



Taxpayers'
Ombudsman

Annual Report 2009-2010



Government
of Canada

Gouvernement
du Canada

Canada 

Office of the Taxpayers' Ombudsman

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TAXPAYER BILL OF RIGHTS

1. You have the right to receive entitlements and to pay no more and no less than what is required by law.
2. You have the right to service in both official languages.
3. You have the right to privacy and confidentiality.
4. You have the right to a formal review and a subsequent appeal.
5. You have the right to be treated professionally, courteously, and fairly.*
6. You have the right to complete, accurate, clear, and timely information.*
7. You have the right, as an individual, not to pay income tax amounts in dispute before you have had an impartial review.
8. You have the right to have the law applied consistently.
9. You have the right to lodge a service complaint and to be provided with an explanation of the Canada Revenue Agency's findings.*
10. You have the right to have the costs of compliance taken into account when administering tax legislation.*
11. You have the right to expect the Canada Revenue Agency to be accountable.*
- 12.. You have the right to relief from penalties and interest under tax legislation because of extraordinary circumstances.
13. You have the right to expect the Canada Revenue Agency to publish its service standards and report annually.*
14. You have the right to expect the Canada Revenue Agency to warn you about questionable tax schemes in a timely manner.*
15. You have the right to be represented by a person of your choice.*

** Service rights upheld by the Taxpayers' Ombudsman*

October 6, 2010

The Honourable Keith Ashfield, P.C., M.P.
Minister of National Revenue
555 MacKenzie Avenue, 7th floor
Ottawa, Ontario
K1A 0L5

Dear Minister:

I am pleased to submit for tabling in each House of Parliament, the second annual report of the Taxpayers' Ombudsman.

This report provides an overview of our activities and operations from April 1, 2009 to March 31, 2010. It highlights, in particular, the achievements of our office as we work to uphold the Taxpayer Bill of Rights and ensure taxpayers and benefit recipients get the professional service and fair treatment they are entitled to from the Canada Revenue Agency.

Yours truly,

A handwritten signature in black ink, appearing to read 'J. Paul Dubé', is written over a large, faint, light-colored watermark of the same signature.

J. Paul Dubé, BA, LL.B, J.D.
Taxpayers' Ombudsman

October 6, 2010

Susan J. McArthur, B.A.
Chair, CRA Board of Management
555 MacKenzie Avenue, 7th floor
Ottawa, Ontario
K1A 0L5

Dear Madam Chair:

I am pleased to submit the second annual report of the Taxpayers' Ombudsman.

This report provides an overview of our activities and operations from April 1, 2009 to March 31, 2010. I trust that the information contained in this document will assist you in your responsibility to oversee the organization and administration of the Canada Revenue Agency.

Yours truly,

A handwritten signature in black ink, appearing to read "J. Paul Dubé". The signature is stylized with a large, looping initial "J" and a cursive "Dubé".

J. Paul Dubé, BA, LL.B, J.D.
Taxpayers' Ombudsman



Mission

Our mission is to enhance the Canada Revenue Agency's accountability in its service to and treatment of taxpayers and benefit recipients through independent and impartial reviews of individual complaints as well as systemic and emerging service-related issues.

Vision

To be recognized for our expertise in promoting fairness and for our value in helping the Canada Revenue Agency provide the highest level of service.

Principles

Independence

- The Ombudsman operates at arms length from the Canada Revenue Agency.

Impartiality

- The Ombudsman is neither an advocate for the taxpayer, nor a defender of the Canada Revenue Agency.
- The Ombudsman considers the position and perspective of both the taxpayer and the Canada Revenue Agency when examining a complaint or issue.

Fairness

- The Ombudsman acts with equity and justice.

Confidentiality

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

Message from the Ombudsman

Message from the Ombudsman “Building Bridges”



The Office of the Taxpayers' Ombudsman was created to promote professional service and the fair treatment of taxpayers by the Canada Revenue Agency (CRA). As Taxpayers' Ombudsman, I am pleased to present my second Annual Report which demonstrates that this relatively new organization is already helping the CRA improve its service to, and treatment of, Canadians. This has been accomplished by helping resolve disputes between taxpayers and the CRA as well as by providing constructive feedback to the CRA on how its service delivery could be improved.

Since being appointed Taxpayers' Ombudsman, I have sought to uphold the service rights within the Taxpayer Bill of Rights and promote a culture of service and fairness within the CRA. Taxpayers deserve no less. My vision for this office is to see it recognized for its expertise in promoting fairness and helping the CRA achieve its goal of providing the highest level of service.

We will realize that vision by playing an effective dispute resolution role in taxpayer service complaints, as well as being an agent of positive systemic change.

The first step in resolving disputes is to facilitate communication between the parties involved and promote mutual understanding. To that end, I am committed to building appropriate and productive relationships with all stakeholders that will enable this office to play its role effectively. I describe our work as building bridges between taxpayers, the CRA, and this office so that complaints and disputes can not only be resolved, but be avoided in the future. The role of Taxpayers' Ombudsman is providing me with a challenging and rewarding mandate, and I am fortunate to have a team of dedicated public servants who share my vision for the office and work hard to make it a reality.

At the beginning of my mandate, I identified three principal priorities for this organization: to increase Canadians' awareness of the Taxpayers' Ombudsman and the Taxpayer Bill of Rights; to establish appropriate and productive relationships with private stakeholders and the CRA; and to secure timely access to the information we require from the CRA. I am pleased to report that we have been successful in accomplishing these objectives.

My team and I have devoted much time and energy to informing Canadians about their rights as taxpayers and my role as Taxpayers' Ombudsman. Rather than wait for taxpayers to discover this information on their own, we have been proactive in our communication efforts. The result is that more Canadians are now informed of their rights as taxpayers and aware that they have access to an impartial Taxpayers' Ombudsman. This is evidenced by the increasing numbers of individuals and businesses of all sizes that are contacting our office.

As part of our national outreach initiative, I gave speeches and presentations from coast to coast on the role of my office. I also held round table discussions with tax professionals, business people, Members of Parliament and their staff. Over all, my team and I met and corresponded with taxpayers, accountants, representatives of professional institutes, members of business associations, tax lawyers, and academics from various parts of the country. This initiative was effective in raising awareness of our organization thanks to participants who passed on our message to their members, clients, and constituents.

In addition to raising awareness among key private stakeholders, these meetings were extremely informative and beneficial to us. The input we have received through consultations with individuals, as well as associations of all sizes, has increased our knowledge of CRA service from the recipient's perspective, led to complaint referrals, helped us identify systemic issues, and provided supplemental confidential information on systemic issues we were already examining.

In my first Annual Report I referred to growing pains associated with the establishment of a new office created to review service complaints about the CRA. I am pleased to report that fiscal year 2009-2010 was marked by a significant improvement in the relationship between the Office of the Taxpayers' Ombudsman and the CRA. Regular discussions at all levels have led to an increased understanding and acceptance of the role of the Ombudsman within the CRA. The improved relationship, which fosters collaboration while respecting our independence, has resulted in a more efficient and timely exchange of information, thereby enabling my office to review taxpayer complaints and systemic issues more effectively than we could in our first year of operations.

To promote understanding and engage the type of relationship we seek with the CRA, I began a series of bi-lateral meetings last year with the CRA's Commissioner, Deputy Commissioner, and Assistant Commissioners to better define our arm's length relationship and to discuss how our respective organizations should interact with respect to taxpayer complaints. The way in which a government agency reacts to complaints is a key indicator of how committed it is to service and fairness. The openness and engagement of the CRA's senior management demonstrates to me that they appreciate the value of responding constructively to individual service complaints as well as feedback on systemic problems. That is significant since it is vital that management take a leading role in promoting a service culture at the CRA.

We also visited several CRA tax service offices and tax centres across the country as part of our outreach and were able to discuss service delivery with management and staff. The CRA personnel we met displayed an impressive level of dedication to their work and expressed their desire to provide excellent service to taxpayers.

Despite the CRA's efforts to maintain high standards of service, there are still taxpayers who feel they are being treated unfairly by the CRA. We have observed that the complexity of the rules and regulations that CRA personnel must administer while processing millions of transactions sometimes affects their ability to respond in a timely and consistent manner. A lack of timeliness or consistency by the CRA can often lead taxpayers to feel they are not being treated fairly. In fact, one of the most common complaints to our office is "this is not fair".

Through dialogue with the CRA, we seek to understand and resolve these disputes efficiently and at the lowest level possible. Indeed, our analysis and feedback in taxpayer complaints often leads to quick resolution by the CRA without the need for a formal recommendation from our office. There have, however, been some complex cases which have taken more time to resolve, and we strive for feasible solutions to help the CRA improve its service delivery and treatment of taxpayers. Our effective intervention has made a difference in the lives of many taxpayers.

Our list of potential systemic issues continues to grow and my team is actively researching these issues. We have focused on several key areas that affect a large number of taxpayers. I look forward to making recommendations to the Minister of National Revenue on the service and fairness problems that are negatively impacting Canadians, whether as taxpayers or as benefit recipients.

Canadians may have less trust and confidence in the tax system if they feel the CRA treats them unfairly or in an arbitrary manner. Less trust in the system discourages full participation and may contribute to disputes, litigation, decreased compliance, and increased activity in the underground economy. These problems cost the CRA, the federal government, and ultimately all Canadians much time, energy, and money. Improvements to the service provided by the CRA, and an increased perception among taxpayers that the CRA is fair, will increase taxpayer trust and confidence and reduce conflicts. That is why I consider the work of building bridges between stakeholders to be so crucial.

For the Office of the Taxpayers' Ombudsman to succeed, the Ombudsman must be seen as neither a taxpayer advocate nor a defender of the CRA,

but rather a well-informed and impartial officer that can be trusted to identify problems, work cooperatively with stakeholders, and propose feasible solutions. In that regard, I believe we are well on our way.

I look forward to continue building this office and strengthening the key relationships, in other words, building the bridges that will allow it to realize its full potential and help ensure that Canadians receive the fair treatment and professional service they are entitled to from the CRA.

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About this report

This report focuses on the activities of the Office of the Taxpayers' Ombudsman during our second year of operations. You will learn about the mandate of the Taxpayers' Ombudsman as well as how the organization is structured to ensure the mandate is effectively discharged. It also provides an overview of the Office's various teams, how they work together and how they contribute to the successful operation of the Office.

Taxpayer Defined

A "taxpayer" means a person who, under the program legislation, is liable to pay tax, is eligible to receive an amount as a benefit, or is provided a service by the Canada Revenue Agency.

Order in Council - P.C. 2007-0828

What is an Ombudsman?

What is an Ombudsman?

ombudsman/ombudsperson / 1 an official appointed by a government to investigate individuals' complaints against public authorities, etc. [Swedish = legal representative]

Canadian Oxford Dictionary

An ombudsman is an independent and impartial officer who deals with complaints about an organization or agency, whether private or public. Typically these complaints involve issues that the organization or agency has been unable or unwilling to resolve to the complainant's satisfaction. Because complaints to an ombudsman are confidential, he or she may hear about issues that the organization is not aware of. By reviewing a complaint impartially, an ombudsman assesses whether a complaint has merit and advises the parties involved. In many instances, the decisions or actions of the organization will be found to be without fault. Where a complaint is found to have merit, the ombudsman seeks to resolve the dispute at the lowest level possible. When necessary, the ombudsman makes recommendations on how to resolve the matter and how to prevent it from reoccurring.

Generally, when an ombudsman makes recommendations, they are not binding. The ombudsman is not empowered to tell those who govern what to do. Rather, results are achieved through the sharing of the ombudsman's judgment about whether or not the organization is acting in a fair and reasonable manner. An ombudsman's effectiveness is dependant on using moral suasion to convince the organization that the recommendations are sound, reasonable, and should be implemented.

Moral suasion is exercised through discussion, mediation, and when necessary, publicity. The power to report has been called the ultimate sanction of the ombudsman. Shining a light on a problem by issuing a public report allows the ombudsman to generate a public debate and marshal support for recommendations.

About the Office of the Taxpayers' Ombudsman

About the Office of the Taxpayers' Ombudsman

The mandate of the Taxpayers' Ombudsman

The Office of the Taxpayers' Ombudsman was created to support the priorities of stronger democratic institutions, increased transparency, and the fair treatment of all Canadians.

The mandate of the Taxpayers' Ombudsman is discharged by reviewing service complaints from taxpayers about the CRA, informing Canadians about their rights as taxpayers, promoting conformity with the Taxpayer Bill of Rights and identifying and reviewing systemic and emerging issues related to service matters. Where the complaint is found to have merit, or be indicative of a systemic problem that may negatively affect stakeholders, the ombudsman typically makes recommendations to correct the problem with a view to preventing reoccurrence.

The Taxpayer Bill of Rights

The Taxpayer Bill of Rights is a set of fifteen rights, eight of which are service rights, that entitle taxpayers to be served professionally and be treated fairly by the CRA. The Taxpayer Bill of Rights is intended to make it easier for taxpayers to understand what they can expect in their dealings with the CRA and for employees of the CRA to understand what taxpayers expect of them. The Taxpayers' Ombudsman upholds the eight service rights.

Our Organization

As of March 31, 2010 the Office of the Taxpayers' Ombudsman employed 28 staff members. The following provides an overview of the Office's various teams, how they work together and how they contribute to the successful operation of the Office.

Operations

The Operations Division consists of three units of officers:

Intake

The Intake Unit is the first point of contact for taxpayers. These officers are the front-line personnel who initially deal with all of the questions, enquiries, and complaints we receive. They determine whether a question, enquiry, or complaint falls within the office mandate. For those that do fall within the mandate, the intake officer is able to open a complainant file and initiate the examination process. For those that do not fall within the Ombudsman's mandate, the officers are able to answer questions and often act as a resource for the taxpayer by listening to their concerns and providing options and direction for callers. The officers are able to assist the taxpayer to contact the right government department or agency if needed.

Individual Examination

Once the intake officers have determined that a taxpayer complaint is within the Ombudsman's mandate, the file is opened and transferred to the Individual Examination Unit. The individual examination officers are responsible for examining the complaints in greater detail. They obtain information, evaluate the complaints, recommend solutions, and make referrals. If a particular complaint topic appears to recur, the Individual Examination Unit advises the Systemic Examination Unit of the identified issue(s).



Taxpayers' Ombudsman's presentation at the Certified General Accountants' Association of Alberta Annual Conference in Edmonton, Alberta

Systemic Examination

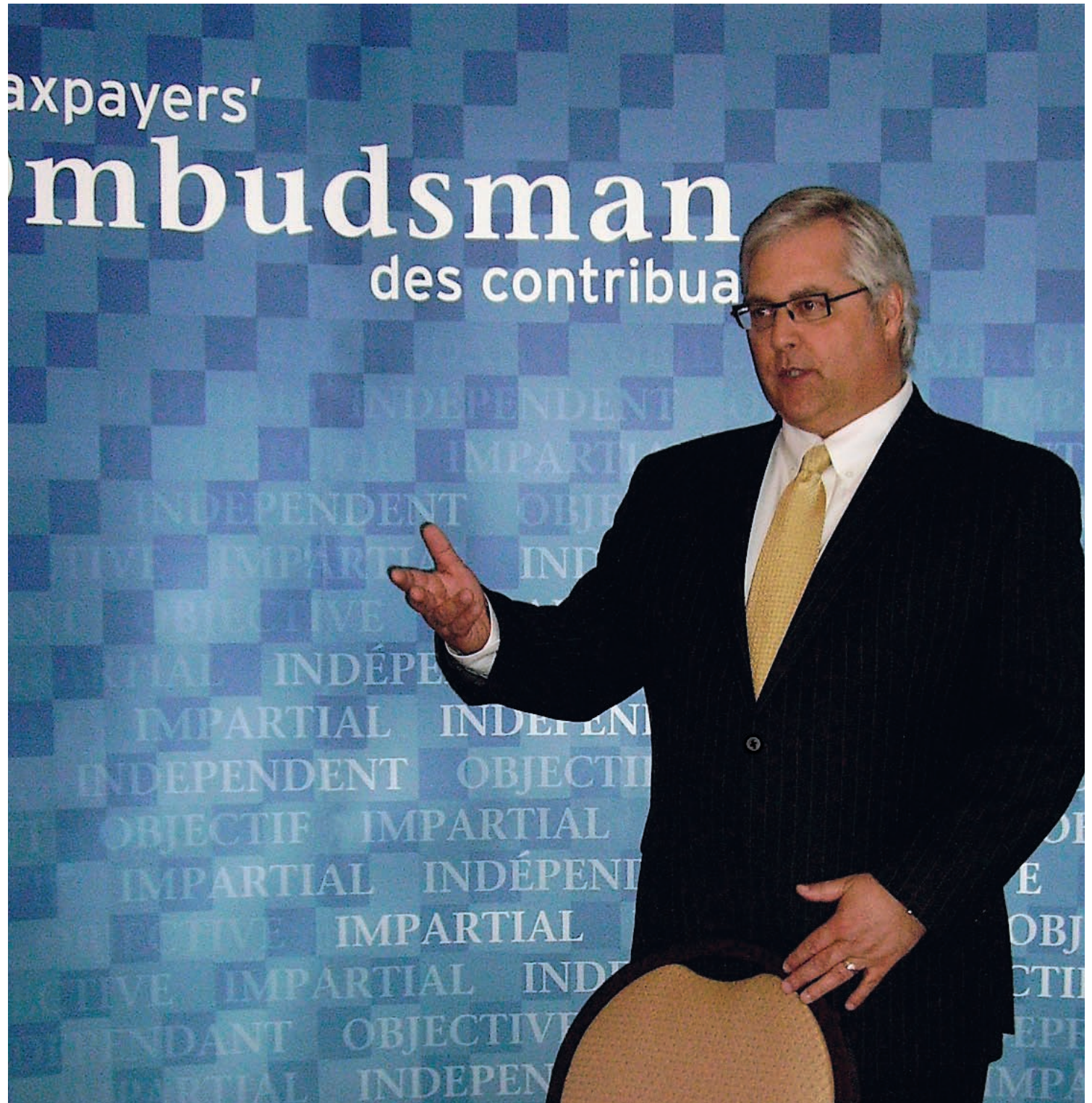
The Systemic Examination Unit deals with emerging trends and systemic issues related to service matters. They are responsible for researching, reviewing and finding solutions to systemic issues that have the potential to negatively affect a large segment of taxpayers and/or benefit recipients.

Communications

The Communications Unit is responsible for communicating the activities and results of the Taxpayers' Ombudsman and his office to external stakeholders. Their primary functions include outreach initiatives, professional speaking engagements, information sessions, media relations, and Web site management.

Corporate

The Corporate Unit is responsible for the accountability activities and governance of the Office of the Taxpayers' Ombudsman. Their primary activities include financial management, human resources management, information management, information technology and quality assurance. The Corporate Unit also ensures that the Office adheres to policies relating to Sustainable Development, Official Languages, Employment Equity, and Occupational Health and Safety.



The result of our outreach is that more Canadians are now informed of their rights as taxpayers and aware that they have access to an impartial Taxpayers' Ombudsman.

J. Paul Dubé

Our Second Year of Operations

Our Second Year of Operations

Operations

Intake

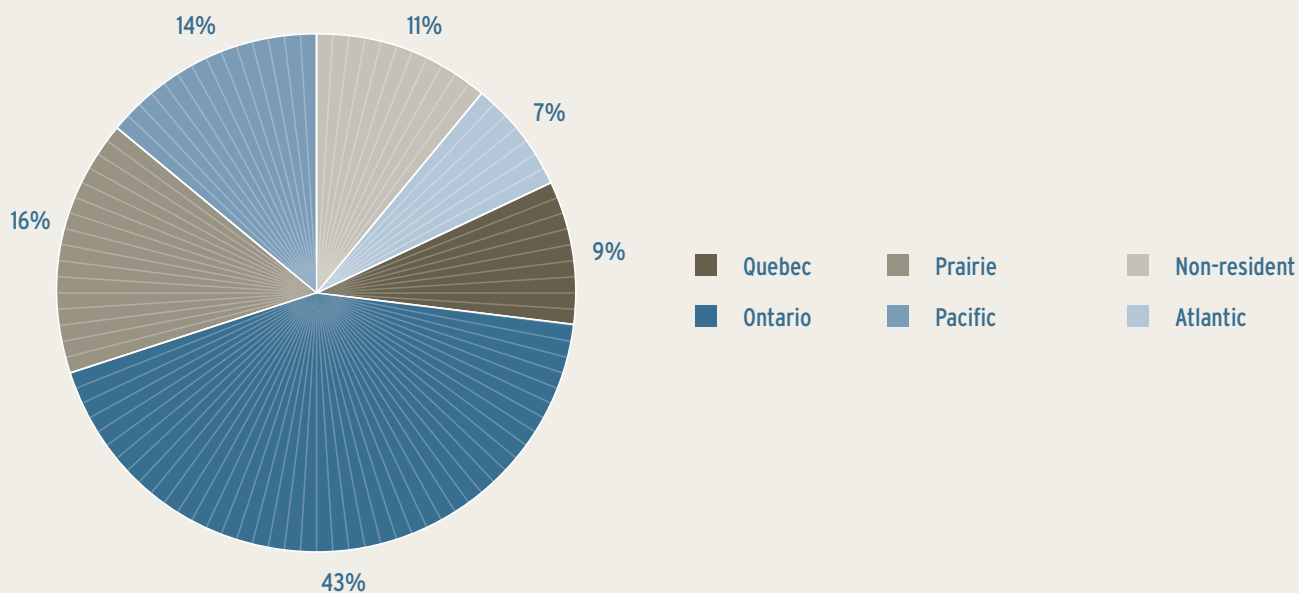
The Intake Unit triages telephone enquiries and written submissions received in our office from taxpayers. The Intake officers can assist the taxpayers in resolving their matters by providing the taxpayer with information or by explaining their rights. Some enquiries may be referred back to the CRA or to another government department or agency for resolution when appropriate. If a matter cannot be resolved over the telephone with the Intake officer, we will request that the taxpayer submit their complaint in writing for further review. The complaint is then transferred to the Examination Unit.

For the period of April 1, 2009 to March 31, 2010, the Office of the Taxpayers' Ombudsman Intake Unit received 5,330 telephone enquiries from taxpayers or their representatives as compared to 4,853 from the previous year. This represents an approximate 10% increase in the volume of telephone enquiries over the first year of operations.

Additionally, many taxpayers contact us because they cannot get through to the right section of the CRA or they are having difficulty understanding what the CRA requires of them. In these instances, we ask the CRA to identify the right office and to contact the taxpayer.

Intake opened 1,190 files for more detailed review by the Individual and Systemic Examination teams.

Files reviewed - Breakdown by region



Individual Examinations

Once the complaint is transferred from the Intake Unit to the Individual Examination Unit, a more in-depth review is undertaken by the Examination officer. The Examination officers ensure they have all the relevant facts from the taxpayer and from the CRA as they relate to the specific complaint. They strive to resolve service complaints at the lowest level possible and as quickly as possible. In many instances, they may simply need to inform the CRA about a service complaint for it to be resolved.

For the period of April 1, 2009 to March 31, 2010, we began with 84 files in our inventory and reviewed 1,218 files. We closed 1,013 files after preliminary assessment and went on to conduct 205 full-scale examinations. Those files closed after preliminary

assessment include mandated referrals to the CRA's – Service Complaints Program and various other program areas within the CRA; referrals to other departments and agencies; and files that required a deeper review to determine if they fell within the Ombudsman's mandate.

The Taxpayers' Ombudsman is mandated to help taxpayers in a number of ways. We help taxpayers by explaining our mandate and what we can and cannot review – we look into service and fairness issues. If a complaint falls outside of our mandate, we put taxpayers in touch with other government bodies whenever appropriate. As an office of last resort, we often refer complainants to the CRA for resolution of their problems before we open a file. We follow up on those referrals. Should a taxpayer be unsatisfied with the CRA's response, we will open a file and conduct an in-depth and impartial examination.

Result of Assessment or Examination	Number of Files
Complaint determined to be non-mandate (closed after preliminary assessment)	291
Files Resolved by Facilitating Access to Redress Mechanisms	722
Referred complainant to CRA - Service Complaints Program	575
Referred complainant to various CRA program areas	106
Referred complainant to other government bodies	41
Files Resolved or Closed Through Examination	205
Complaint determined to be non-mandate (closed after full examination)	35
Complaint resolved in favour of CRA	81
Complaint resolved in favour of taxpayer and remedied by the CRA prior to formal recommendation	83
Complaint with merit - formal recommendation made to CRA	6
Total	1,218

Examples of our Individual Examinations

A Rapid Response – Financial Hardship

A taxpayer called our office one week before Christmas, claiming that he was experiencing financial hardship because the CRA had frozen his bank account and garnisheed his wages. While the taxpayer acknowledged that the CRA's actions had been in relation to his previous tax debt, he claimed that the debt had been paid in full. In fact, he claimed to have received a refund from the CRA since paying the debt, which would not have been issued if his tax debt remained unpaid. Based on the information provided by the taxpayer, the Office of the Taxpayers' Ombudsman asked the CRA to contact the taxpayer on an urgent basis to discuss the situation. The CRA contacted the taxpayer on December 23, 2009 and they proceeded to ensure that his bank account had been released. They also contacted the taxpayer's employer to ensure that the garnishee had been withdrawn. The CRA reimbursed \$1500 to the taxpayer the next day and eventually reimbursed additional funds that had been garnisheed from his wages in error.

A second look – Financial Hardship

A taxpayer contacted the Office of the Taxpayers' Ombudsman asking for assistance with the CRA. He claimed to be homeless and forced to borrow money to pay for daily necessities. His income tax refunds and benefits were being applied against an outstanding government debt. Claiming financial hardship, the taxpayer had asked the CRA to release his funds and to reduce the amount of his monthly payment on the debt. The CRA reviewed his situation, determined that no financial hardship existed, and denied his request. The taxpayer later realized that he had forgotten to provide the details of other debts that might have made a difference in

the CRA's original decision. The taxpayer claimed that the CRA could not provide him clear information on how to request a secondary review of his situation, so the Office of the Taxpayers' Ombudsman facilitated contact between the taxpayer and the CRA. This led to the CRA reviewing the new information provided by the taxpayer and determining that there was indeed financial hardship. As a result, the CRA agreed to release the taxpayer's funds, and negotiated a reduction in his monthly payment.

Tax refund not received

A single mother whose principal source of income was provincial disability benefits, was looking forward to the extra cash her income tax refund would provide. Instead of receiving a refund, she received a Notice of Reassessment from the CRA for her 2007 Income Tax Return advising that she owed an additional \$315 in tax. This was apparently due to a sizeable child support payment the CRA thought she had received during that tax year. The taxpayer also received a notice from the CRA that she had received an overpayment in Canada Child Tax Benefits (CCTB) due to the presumed increase in her income due to the support payment. As a result, the CRA was applying her anticipated refund against her outstanding 2007 debt. The taxpayer contacted the CRA to inform them that the support payment was actually a payment of arrears by her former spouse which had never been paid to her. Because the support payment went towards a reimbursement of the Ontario Disability Support Program, this taxpayer requested an adjustment to her return. The taxpayer claimed that the CRA directed her to obtain a letter from the Family Responsibility Office confirming her situation. The CRA then proceeded to disallow her adjustment



From left to right: Mr. Janic Godin, host of *Le Réveil* and Mr. J. Paul Dubé, Taxpayers' Ombudsman

request stating that support payments were not deductible. The taxpayer, however, was not trying to claim a deduction. She was trying to prove to the CRA that she had not received the payment at all. Claiming financial hardship and that she had received unclear information from the CRA, the taxpayer contacted the Office of the Taxpayers' Ombudsman for assistance. The Office facilitated a meaningful discussion between the taxpayer and the CRA. The CRA proceeded to explain to the taxpayer what documents would be required to allow her adjustment request. The taxpayer then expressed concern that she could not get the required documentation from the Family Responsibility Office. On the taxpayer's behalf, the CRA made contact with the Ministry of Community and Social Services for Ontario requesting a letter that would support the fact that the support payments were not received by the taxpayer. The CRA adjusted the taxpayer's tax return and reviewed the CCTB entitlement based on the change to her income. Additionally, the CRA took the initiative to correct the taxpayer's 2008 income tax return for the same error.

Language barrier results in loss of benefits

A woman, her husband, and their seven children moved from Quebec to Alberta. Her husband left her shortly after arriving in Alberta. The woman now had to rely on the Canada Child Tax Benefit (CCTB) to support and provide for her children. This CCTB recipient had her benefits suspended when she did not provide the CRA with documentation it was asking for to confirm her entitlement. She had difficulty communicating in English and she could not seem to get any help in French where she lived. Through the assistance of a community helper, this taxpayer turned to the Office of the Taxpayers' Ombudsman for help. The Office facilitated contact with the CRA in her language of choice to discuss the situation. As a result, the CRA reviewed the situation, confirmed the CCTB entitlement, and reinstated the payment of benefits as well as arrears.

Assisting Canadians in getting answers

We received a letter from a taxpayer claiming that he was unable to get an explanation from the CRA about where the payments on his tax debt were being applied. He advised the Office of the Taxpayers' Ombudsman that he had spent a considerable amount of time on the phone with the CRA, only to be redirected to other areas, where, he claimed, no one could answer his questions. The taxpayer acknowledged that he had been very upset with CRA personnel in the past and that he no longer trusted them to give him a proper response. The Office requested information from the CRA regarding the nature of the taxpayer's debt and the payments the taxpayer had made, as well as any recourse that may be available to him. The CRA contacted the taxpayer's representative and addressed all of the queries being made and also provided a detailed report to our Office that addressed all of the taxpayer's questions. In following up, our Office discussed CRA's findings directly with the taxpayer and reassured him that the CRA had confirmed all payments he had made had been duly applied to his account. The Office ensured that all of the taxpayer's concerns were addressed and clearly understood.

Helping Tax Professionals

A national accounting firm contacted our office requesting that we assist them in obtaining information from the CRA. The firm was in the midst of preparing T4 slips for several of their clients, and they needed to confirm the source deductions remitted to the CRA by their clients. The CRA requires that all taxpayer representatives have a signed consent form from the taxpayer before they are able to release information to the representative.

The firm had faxed the consent forms well in advance of the deadline date, on multiple occasions, and to various CRA agents across the country, and they were still not being processed by the CRA. The deadline for the submission of the completed T4s to the CRA was March 1. We were able to help facilitate communication with the CRA and the accounting firm thus allowing the firm to submit the completed T4s for the many clients involved.

Interest cancelled

A taxpayer filed her 2008 tax return which she believed accurately reported her income. When the CRA processed her return, it was discovered that her home buyers plan (HBP) was reported on the wrong line. When the income was corrected to the proper line by the CRA it caused a larger than expected refund to be issued to the taxpayer accidentally. The CRA later realized the error and issued a reassessment to reclaim the excess refund. The taxpayer was charged interest on the excess refund that was issued to her due to the CRA error. The taxpayer did not feel that she should be charged interest as the CRA changed amounts on her return incorrectly. She was having a difficult time explaining her position to the CRA and understanding what had occurred. The Office of the Taxpayers' Ombudsman facilitated communication between the taxpayer and the CRA. As a result, the CRA reviewed her file again to explain what had occurred. They corrected the error that occurred with the HBP and after applying taxpayer relief provisions, cancelled the interest she had been charged.

Systemic Examinations

A systemic issue is an issue that has the potential to recur and generate complaints. It could encompass the people, procedures, work processes, and computer systems that the CRA uses to conduct their business. Our reviews allow us to determine if a service or fairness issue has, or could have, a negative impact on taxpayers and should be treated as a systemic issue that needs to be addressed. We research such issues thoroughly with the goal of making feasible recommendations to correct the problem. The Ombudsman makes those recommendations directly to the Minister of National Revenue.

The Taxpayers' Ombudsman stated in his first Annual Report that this office would be investigating several systemic issues in the upcoming year. These included, but were not limited to, the Canada Child Tax Benefit, Allocation of Payments, and the CRA's policy on Access to Accountants' or Auditors' Working Papers. During this fiscal year, we investigated these and other systemic issues. We will begin issuing special reports detailing our findings and recommendations in late 2010. In some cases, the CRA has already responded to our enquiries and observations by making procedural changes.

Canada Child Tax Benefit (CCTB)

The Taxpayers' Ombudsman originally initiated a systemic review in response to the numerous difficulties encountered by taxpayers with the CCTB process. Our review centered around the problems taxpayers were having with CCTB payments being suspended, as well as problems taxpayers were having as a result of their documentary proof of family status being rejected. Since identifying this systemic issue, we have held discussions with our counterparts at the CRA as well as staff from the office of the former

Minister of National Revenue, the Honourable Jean-Pierre Blackburn. On May 12, 2009, Mr. Blackburn announced that the CRA had simplified the process for CCTB recipients to confirm their marital status. These changes, which address the concerns at the heart of our review, included reducing and clarifying the documentary requirements for applicants, simplifying and shortening their letters, and providing a CRA contact name on each letter.

We will continue to monitor the effect of the changes made by the CRA to ensure that they adequately address the issues and complaints raised to our office by taxpayers.

Allocation of Payments

We received complaints from taxpayers who had remitted payments to the CRA that their payment directions (either in the form of a remittance voucher or other written instruction) were not being followed, and the payments being made were being applied to the wrong accounts or payment periods. This was causing difficulties for the taxpayers, some of whom were being told their accounts were in arrears and subject to collection procedures.

Since the initiation of our systemic review, the CRA has also recognized this issue as one of concern and has been working to increase the accuracy of their payment allocations. At the beginning of the 2009-2010 fiscal period, 74% of all payments processed in the CRA were automated eliminating the need for manual keying and helping to reduce errors. In addition, **My Payment** was introduced in October 2009, which allows taxpayers to make their payment to the CRA online to accounts, and/or years they specify. This electronic service is also expected to increase the number of automated payments which will help to reduce errors as well.

In reviewing the issue of payment allocation, it became increasingly clear to the Taxpayers' Ombudsman that this problem was only the tip of the iceberg – especially for taxpayers forming part of the Small and Medium Enterprises (SME) segment of the population – corporations with income between \$1 million and \$25 million. The review of this issue now forms part of our larger systemic review of SME.

The Taxpayers' Ombudsman is encouraged that the CRA has taken the initiative on the issues surrounding the allocation of payments and will continue to review this issue as part of a larger systemic review encompassing other SME issues.

CRA Policy on Access to Accountants' or Auditors' Working Papers

The Taxpayers' Ombudsman has been looking into the timeliness and accuracy of CRA communications on their policy regarding access to accountants' or auditors' working papers. A consultative process to develop a clear policy statement had begun several years ago between the CRA and third party professionals.

The Ombudsman has received many complaints about the length of time it has taken the CRA to develop and communicate this policy to tax professionals.

In June 2009, the CRA announced that the policy would be released by the end of that month, and made publicly available within weeks on the CRA Web site pending final editing and translation. The CRA released its statement in June 2010 after addressing additional changes requested by third parties.

Communications

Ensuring that taxpayers understand the services offered by the Office of the Taxpayers' Ombudsman, as well as their redress options for complaints about professional service or fair treatment from the CRA, is an essential goal for the Communications team. Engaging and maintaining effective relationships with our stakeholders is always a top priority. Throughout the year, we strove to reach our goals through several different avenues including outreach initiatives, electronic communications, and a public opinion research survey. A strong focus on communications has enabled us to reach millions of people and interact directly with thousands.

Outreach

Outreach is defined as an organization's involvement with the community. During the year, the Office of the Taxpayers' Ombudsman organized many outreach activities including a national awareness campaign, presentations at tax professionals' conferences, information sessions for Members of Parliament, a community helper initiative, and media articles and interviews. These activities generated many opportunities for our stakeholders to share their own personal experiences as well as those of their clients, constituents, and/or members. The comments received from participants during the outreach activities are an invaluable resource to the Systemic Examination team helping them to identify trends and systemic issues of concern to the public.

National Awareness

During the year, the Taxpayers' Ombudsman visited Vancouver, Victoria, Jasper, Banff, Calgary, Windsor, Toronto, Montreal, Shawinigan, and Halifax. These trips gave the Ombudsman the opportunity to meet with many different stakeholders and discuss varying topics of interest with them, as well as to promote his role and his mandate. It was interesting to note the regional differences in topics and how some topics were considered problematic in one area and not at all in another.

Presentations at Tax Professionals' Conferences

The Ombudsman accepted 15 invitations to speak at tax professionals' conferences. As a result, over 900 tax professionals across Canada took part in gaining a better understanding of the role and mandate of the Taxpayers' Ombudsman, which will enable them to provide better service to their clients. As an added benefit, many of these groups promoted the Taxpayers' Ombudsman's services in their newsletters and on their Web sites.

Information Sessions

Canadians rely on their Member of Parliament (MP) for assistance in solving issues with federal government organizations, including the CRA. In an on-going effort to assist elected officials in helping their constituents who have service related issues with the CRA, the Ombudsman made presentations to MPs and/or members of their staff in each city visited on the outreach tours. These presentations explained the Ombudsman's mandate and demonstrated how our office can assist them in serving their constituents. We also hosted an information session for MPs on Parliament Hill. MPs were pleased that our office was accessible to all taxpayers and that there was a place

for them to turn to when they felt their service rights had not been upheld.

Community Helper Initiative

Community helper organizations focus on serving the evolving needs of Canadians. The success of the programs depends on individuals and representatives of organizations across Canada who help people in their communities.

We contacted several of these organizations to display our office publications in the hopes of reaching Canadians who may not otherwise have the opportunity to receive information about our office. We were able to reach approximately 275 organizations and distributed over 3,750 publications to them. It was encouraging to see the positive response to this initiative. We will continue this type of outreach in the upcoming year with the hope of including additional organizations.

Media

Media coverage (print articles, broadcast interviews, and blog posts) raises awareness of the role and mandate of the Taxpayers' Ombudsman. Media coverage of our outreach activities played an important role in the Office's efforts to reach taxpayers across the country. During the year, the Taxpayers' Ombudsman and the Office were mentioned approximately 90 times in the media.

Web site

The Communications Unit is responsible for ensuring our Web site is user-friendly and current. Our Web site provides all our stakeholders access to our services and information about our activities. In 2009-10, our Web site had 79,973 visits.

Public Opinion Research

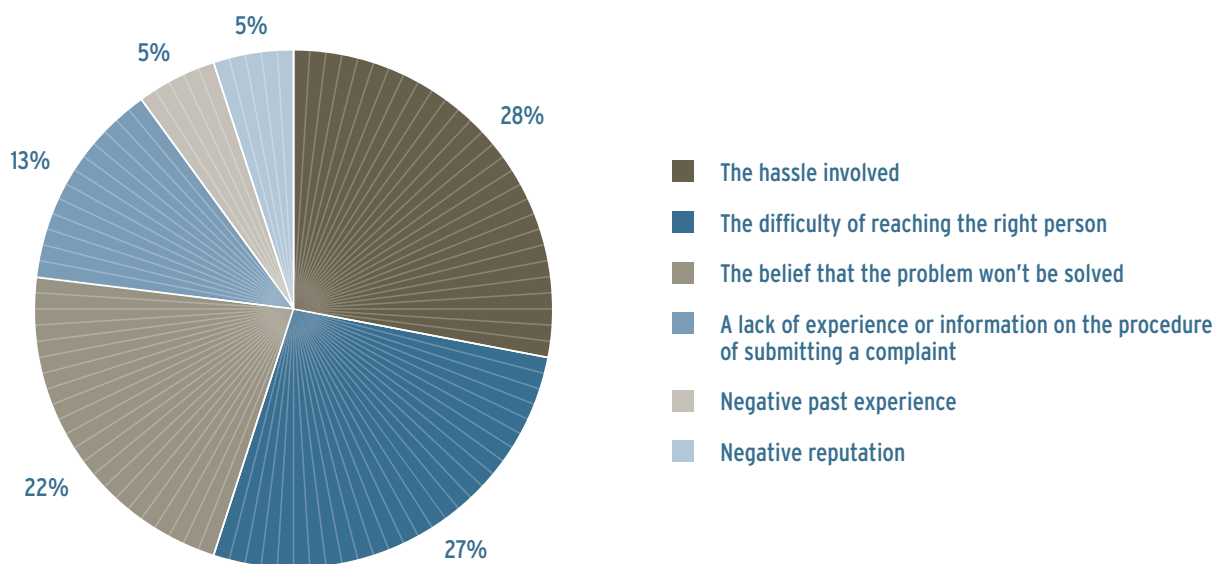
We communicate with Canadians to promote the service rights contained in the Taxpayer Bill of Rights and to raise awareness of the role and mandate of the Taxpayers' Ombudsman. We also consult with Canadians to gather as much information as possible about their perspective on the service the CRA provides.

The Office of the Taxpayers' Ombudsman commissioned survey research company Ipsos Reid to conduct a telephone survey to identify and evaluate any barriers faced by Canadians in making complaints. The survey also provided useful information to help fine tune our future communication initiatives. The findings of the full survey, entitled *Awareness and Views of Canadians towards Making Complaints about Service from the CRA*, are available at Library and Archives Canada (POR 013-09), as required by the *Federal Accountability Act*.

It was interesting to note that respondents who agreed that it is difficult to complain to the Government of Canada about a tax issue or problem cite as reasons: the hassle involved in complaining (28%); the difficulty of reaching the right person (27%); and the belief that the problem won't be solved (22%) (Fig. 1). There appears to be a further deterrent to Canadians complaining because over two in five Canadians (42%) believe that the Government of Canada pays closer attention to someone's tax return if they have complained in the past.

It was encouraging to see results from the survey indicating that most Canadians (87%) think that the Taxpayers' Ombudsman would treat them fairly if they were to make a complaint to the Taxpayers' Ombudsman about service provided by the CRA. As well as having a very high expectation of fairness from the Taxpayers' Ombudsman, a large majority of Canadians (83%) expect the Taxpayers' Ombudsman to be helpful in helping to resolve service issues or problems related to the CRA.

Figure 1: Reasons Canadians do not complain about tax issues



Corporate

Financial Resources

In 2009-2010, the Minister of National Revenue approved a budget of \$2.774 million for the Office of the Taxpayers' Ombudsman. Actual expenditures totalled \$2.396 million, of which \$1.919 million was related to salaries.

Summary of Expenditures

April 1, 2009 - March 31, 2010	(\$000)
Salaries	1,919
Training and Education	53
Professional Services	119
Information Technology Services	68
Travel	52
Office Equipment	94
Printing and Publishing	6
Telecommunications	31
Office Expenses	54
Annual Operating Expenses	\$2,396

Human Resources

One of the key priorities in creating an effective and independent office has been to ensure that the Office is staffed with skilled and motivated personnel. In keeping with the Government of Canada's priorities, we focused on integrated business and human resources planning and employee development.

The Office uses a competency-based human resources management system. This system provides the means for integrating human resources programs so that employees are selected, evaluated, developed, and promoted based on competencies that support organizational success. It also allows the organization to plan proactively for its human resources needs in both the immediate and long-term and to establish programs that support employees in improving or acquiring the competencies needed for organizational success. Having the right people in the right jobs at the right time enhances organizational performance and employee satisfaction.

The principle of using competencies allows for the same definition and description of a competency throughout the organization, leading to consistency in describing what it's like to be successful in a given job or role and in implementing human resources programs.

Employee Development

The Office has invested significant time and resources to recruit the best possible staff. It is essential that employees have the tools necessary to perform their roles. The Office ensured that employees received appropriate and timely training to enhance their knowledge and skills. Intake staff attended a one-day "Dealing with Difficult Complainant Behaviour" course to learn general strategies and some particular techniques they can use to prevent and manage unreasonable conduct. Ombudsman 101 is a course that was provided to all staff. This 2 ½ day course focused on dealing with complainants and organizations by emphasizing the principles of confidentiality, neutrality, independence, and informality.



From left to right: Mr. J. Paul Dubé, Taxpayers' Ombudsman, Ms. Karen Keilty, FCA, President of the Institute of Chartered Accountants of British Columbia and Mr. Richard Rees, FCA, Chief Executive Officer of the Institute of Chartered Accountants of British Columbia.

Quality Assurance

Quality Assurance (QA) is defined as “the ongoing review of the quality of products and services delivered against set quality standards”. Recognizing the need for a QA program, the Office created a program that responds to appropriate quality criteria that have been established and communicated to staff. The results of our quality assurance will allow us to evaluate consistency in our service to Canadians, analyze trends, and identify any deficiencies in quality.

Information Management System

The Case Tracker System (CTS) is an essential tool for the Office to manage its caseload from initial intake to closing of individual cases. The system also provides management with a comprehensive information base that will assist in identifying emerging trends, statistics and possible systemic issues. The system is only accessible to Ombudsman staff and provides the Office with a secure method of ensuring confidentiality for taxpayers who turn to our office for assistance.

Ombudsman's Consultative Committee

Ombudsman's Consultative Committee

One of the most effective ways to learn about trends in the relationship between taxpayers and the CRA is to consult people who have first-hand knowledge of that relationship. To that end, the Taxpayers' Ombudsman's Consultative Committee has been established. This committee provides ongoing and timely advice to the Ombudsman by helping to identify potential stakeholders or segments of the population that may benefit from a more tailored outreach approach.

The consultative committee consists of volunteers selected by the Ombudsman for a two-year term. The members were selected from various professional backgrounds and stakeholder groups for their ability to help identify and provide strategic advice on potential systemic issues as well as for their ability to provide feedback on operational and communication strategies.

The first meeting of the Consultative Committee was in March 2010. The intention is to conduct regular quarterly meetings.

Committee Membership

Paul Bertrand

*National Team Leader – Eastern Canada
Ernst & Young*

Mr. Bertrand leads the eastern Canadian Scientific Research and Experimental Development (SR&ED) practice in planning, compliance, and defence assistance for federal and provincial tax and non-tax incentives programs for a variety of emerging and established businesses. Mr. Bertrand has 34 years of experience in a variety of financial and tax roles, including 10 years in the aerospace and defence industry. Mr. Bertrand's first involvement with SR&ED tax credits was in 1985 as CFO at Prior Data Sciences. Mr. Bertrand operated a Chartered Accountancy practice in Ottawa from 1988 to 1998 where he assisted companies in a variety of industries on financial and tax matters. Mr. Bertrand joined Ernst & Young in 1998 and has been fully dedicated to the SR&ED practice since then.

Peter Bruno

*Vice-President Retail Operations
H&R Block Canada, Inc.*

Mr. Bruno is the Vice President of Field Operations for H&R Block Canada, Inc. and is responsible for all company owned retail tax offices across Canada.

Mr. Bruno began his career with H&R Block in 1985. He has held a variety of positions including Tax Associate, Franchise Director, District Manager, Regional Director/Assistant Vice President, before assuming his current responsibilities. Mr. Bruno earned a diploma in Business Administration, with a major in accounting from the Northern Alberta Institute of Technology in Edmonton, Alberta. He has also completed management courses with the Institute of Management Studies, as well as a certificate in Situational Leadership training.

Paul Harquail

Barrister and Solicitor

Partner

Stewart McKelvey Stirling Scales

Mr. Harquail is a partner and civil litigator with a diverse practice including tax, insurance defence and environmental litigation, and general marine law. Mr. Harquail has appeared at all levels of court in New Brunswick and at trial and appellate levels before the Tax Court of Canada. Mr. Harquail has acted as counsel on several precedent setting cases in the Tax Court of Canada, and represents clients in matters arising from environmental, transportation, and tax legislation. In 2008, Mr. Harquail was accepted as an Associate with the Chartered Institute of Arbitrators (CI Arb) based in London, England, having obtained formal training as an arbitrator. Since 2009, Mr. Harquail has been recognized by *Best Lawyers* in Canada (Maritime Law) in New Brunswick.

Paul Osborne

Sole Proprietor

Shadowridge Consulting

Mr. Osborne is an independent provider of tax and management consulting services. Mr. Osborne is also Vice President, Board of Directors, Quinte United Immigrant Service, a not-for-profit agency assisting newcomers in East Central Ontario and providing translation and interpretation services to communities at large. He is active in its daily operations.

Mr. Osborne obtained his bachelor's degree in Political Science from McMaster University in 1973 and subsequently received his federal Auditing classification (AU) in 1977. Mr. Osborne retired from the executive ranks of the CRA as the Assistant Director, Audit, East Central Ontario Tax Services Offices, in early 2008. In that position, he was responsible for all Audit staff

and operations in the Belleville, Kingston, and Peterborough, Ontario, CRA offices. Mr. Osborne's 34-year career saw him in a variety of positions and functions within the CRA, including Native Issues Advisor and Compliance Programs Advisor to the Assistant Commissioner, Northern Ontario Region.

Corinne Pohlmann

Vice-President National Affairs

Canadian Federation of Independent Business

Ms. Pohlmann is Vice President, National Affairs for the Canadian Federation of Independent Business (CFIB), a not-for-profit organization representing more than 107,000 small and medium-sized business members across Canada. Ms. Pohlmann is based in Ottawa and is responsible for managing CFIB's strategic direction on national affairs and sensitizing governments to the needs of Canada's independent businesses.

Since joining the Federation in 1998, Ms. Pohlmann first worked in research, where she authored several research reports on a variety of public policy and economic issues, and then worked as the Manager of Member Services. In 2000, Ms. Pohlmann became CFIB's Director of Provincial Affairs for Alberta/NWT based in Edmonton and spent six years representing the interests of Alberta and NWT members to all levels of government before moving to her current position in Ottawa in 2006.

How to Contact Us

There are several ways to reach the Office of the Taxpayers' Ombudsman:

- Call us toll-free at **1-866-586-3839** within Canada and the United States. If you are outside of Canada and the United States, please call us collect at 613-946-2310. Our office hours are 8:15 a.m. to 4:30 p.m. EST, Monday to Friday (except holidays).
- Complete our complaint form describing your situation and mail or fax it with any supporting documents to:

Office of the Taxpayers' Ombudsman
50 O'Connor Street, Suite 724
Ottawa ON K1P 6L2
Canada

or

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

- Visit our office for a private consultation. Appointments are recommended.

