

### Results

#### Taxpayer error rates

	2006	2008
The percentage of total errors attributable to incorrectly filed returns (taxpayer errors)	26.8%	23.2%
The percentage error rate not affecting tax assessed	19.0%	17.2%
The percentage error rate affecting tax assessed	7.8%	6.0%

### Source

CRA, T1 Quality Evaluation Program: 2008 and 2006 Processing Year.

### CRA Actions Since Benchmarking

The CRA identified common errors to understand where taxpayers have difficulty in satisfying legislation or completing forms. The CRA will continue to review the most common errors made by small business taxpayers on their forms and returns to identify opportunities for improving content, clarity, and layout.

### Analysis

The taxpayer error rate has decreased from 2006 to 2008. In particular, the total errors attributable to incorrectly filed returns decreased from 26.8% in 2006 to 23.3% in 2008. The error rate not affecting the tax assessed on the calculated refund or balance due decreased from 19.0% in 2006 to 17.2% in 2008. The error rate affecting tax assessed on the calculated refund or balance due also decreased from 7.8% in 2006 to 6.0% in 2008.

Small businesses are not the only segment of the population that uses T1s, but this information can give us a relative idea of the challenges related to complying with legislated requirements. The source only used paper-based returns in this study, which excludes all electronic filing in the data.

## 3.2 – Percentage change of telephone enquiries by topic

### Definition

An indirect measure of the compliance burden resulting from the complexity of legislated requirements.

Information channel: Telephone.

### Expectation

Increases in percentage change will be the result of new legislation, CRA requirements or directives, i.e. enquiries for existing legislation requirements will decrease or stay constant.

### Results

#### Business Enquiries Top 10 most frequent principal topics

Principal Topics	2005*	2007-2008*
GST/HST - Account information	3.62%	10.02%
BN Registration - General information	11.32%	9.57%
GST/HST - Paying and remitting taxes	5.62%	8.68%
Employer - Account specific information	8.55%	8.31%
Referral	5.74%	8.31%
BN Registration - Register	8.89%	6.74%
Corporate - Instalments	N/A <sup>†</sup>	6.21%
General topics - Business program not identifiable in question	4.50%	5.23%
GST/HST - Filing	6.23%	4.94%
Corporate - Account information	N/A <sup>†</sup>	3.23%

\* The last Telephone Profile of Enquiries study was held during the Filing and Fall seasons of 2005, namely during the periods of February 14 to May 13 and September 26 to December 16, 2005. Two years later, the Telephone Profile of Enquiries study was conducted again, but this time for two business lines. The first wave of the study was held during the period of September 24 to December 14, 2007, and Wave 2 was held during the period of February 11 to June 13, 2008. These periods were chosen to coincide with the same periods as the 2005 study and to obtain information on self-employed individuals.

<sup>†</sup> In 2005, this principal topic was not part of the top ten most frequent principal topics.

### Sources

CRA, 2007-2008 *Telephone Profile of Enquiries Study*<sup>7</sup> - *Individual Income Tax and Business Enquiries - Combined Report*.

<sup>7</sup> It is important to note that results cannot be broken down according to small business alone. Overall, the results provide a reasonable indication of enquiries made.

## CRA Actions Since Benchmarking

The CRA has enhanced My Business Account services at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount). Through My Business Account, businesses are now able to:

- view the status of GST/HST returns;
- manage business operating names;
- view banking information, payroll account transactions, and payroll remitting requirements;
- calculate future balances owing, including interest, corporate taxes, GST/HST, and other levies;
- transfer payments across accounts (GST/HST, corporate, and other levies) for the same amount; and
- file most business-related returns.

The CRA continues to explore future enhancements that will reduce the compliance burden for small businesses.

## Analysis

Even though the percentage of telephone enquiries by topic cannot display a direct link with the compliance burden, it does act as a lagging indicator of which topics were proportionately changing during the time period. Comparisons are made between the 2005 and 2007-2008 10 most frequent enquiry topics from businesses. Data were generated by the CRA, 2007-2008 *Telephone Profile of Enquiries Study - Individual Income Tax and Business Enquiries - Combined Report*.

In 2007-2008, enquiries regarding *GST/HST - Account Information* and *GST/HST - Paying and remitting taxes* made up two of the three largest portions of business telephone enquiries. A change in CRA requirements during this time period was reflected in the percentage increases in both of these topics. This may be attributable to the changes in GST/HST remittance frequency, filing frequency, and availability of new electronic services.

All other topics seemed to stay relatively similar between 2005 and 2007-2008.

In addition, the 2007-2008 study found that 76% of business enquiries were account specific versus 63% for the 2005 study. This appears to show that general enquiries may be increasingly answered through other channels such as the CRA Web site.



## 3.3 – Percentage of Web page visits by topic

### Definition

A proxy measure of the compliance burden due to the complexity of legislated requirements.

Information channel: Web site

### Expectation

The use of the Web site helps to simplify the compliance process.

### Results

#### Small businesses and intermediaries that use the CRA Web site

	2006	2008
Percentage of small businesses that use the CRA business Web site to look for forms and publications	83%	86%
Percentage of intermediaries that use the CRA business Web site to look for forms and publications	94%	95%

The CRA significantly improved the quantity and quality of services provided on its Web site and made it easier for small businesses to find forms and publications. Overall, small businesses and intermediaries used the Web site more in 2008 than in 2006 and in every category.

### Sources

CRA, *Web Site Business User Survey*.

CRA, *Helping Small Businesses by Reducing the Compliance Burden, Final Report on Action Items*.

A “visit” is a series of actions that begins when a user views the first page and ends when the user leaves the Web site or remains idle for more than 30 minutes.

### CRA Actions Since Benchmarking

The CRA has developed a more logically ordered Web site with a step-by-step component for payroll, GST/HST, and BN products to help first-time users understand their obligations.<sup>8</sup>

For the 2008 tax season, *Guide T4002, Business and Professional Income* was revised to make it more user-friendly for businesses.

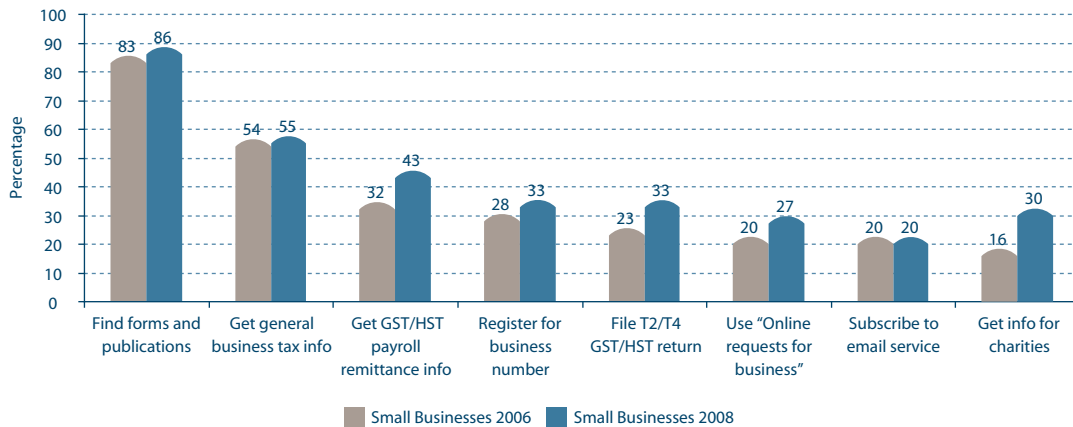
The CRA has adopted a publishing content management solution to ensure consistency and appropriate bundling of information across product lines.

<sup>8</sup> Though outside the data period discussed in the report, in April 2009, the CRA improved the timeliness and accessibility of information by adding “Smartlinks” to help taxpayers with their account specific information. In particular, “Contact Us” buttons were added to the My Business Account’s “View Account Transactions” page and the “View Account Balance” page for corporate income tax, GST/HST, payroll, and other levies accounts. “Contact Us” allows users to access a CRA agent directly from our Web site.

## Analysis

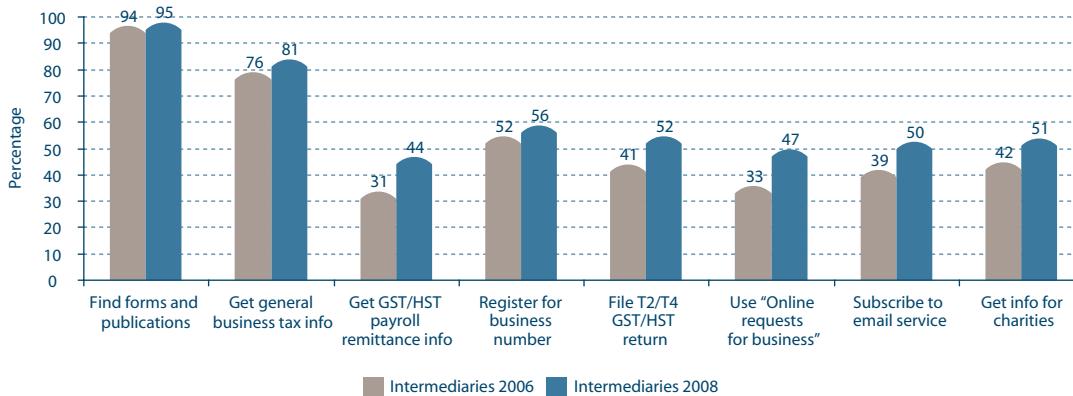
Figures 2 and 3 show the most common Web pages accessed by small business representatives and intermediaries on the CRA Web site.

Figure 2 Web pages accessed by small businesses: 2006 versus 2008



Source: CRA Web Site Business User Survey, 2008

Figure 3 Web pages accessed by intermediaries: 2006 versus 2008



Source: CRA Web Site Business User Survey, 2008

The form and publication searches and general business tax information Web pages were most commonly accessed by both small business representatives and intermediaries in 2006 and 2008.

For business representatives and intermediaries, the CRA Web site remains the most rapid and independent means of searching for forms and publications.

Since 2006, the CRA has significantly improved the quality and quantity of services provided on its Web site. As a result, small businesses feel more confident using these services and have increased their visits to the site. From 2006 to 2008, Web site usage has increased in almost every category of service.

## 3.4 – Perceived changes in the effort required to understand and fill out claims and forms<sup>9</sup>

### Definition

A measure of the perceived change in the effort required by small business, to understand and fill out claims and forms in order to satisfy legislative requirements.

### Expectation

The effort required to understand and fill out the mandatory claims and forms administered by the CRA is reduced.

### Results

#### Change in effort required to understand and fill out claims/forms

Average perception of respondents to the effort required to understand and fill out individual claims/forms compared to three years ago*	2008
Easier	11%
The same	58%
More difficult	4%
Not sure	27%

\*Perception of effort required to fill out individual claims/forms in relation to payroll remittances, record of employment, T4 summary/individual T4, T1/T2 income tax filing, federal/provincial sales tax and corporate tax instalments.

Although small businesses expressed satisfaction with the regulations as they are, they would like to see some improvements to all six regulations. The CRA is currently reviewing its guides, claims, and forms to find more ways to significantly reduce the burden as well as looking at legislative opportunities to enable guide and form redesign.

### Sources

Statistics Canada, *Survey of Regulatory Compliance Costs 2005 and 2008*.

CRA, *Helping Small Businesses by Reducing the Compliance Burden, Final Report on Actions Items*.

Government of Canada, *Analysis of Regulatory Compliance Costs: Part I Time/money saved, paperwork volume and methods of compliance*.

<sup>9</sup> Section 1.4 and 2.2 from the 2005 *Measuring the Small Business Compliance Burden, Benchmark Report* were combined to create this section.

## CRA Actions Since Benchmarking

Table 9 shows the impacts and results from 2005 to 2008.

**Table 9: Total and Average Number of Claims and Forms Submitted in 2005 and 2008**

Requirements	Total Submissions			Average Submissions per Business		
	2005	2008	Change	2005	2008	Change
EMPLOYMENT OBLIGATIONS						
Payroll remittances	5,259,837	5,041,111	-218,726	14	12	-2
TAX-RELATED OBLIGATIONS						
T4 summary/individual T4 (including RL forms in Quebec)	389,149	407,142	17,993	1	1	0
T1 and T2 income tax filing	627,799	651,256	23,457	1	1	0
Federal/ provincial sales tax	3,838,855	3,647,849	-191,006	7	6	-1
Corporate tax instalments	1,762,877	1,737,607	-25,270	7	3	-4

Government of Canada, *Analysis of Regulatory Compliance Costs: Part I Time/money saved, paperwork volume and methods of compliance.*

The CRA continues to review the most common errors made by small business taxpayers on their forms and returns in order to identify opportunities for improving content and layout. These common errors are explained on the CRA Web site to help taxpayers complete forms and returns correctly.

The CRA contributed to the *Federal Government Paperwork Burden Reduction Initiative*.

The *T2 Corporation Income Tax Guide* was provided to the Canadian Federation of Independent Business for comment, and payroll-related publications are regularly reviewed by the Canadian Payroll Association.

For the 2008 tax season, *Guide T4002, Business and Professional Income* was revised to make it more user-friendly for businesses. Forms T2124 and T2032, were combined into one form *T2125, Statement of Business or Professional Activities*, for use by any business or professional.

## Analysis

Figure 4 shows the trends in perceptions that small businesses have regarding the effort required to understand and fill out the CRA's claims and forms in 2008 compared to three years ago.

A scale of four levels was used to evaluate their opinion:

- More difficult
- Easier
- The same
- Not sure

Overall, an average of 4.3% of small businesses or service providers surveyed said that the process was more difficult; 10.7% found that it was easier, 58.6% said it was the same from 2005 to 2008, and 26.3% were not sure.

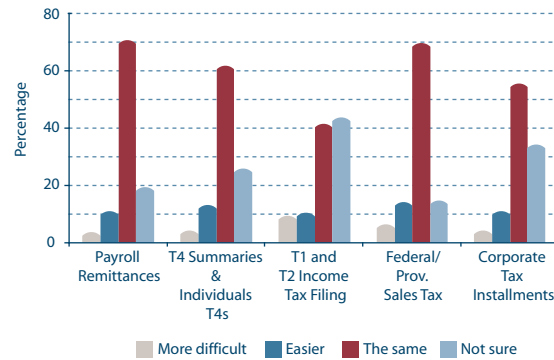
The rate of small businesses who said that the process was the same from 2005 to three years ago varied significantly from one filing requirement to another.

The following are the results for respondents that stated the effort was the same:

- 40% for T1/T2 income tax filing;
- 54% for corporate tax instalments;
- 61% for T4 summary/individual T4;
- 69% for federal/provincial sales tax; and
- 70% for payroll remittances.

8% of small businesses surveyed said that T1/T2 income tax filing was more difficult in 2008 than 2005.

Figure 4 Perception of respondents to the effort required to understand and fill out the CRA's claims/forms in 2008 compared to three years ago

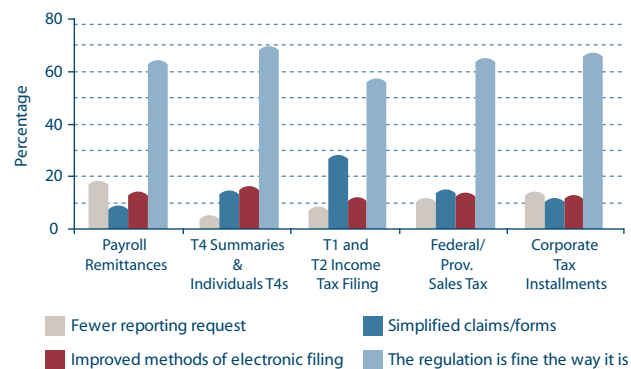


## Supplementary Information

The 2008 *Survey of Regulatory Compliance Costs* asked small businesses what improvements to each of the five requirements they would most like to see. An aggregate of the data presented in Figure 5 reveals that 63.2% of small businesses said the regulation is fine as it is. For the specific recommendations, 12.5% of small businesses said they would most like to see improved methods of electronic filing and 14.2% recommended simplified claims or forms.

The majority of small businesses (68%) found that the T4 summary/individual T4s is fine as it is, and 55.7% indicated that T1/T2 income tax filing is fine the way it is.

Figure 5 Perceptions: Improvements to each regulation that small businesses would most like to see



Indicators 4.1 through 4.4 aim to assess the service burden on small businesses. Facilitating compliance relies, in part, on the information that is available through the CRA's communication channels. Information about outreach activities, user perspectives on the clarity of information and services provided to them by the CRA, and the usability of the CRA Web site are discussed.

These indicators have data specific to small businesses and intermediaries (third parties). Data regarding intermediaries have been included because they represent added costs for small business owners, which adds to the compliance burden.

Indirect or proxy measures use clients' perceptions to assess the quantity and quality of CRA services and staff. While perceptions are not normally used as quantifiable measures, they are essential to this discussion because the perceived burden of compliance is the reality for small businesses.

### **4.1 – User satisfaction with CRA services and staff**

### **4.2 – Time spent on the CRA Web site**

### **4.3 – Accuracy and clarity of information provided by the CRA**

### **4.4 – CRA outreach activities**

## 4.1 – User satisfaction with CRA services and staff

User satisfaction with CRA services and staff can be divided into two main categories: satisfaction with the Web site, and telephone services.

For this indicator, data pertaining to small businesses refers to a business owner or an employee who is responsible for performing the work required to comply with legislated requirements. Data pertaining to intermediaries refers to accountants, payroll service providers, tax preparation service providers, or other types of service providers.

## Definition

A measure of small business user satisfaction with CRA services and staff.

## Expectation

An increase in the level of satisfaction with CRA services and staff.

Intermediaries: all external service providers such as accountants, payroll service providers, tax preparation services, or any other types of external service provider.

## Results

### Overall satisfaction with CRA services and staff

	2006	2008
Percentage of Canadians who contacted the CRA that were satisfied with the overall service received.	79%	79%
Percentage of Canadians who contacted the CRA that found the staff were knowledgeable and competent.	84%	82%
Percentage of Canadians who contacted the CRA that found that they have been treated fairly.	90%	88%
Percentage of Canadians who contacted the CRA that found that the CRA provides accurate information.	88%	83%

Overall user satisfaction with CRA services and staff have remained relatively consistent. On the other hand, the satisfaction with the accuracy of the information CRA provided declined from 88% in 2006 to 83% in 2008.

### Satisfaction with the CRA Web site

	2006	2008
Percentage of small businesses satisfied with the CRA Web site	74%	81%
Percentage of intermediaries satisfied with the CRA Web site	80%	84%

In 2008, 81% of Canadian small businesses were satisfied with the CRA Web site.

## Sources

CRA, *Web Site Business User Survey*.

CRA, *Annual Corporate Survey*.

## CRA Actions Since Benchmarking

The CRA has strengthened call quality and accuracy through enhanced online data capture of agent accuracy assessments. The online format is a mandatory national tool that permits more timely and accurate information to be produced for the identification of training, procedural, and accuracy trends/gaps.

The CRA has created the online format as a mandatory national tool that allows more timely and accurate information to be produced to identify training, procedural, and accuracy trends or gaps.

The CRA has reviewed and updated its Web site pages and publications to provide users with the most up-to-date information to address filing concerns.

## Analysis

Data used during the analysis process for this indicator were obtained from three different studies: the *CRA Client Satisfaction Survey; Enquiries Telephone Line for Businesses and Self-Employed Individuals*, which was compared with the *CRA Web Site Business User Survey* and the *CRA Annual Corporate Survey*.

### Overall satisfaction: Web site and services

**Table 10: Overall satisfaction with the CRA Web site**

Satisfaction	Small Businesses		Intermediaries	
	2006	2008	2006	2008
Very satisfied	21%	30%	17%	25%
Satisfied	53%	51%	63%	59%
Neutral	18%	16%	15%	11%
Dissatisfied	5%	2%	4%	2%
Very dissatisfied	2%	1%	1%	2%

Canadians were largely positive when asked to rate their overall satisfaction with the CRA Web site throughout 2008. 81% of Canadian small businesses surveyed gave ratings of “very satisfied” and “satisfied”, 16% were “neutral”, and 3% were “dissatisfied” and “very dissatisfied” with the service they received from the CRA.

Overall satisfaction with the CRA Web site was higher in 2008 at 81% compared to 74% in 2006 for small businesses, and 84% versus 80% for intermediaries.

It is worth noting that the percentage of respondents who were very satisfied with the Web site increased by 9 percentage points from 2006 to 2008 for small businesses and by 8 percentage points for intermediaries.

**Table 11: User Satisfaction with Information and Services\***

Information and Services	Small Businesses		Intermediaries	
	2006	2008	2006	2008
File T2/ T4, GST/HST returns	90%	66%	86%	89%
Electronic mailing service	86%	53%	86%	82%
Find form/guide	82%	83%	84%	86%
Register for a BN	81%	67%	59%	67%
Use online requests for business	81%	84%	56%	72%
Get GST/HST, payroll remittance information	77%	71%	78%	81%
General business tax information	68%	75%	73%	76%
Get information for charities	56%	79%	81%	82%
Deferred income plan information	36%	100%	52%	69%

\* This table serves as a proxy measure and is for information purposes only. The sample size for each component ranges between 8-380 and the non-response rate between 0-31%.

Sources: *CRA Web Site Business User Survey*, 2006 and 2008



Table 11 shows the change in the level of satisfaction with specific Web site information and services. In 2008:

- 66% of small businesses were satisfied with the service they received for filing T2/ T4 and GST/HST returns, compared to 90% in 2006.
- 53% of small businesses were satisfied with the electronic mailing service they received, compared to 86% in 2006.
- 67% of small businesses were satisfied with the service they received for registering a business number, compared to 81% in 2006.

The percentage of small businesses that were satisfied with the information for charities increased significantly from 56% in 2006 to 79% in 2008.

In 2008, small business representatives expressed a higher level of satisfaction than in 2006 for five of the nine activities of the CRA Web site's information and services. The four activities that decreased were: electronic mailing service; register for a BN; get GST/HST, payroll remittance information; file T2/ T4, and GST/HST returns. Intermediaries expressed a higher level of satisfaction than in 2006 on eight of the nine activities

**Table 12: User Satisfaction with the CRA Web site Experience**

Satisfaction	Small Businesses		Intermediaries	
	2006	2008	2006	2008
Information was up to date	84%	86%	89%	87%
The Web site had all the information they needed	79%	81%	78%	83%
Information was easy to understand	76%	77%	84%	83%
Time it takes to complete a task was appropriate	55%	68%	59%	69%

Sources: CRA Web Site Business User Survey, 2006 and 2008

Business users of the CRA Web site were increasingly satisfied with their experience in 2008 as compared to 2006.

In 2008:

- 86% of small businesses and 87% of intermediaries agreed that the information on the site was up to date, compared to 84% and 89% respectively in 2006.
- 81% of small businesses and 83% of intermediaries responded that the Web site had all the information they needed, compared to 79% and 78% respectively in 2006.
- 77% of small businesses and 83% of intermediaries said the information was easy to understand, compared to 76% and 84% in respectively 2006.

The 2008 survey showed there was a significant increase among Web site users who stated that the time it takes to complete a task was appropriate (from 55% in 2006 to 68% in 2008 for small businesses and from 59% to 69% for intermediaries).

The ease of finding information changed marginally, from 64% in 2006 to 65% in 2008.

Of the users who visited the CRA Web site more than once since January 2008, 91% did not usually need to call the CRA afterwards. Of the remaining 9% of users, 6% were more likely to call after using the Web site and 3% during Web site use. This indicates that for the majority of users, the CRA Web site provides them with relevant and sufficient information.

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By providing useful information and efficiently resolving issues, the CRA is minimizing the compliance burden on small businesses. For example, 78% of small business users and 80% of intermediaries said they were able to find most or everything they were looking for or completed most or every task needed on the CRA Web site.

Only 3% of small business users did not find what they needed or complete the tasks they intended to carry out on the site. None of the intermediaries surveyed encountered this problem.

## 4.2 – Time spent on the CRA Web site

### Definition

A measure of the CRA's ability to simplify compliance requirements by addressing the compliance burden through the use of the CRA Web site.

### Expectations

Improving the CRA Web site generates more visits to the site and makes finding information, forms, and publications easier.

### Results

#### Small businesses that visited the CRA Web site more than 20 times

	2006	2008
Percentage of small businesses that visited the CRA Web site more than 20 times.	14%	17%

The frequency of visits to the Web site seemed to increase from 2006 to 2008. The percentage of small businesses that visited the CRA Web site more than 20 times increased from 14% in 2006 to 17% in 2008. Intermediaries who visited the CRA Web site more than 100 times increased significantly from 23% in 2006 to 32% in 2008. Overall, small businesses and intermediaries visited the CRA Web site more often in 2008.

### Source

CRA, *Web Site Business User Survey*.

## CRA Actions Since Benchmarking

In 2008, the CRA conducted extensive plain language and readability reviews on two selected business-related information products.

### Analysis

Table 13 shows the number of visits that small business and intermediaries made to the CRA Web site.

**Table 13: Number of Visits on CRA Web site for Business Purposes**

Number of Visits	Small Businesses		Number of Visits	Intermediaries	
	2006	2008		2006	2008
Once	11%	9%	10 times or less	15%	9%
2-5 times	41%	43%	11-20 times	18%	16%
6-10 times	23%	17%	21-50 times	27%	25%
11-20 times	11%	14%	51-100 times	17%	18%
More than 20 times	14%	17%	More than 100 times	23%	32%

Source: CRA *Web Site Business User Survey*, 2006 and 2008

In 2006, of the 84% of small businesses that used the CRA Web site to obtain information, 3% used it exclusively to conduct online transactions, and 13% used it to both seek information and conduct online transactions.

**Table 14: Frequency of Visits to the CRA Web site<sup>10</sup>**

Frequency of Visits	Small Businesses		Intermediaries	
	2006	2008	2006	2008
Once per day or more	1%	8%	15%	23%
Several times per week	15%	10%	45%	38%
About once per week	17%	17%	12%	16%
A few times per month	49%	52%	26%	21%
Less than a few times per month	17%	13%	1%	1%

Source: CRA Web Site Business User Survey, 2006 and 2008

The data used in Table 14 now reflect the results of a phone survey, as compared to the *Benchmark Report*, which used data from an online survey. The phone survey covers a larger number of businesses and provides comparable data from 2006 and 2008. The trend in the frequency of the small businesses visiting the CRA Web site has been stable since 2006, with one exception. Those that visited the site in 2008 were more likely to have done so at least daily, at 8% in 2008 versus 1% in 2006.

In 2008, 77% of intermediaries visited the Web site for business reasons at least weekly, versus 72% in 2006. Daily visitors increased significantly to 23% in 2008 versus 15% in 2006.

### Note: My Business Account

My Business Account, which was launched in 2006, represents a significant improvement in service delivery and achieves some of the recommendations to reduce red tape for small businesses set out in the CRA's *Helping Small Businesses by Reducing the Compliance Burden – Report of the Canada Revenue Agency's Action Task Force on Small Business Issues*. My Business Account allows users to access a multitude of electronic services for businesses through a single user ID and password, and could have contributed to the significant increase in the frequency of small business visits to the Web site.<sup>11</sup>

In 2008, 48% of surveyed small business representatives and 92% of intermediaries were aware of the My Business Account services. Of those, 15% had tried to use it since January 1, 2008. The vast majority, 82%, said they had not, while 3% were uncertain.

<sup>10</sup> The telephone surveys were completed by representatives of small businesses and intermediaries that had visited the CRA Web site for business purposes.

<sup>11</sup> Though outside the data period discussed in the report, in April 2009, the CRA improved the timeliness and accessibility of information by adding "Smartlinks" to help taxpayers with their account specific information. In particular, "Contact Us" buttons were added to the My Business Account's "View Account Transactions" page and the "View Account Balance" page for corporate income tax, GST/HST, payroll, and other levies accounts. "Contact Us" allows users to access a CRA agent directly from our Web site.

## 4.3 – Accuracy and clarity of information provided by the CRA

### Definition

An indirect measure of the value added by CRA intervention and the CRA's ability to provide clients with accurate information that meets their needs.

### Expectation

An increasing number of taxpayers find that the CRA's information is accurate and easier to understand.

### Results

#### Correct business enquiry responses

	2007-2008	2008-2009
Percentage of responses to business enquiries that were fully correct (Year-to-date Cumulative National Accuracy Rate).	75%	73%

We have changed the comparison years and data sources in this indicator because the *CRA Client Satisfaction Survey, Enquiries Telephone Line for Businesses and Self-Employed Individuals* that was used to establish the original benchmark will no longer be completed. We are now using data from the CRA's *Business Enquiries Telephone Accuracy Survey* instead. This will ensure that comparable data will be available and that the data sources used are consistent.

### Sources

CRA, *Client Satisfaction Survey, Enquiries Telephone Line for Businesses and Self-Employed Individuals*.

CRA, *Web Site Business User Survey*.

CRA, *2008–2009 Business Enquiries Telephone Accuracy Survey*.

### CRA Actions Since Benchmarking

The CRA revised its products and forms to improve the clarity of information and the manner in which information is captured.

The CRA also conducted extensive plain language and readability reviews on two selected business-related products relating to employment expenses and employer information.

CRA agents periodically ask "Smartlinks" users to participate in surveys on the clarity of Web site information or on how easy it is to find information.

## Analysis

### CRA telephone services

While many actions were undertaken by the CRA to make information more relevant, accurate, and easy to understand, the rate of businesses that found that responses to their enquiries were accurate decreased by 2% from 2007-2008 to 2008-2009.

The national accuracy rate (national rates of fully correct responses) for business enquiries provided by the 2008-2009 *Business Enquiries Telephone Accuracy Survey*, conducted from February 2 to February 20, 2009, was 75%. Compared to the same three-week period in 2008, this represents an increase of 18%.

In 2007-2008, the cumulative national accuracy rate reported was 75%. In 2009, the cumulative national year-to-date rate based on the results of the first and second waves of the *Business Enquiries Telephone Accuracy Survey*, from September 29 to February 20, 2009, was 73%. For the following activities undertaken in 2009, the accuracy rate was:

- 67% for payroll source deductions;
- 75% for GST/HST; and
- 80% for business number.

### CRA Web site

The CRA *Web Site Business User Survey* states that:

- in 2006, 76% of small business Web site users and 84% of third-party users expressed that information was easy to understand; while
- in 2008, these percentages were 77% for small business Web site users and 83% for intermediaries.

Table 15 shows strong results for the Web site.

**Table 15: Overall Perceptions of the CRA Web site**

Perceptions	Small Business		Intermediaries	
	2006	2008	2006	2008
Information was up to date	84%	86%	89%	87%
Found/completed most/everything	80%	82%	78%	86%
Site has all the information needed	79%	81%	78%	83%
Information was easy to understand	76%	77%	84%	83%
Easy to find what looking for	60%	65%	60%	64%
Site was visually appealing	64%	65%	67%	71%

Source: CRA, *Web Site Business User Survey*, 2006

Clarity and accuracy of information help reduce the time small businesses spend complying with their obligations. Accuracy and clarity of information are recurrent matters and the CRA is committed to responding to the changing needs of small businesses.

## 4.4 – CRA outreach activities

### Definition

A proxy measure of the CRA's commitment to reduce the compliance burden.

### Expectation

The level of satisfaction that small businesses express for the CRA outreach activities increases and these activities contribute to reducing the complexity of the compliance process.

### Results

#### Satisfied small business participants in CRA sessions

	2007-2008	2008-2009
Percentage of small businesses that participated in sessions offered by the CRA that are satisfied to very satisfied.	84%	84%

There was no significant change in the overall level of satisfaction expressed by small businesses that participated in CRA sessions.

### Source

CRA, *National Outreach Coordinating Committee Database*.

### CRA Actions Since Benchmarking

The CRA held about 1,344 business education seminars for more than 29,000 participants in the 2007-2008 fiscal year. In that same year, the Underground Economy Outreach Program conducted 149 community visits. In 2008-2009, there were 1,402 seminars given to more than 24,150 participants. Underground Economy Outreach activities include community visits, wharf visits, home and trade shows, public speaking engagements, and individual visits. The CRA offers sessions based on anticipated need of participants, which explains the varying participation rates from one year to the next.

The CRA Atlantic region initiated a three-year New Registrant Outreach initiative whereby officers make educational visits to about 50% of new GST/HST registrants. Post-initiative measurements will show whether these visits are effective in increasing taxpayers' understanding and awareness of their responsibilities and the CRA's services.

To ensure better coordination and harmonization of outreach, the Quebec region has developed local action plans for each tax services office (TSO) and will share these with Revenu Québec. Seminars have been developed for select industries, such as the taxi, day-care, and beauty salon sectors. Other seminars will be developed based on the outreach action plans of each TSO in the region.

The TSOs have also created partnerships with federal and provincial agencies, such as the Economic Development Agency of Canada, local development centres, and with associations such as the Association de planification fiscale et financière and the Ordre des médecins, to inform them of CRA services and electronic products.

In conjunction with the Federal/Provincial/Territorial Underground Economy Working Group, the CRA completed a framework in March 2008 for outreach in trade schools. A program has been initiated for trade schools in British Columbia, Ontario, and New Brunswick to disseminate information on the tax system and the pitfalls of the underground economy to selected construction trades.

## Analysis

For this indicator, 2007-2008 data were used to establish the benchmark because there were no previous data. Comparison in this report is made between the 2007-2008 and 2008-2009 findings.

In 2008-2009, the CRA held 205 information sessions targeting small businesses and self-employed individuals. In 2007-2008, 156 information sessions were held for small and medium-sized businesses.

- 83.5% of participants in 2008-2009 expressed an overall level of satisfaction (“satisfied” to “very satisfied”) against 83.9% in 2007-2008;
- 15.1% of participants in 2008-2009 were neutral, compared to 16.1% in 2007-2008; and
- 1.4% of participants in 2008-2009 were dissatisfied.

**Table 16: Feedback Provided by Small and Medium-Sized Businesses**

Statement	Satisfied to Very Satisfied		Neutral		Dissatisfied to Very Dissatisfied	
	2007-2008	2008-2009	2007-2008	2008-2009	2007-2008	2008-2009
The seminar provided useful information	86.7%	86.4%	13.3%	11.9%	0%	1.6%
My questions were answered	66.7%	81.0%	30.0%	13.5%	3.3%	2.2%
The content was easily understood, as it was clearly presented	86.7%	84.0%	13.3%	14.5%	0%	1.6%
Documents and various visual aids added value to the seminar	70.0%	84.0%	30.0%	13.4%	0%	2.4%
The presenter was knowledgeable about the subject matter	86.7%	91.4%	13.3%	7.6%	0%	1.0%
Satisfied with the quality of the information provided	80.0%	86.3%	20.0%	12.5%	0%	1.0%

Source: CRA National Outreach Coordinating Committee Database, 2007-2008 and 2008-2009

\* Data for 2007-2008 will be slightly different than in the Benchmark Report because new data were updated after the report was published.

Results in Table 16 clearly indicate that participants found the information seminars useful, and were satisfied. These seminars contribute to reducing the burden by clarifying legislative requirements and explaining the processes administered by the CRA.





## Conclusion

The 2010 Status Report evaluates the CRA's performance in reducing the compliance burden for small businesses.

Overall, the average time an establishment spends internally per year to comply with CRA requirements has decreased by 2.7 hours (from 17.7 hours to 15.0 hours). The CRA requirements include payroll remittances, T4 summaries and individual T4s, T1 and T2 income tax filing, federal and provincial sales taxes, and corporate tax instalments. The estimated internal annual time spent on three of the five individual requirements decreased from 2005 to 2008.

The average annual cost per establishment of complying with legislated requirements decreased by 5.5%, from \$1,825.39 in 2005 to \$1,724.10 in 2008. This cost also decreased for four of the five filing requirements: payroll remittances, T4 summaries and individual T4 slips, federal and provincial sales taxes, and corporation tax instalments. Costs increased by 1.3% for T1 and T2 tax return filing.

Regarding the effort required to understand and fill out the CRA's claims and forms in 2008 compared to 2005, 11% of small businesses found it easier and 58% said it was the same. Although small businesses expressed overall satisfaction with current regulations, they would like to see continued improvements to each of the six regulations. The CRA is already taking this suggestion into account by reviewing its guides, claims, and forms to reduce the effort required to understand and fill out claims and forms.

The CRA has improved the quality and quantity of services provided. Small businesses felt more confident using these services, and used them more often. Small businesses and intermediaries used the CRA Web site for information and services more in 2008 than in 2006.

Overall user satisfaction with the CRA's services and staff has remained relatively constant over this time, but satisfaction with the CRA's Web site has increased among small businesses to 81% in 2008 from 74% in 2006.

There was no significant change in the overall level of satisfaction expressed by small businesses that participated in CRA outreach sessions.

Overall, a reduction of the compliance burden faced by small businesses has been displayed within this report.

The methodology used for drafting this report included two major steps:

- collecting and selecting relevant data; and
- comparing and analyzing current data with the results previously established for each indicator.

### Collecting and Selecting

The data used have been collected and selected from many sources. These can be divided into two categories: internal and external.

#### Internal sources

These sources are reports of the Canada Revenue Agency, surveys conducted by its technical services, and commissioned studies.

These reports provide information on the results of business activities; the standards, quality, and amount of services offered to businesses; the trends in the use of these services; and on client satisfaction.

The following source documents were used:

- The Canada Revenue Agency's *Annual Report to Parliament*, editions 2007-2008 and 2008-2009
- The *CRA Annual Corporate Survey*, 2008 and 2009
- The *CRA 2008 Web Site Business User Survey*
- The *2008 Counter Study, Dedicated to Telephone Lines for Calls Originating from the Counter, from March 17 – May 30, 2008*
- The *Action Task Force on Small Business Issues, Update on Final Report on Action Items*
- The *CRA National Outreach Coordinating Committee Database* 2008-2009 and 2009-2010

#### External sources

These sources are independent studies that allow for the assessment of the compliance costs for small businesses, the evaluation of the perception small businesses have regarding the evolution of these costs, and international comparisons among the G8 countries.

The following documents were used:

- *Survey of Regulatory Compliance Costs*, Statistics Canada
- *Paying Taxes 2009: The Global Picture*, World Bank

The data collected from the sources were used in the analysis of the following measures.

- The Canada Revenue Agency's *Annual Report to Parliament*
- 1.2 – Timeliness – Service standard results for small business-related services
- 1.3 – CRA response rate for telephone enquiries

### *Survey of Regulatory Compliance Costs*

- 1.1 – Hours expended complying with CRA requirements
- 1.4 – The perceived changes in overall compliance costs (time) and perceived reasons for those changes
- 2.1 – Cost to file taxes (e.g., third party providers)
- 3.4 – The perceived changes in compliance costs (money) and perceived reasons for these changes

2008, *Counter Study, Dedicated Telephone Lines for Calls Originating from the Counter, March 17–May 30, 2008*

- 3.2 – Percentage of telephone enquiries by topic

### *CRA Web Site Business User Survey*

- 3.3 – Percentage of Web page visits by topic
- 4.2 – Time spent on the CRA Web site
- 4.3 – Accuracy and clarity of information provided by the CRA

### *CRA Annual Corporate Survey, 2008*

- 4.1 – User satisfaction with CRA services and staff

### *CRA National Outreach Coordinating Committee Database, 2008-2009 and 2009-2010*

- 4.4 – CRA outreach activities

The information collected in the *Paying Taxes 2009: The Global Picture* report provided complementary information that permitted international comparisons among the G8 countries.

The actions set forth by the CRA since writing the Benchmark Report were essentially drawn from the *Action Task Force on Small Business Issues, Update on Final Report on Action Items*.

## Comparing and Analyzing

### Comparing

These were completed based on the subsequent data from the *Measuring Small Business Compliance Burden, Benchmark Report*

- At the levels of measures 1.2 and 1.3, the comparisons were based on the results from activities between the 2006-2007 and 2008-2009 fiscal years.
- For the measures 1.1, 1.4, 2.1, and 3.4, the comparisons were based on the data issued from the results of the 2005 and 2008 versions of the *Survey of Regulatory Compliance Costs*.
- For the measures 3.3, 4.2, and 4.3, the comparisons were based on the data from the 2006 and 2008 editions of the *CRA Web Site Business User Survey*.
- The results of editions 2008 and 2009 of the *CRA Web Site Business User Survey* were compared, as well as the results of the 2007 and 2008 *CRA Annual Corporate Survey* to update benchmarks and build analysis in measure 4.1.
- One comparison has been completed based on the information drawn from the data in the *CRA National Outreach Coordinating Committee Database* from the 2007-2008 and 2008-2009 fiscal years. This was done to evaluate the progress made at the level of measure 4.4.

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## Analyzing

This consisted of recording the findings of changes in services in terms of increasing improvement or lowering quality over pre-established time periods, through investigation and sampling. The analysis includes the impact of changes on services offered to small businesses.

In the case of direct measures, the analysis examined the change in the financial costs and in the time spent by small businesses complying with the CRA's requirements.

The analysis records the perception that small businesses have of the cost of complying with regulations.

In the case of indirect measures, this analysis identifies the evolution of the services offered by different communication channels, such as telephone and Web site, within the CRA as well as their use for small businesses.



## Appendix B: Sources

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<sup>12</sup> It is important to note that results cannot be broken down according to small business alone. Overall, the results provide a reasonable indication of enquiries made.

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Canada Revenue Agency *Annual Report to Parliament*: [www.cra.gc.ca/annualreport](http://www.cra.gc.ca/annualreport)

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