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“THE ROLE OF TAX ADMINISTRATIONS IN THE GLOBAL CRISIS”

Topic 1

**TRANSPARENCY AND ETHICS AS A CONDITION TO STRENGTHEN AND
IMPROVE INSTITUTIONAL EFFECTIVENESS**

**Canada Revenue Agency
Canada**

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Executive Summary

One of the primary things that governments need tax administrations to be accountable for is a continuing and predictable flow of revenue. This is more important than ever in an era of economic volatility that strains economies and creates incentives for non-compliance among taxpayers. In order for tax administrations to effectively discharge their mandate, they need most taxpayers to be compliant—willingly compliant—because forced compliance is too costly to be effective. This paper explores transparency and ethics as a condition to strengthen and improve the institutional effectiveness of tax administrations.

A tax administration's ability to fulfill its role—that is, its institutional effectiveness—remains in part dependent on the basic inclination of citizens to comply with the rules of the tax system. Tax administrations foster taxpayers' willingness to comply by operating in accordance with the principles of ethics, which orientate staff behaviours and organizational activities toward the public good, by being accountable for performance and means used, and by being transparent, making the activities of the tax administration visible. These attributes have universal appeal, and are recognized as fundamental to sound tax administration by a number of organizations, the Inter-American Center of Tax Administrations (CIAT) included. One effect of the global economic crisis has been a renewed public and political focus on these principles as critical elements of sound governance in any domain.

This paper describes a number of ways in which a tax administration can strengthen ethics in its organizational culture, and demonstrate accountability and transparency in both operations and the exercise of its mandate. The discussion begins by examining mechanisms and conditions that promote the proper conduct of tax administration staff, such as the presences of a robust framework of rules and accepted standards of behaviour, and sufficient human resources support to sustain a professional workforce.

At an organizational level, ethics manifests as fairness, and is demonstrated in the tax administration's application of tax laws and its treatment of taxpayers. With public expectations for accountability and transparency more relevant now than ever before, tax administrations can make use of proven techniques, perhaps most important among which is the periodic reporting to legislators and the public on actions, initiatives, performance and expenditures. This forthright disclosure of operations, coupled with external oversight, serves not only to ensure public accountability, but also to build public confidence. A number of examples from the Canada Revenue Agency (CRA) illustrate the application of these techniques.

As with tax administrations, the principles of ethics, accountability and transparency apply equally to taxpayers. The proper functioning of a self-assessment system, which by its nature leaves some opportunities for non-compliance open, requires that taxpayers put these principles into practice in the management of their tax affairs. True self-assessment assumes full disclosure of tax activities and practices, and is premised on taxpayers behaving ethically by paying their fair share of taxes as required under law. In this context, compliance is the ultimate taxpayer accountability.

As pressure mounts on tax administrations to more effectively combat harmful international tax planning and the abusive use of tax havens, some tax administrations, including the CRA, are beginning to explore new and innovative ways to dampen the appetite of those that engage in such practices. Ethical appeals offer one such avenue. For example, shouldering a fair tax burden as set out in law is now being discussed in the context of good corporate governance.

Finally, this paper highlights the element of reciprocity in how tax administrations and taxpayers engage with each other, where tax administrations offer ethics and transparency in return for willing compliance and transparency on behalf of the public as taxpayers, with the two halves tied together by mutual accountability. Ultimately though, it is incumbent on the tax administration, with the balance of power at the centre of the tax system, to take the lead in setting and sustaining the right context for a mutually acceptable relationship by demonstrating ethics, accountability and transparency. In turn, taxpayers can rightfully be expected to reciprocate.

1.0 Introduction

1.1 Purpose of Paper and Scope

Recent world events have focused much political and public attention on the principles of ethics, accountability and transparency and their function in good governance and institutional effectiveness. This paper briefly explores the purpose and role of these principles, and their relevance within the specific context of tax administration. This paper is written largely from a Canadian tax perspective and primarily uses examples from the CRA to illustrate concepts and ideas. To assist readers in understanding this context, an overview of the Canadian tax system is provided in Appendix A.

1.2 Ethics, Accountability and Transparency in Tax Administration

1.2.1 Tax Administrations

The effectiveness of a tax administration in fulfilling its primary role to secure government revenues and protect the tax base is of utmost importance. A country's tax system plays a key role in supporting its citizens' quality of life, and tax administrations bear an enormous responsibility to ensure that tax is collected in order to finance public programs and services, and redistribute income. This is particularly true in the current era, where recent economic volatility has dampened government revenues and is expected to result in declining taxpayer compliance. As the economy slowly recovers, tax revenues in many countries are expected to remain difficult to collect as economic pressures continue to make it difficult for individuals and businesses to meet their obligations. Tax administrations worldwide now recognize the need to focus on maximizing compliance in a difficult environment.

Tax administrations are not without the tools necessary to face this, or any other set of circumstances. Governments and tax administrations have evolved a number of methods to obtain compliance from the taxpaying population. Notwithstanding these methods, a tax administration's ability to fulfill its role—that is, its institutional effectiveness—remains in part dependent on the basic inclination of citizens to comply with the rules of the tax system. That taxpayers consent to transfer their resources to the state through taxation is not fully borne out of their legal obligation to support the tax system. Rather, it is widely thought that the intrinsic willingness of taxpayers to pay taxes¹ is a public expression of trust and confidence in the tax administration to be fair and diligent in the exercise of its mandate, and in the government as a whole to meet the needs of the citizens that it serves. In other words, citizens are more likely to consider tax compliance as reasonable and appropriate when institutions are seen as legitimate. Put conversely, Braithwaite argues that:

¹ The literature refers to this willingness as tax morale. See for example: Feld, Lars P. and Frey, Bruno 2. *Deterrence and Tax Morale: How Tax Administrations and Taxpayers Interact* (2002)

“In return for taxes, taxpayers should not only receive goods and services, but also sound governance that is respectful and protective of democratic principles and processes...If taxpayers offer compliance, the tax office, as part of government, should reciprocate with integrity.”²

While tax administrations, even governments, may aim to demonstrate integrity in the discharge of their duties, integrity is difficult to quantify without looking at the more tangible elements of integrity: ethics, accountability and transparency. Although much attention is now focused on these principles—or lack thereof—in the context of corporate conduct in the lead up to the global economic crisis, they are no less important for the public sector. In fact, all three have been identified as part of the founding principles of public administration.³

Perhaps nowhere are these fundamental principles more important than for a tax administration. Sound administration, administrative oversight and the tangible elements of public sector integrity are key to effective tax administration.

Any meaningful discussion on the role of ethics, accountability and transparency in tax administration must first start with the obvious: what these terms mean in this context.

Ethics describe one’s orientation relative to good or bad behaviours, where what is ethical aligns with the former and what is not, the latter. In the public domain, it is the public interest that defines what is good. For public servants, being ethical in one’s professional capacity requires one’s personal purpose to align with public service values. In practice, behaviour in the public domain must be governed by rules of conduct and sustained by organizational culture to ensure that as agents of government, public servants do not sacrifice the public good for private gain. Ethics can also be observed at the level of the collective. An ethical tax administration has an organizational character sufficiently orientated on the public interest, which endures despite leadership transitions and staff turnover. A tax administration’s ethical stance is reflected in its policies, programs and relationships with citizen-taxpayers and other branches of government.

Accountability presumes a type of moral contract between the tax administration and the public. It describes a relationship based on the tax administration’s obligation to demonstrate and take responsibility for performance—both the results achieved in light of citizen and stakeholder expectations, and the means used. In being accountable, public officials must subject themselves to whatever scrutiny is appropriate to their offices. For their part, citizens reciprocate by fulfilling their civic duties, of which tax compliance is fundamental.

Transparency makes the activities of the tax administration visible and is often considered the sustaining element of accountability. It implies disclosure of the full information required for collaboration, cooperation, collective decision making and verification.

² Braithwaite, Valerie. *Tax System Integrity and Compliance: The Democratic Management of the Tax System* (2003)

³ Armstrong, Ella. “Integrity, Transparency and Accountability in Public Administration: Recent Trends, Regional and International Developments and Emerging Issues.” *UN Public Administration Programme* (2005): 1-10

These principles have universal appeal.⁴ Tax systems benefit from demonstrations of these principles but suffer in their absence. Research shows that the way tax administrations interact with taxpayers impacts taxpayer behaviour.⁵ Taxpayers who believe that tax laws are created and administered arbitrarily and unfairly may compensate by decreasing their tax liability through illegitimate means.⁶ Further, taxpayers remit their taxes with the expectation of real civic benefits, however perceptions that ‘their’ money is being used in a wasteful or inappropriate manner may provide the moral justification to opt out of the system. Such actions are unlikely to be constrained by social norms if many taxpayers share similar views. Some even suggest that technical reforms can offer little to offset the impacts of a significant erosion of public confidence in a tax administration.⁷ It is of little surprise then that many tax administrations view maintaining the public’s trust and confidence as fundamental to a self-assessment tax system, where high levels of participation with consent provides not only the basis for positive compliance outcomes, but also reduces the costs of administration and allows resources to be directed towards high-risk areas.

1.2.2 Taxpayers

Even though tax administrations play a central role in ensuring compliance with the legislation they administer, they are but one component of the tax system. It is the CRA’s view, for example, that the tax system comprises the tax administration, taxpayers (businesses and individuals) who have obligations under the tax laws of the state, and the intermediaries who provide advice and assistance to taxpayers.⁸ While the integrity of public servants and tax administrations is one half of the discussion around transparency and ethics, the integrity of taxpayers (and the tax intermediaries who facilitate the arrangement of one’s tax affairs) is the other half. Compliance is, of course, mandated by law. However taxpayer integrity is not particularly about the end result, but rather implies an acceptance of the correctness of being in compliance, with actions subsequently carried out as a result of that value decision, not because of the coercive power of rules.

As with tax administrations, the principles of ethics, accountability and transparency apply equally to taxpayers. Taxpayers’ conceptions of what is right or wrong as manifested in their compliance decisions constitute their *tax ethics*. These influence the extent to which taxpayers willingly fulfil their tax obligations. In a self-assessment system that by its nature leaves some opportunities for non-compliance open, the tax ethics of individual taxpayers need to conform to broader responsibilities beyond one’s pure self-interest. Because tax

⁴ There is international acceptance of the positive nature of these principles. For instance, these principles are reflected in the CIAT Declaration on the Promotion of Ethics in Tax Administrations. Academically, recent research has studied why morality varies so much across cultures yet still shows so many similarities and recurrent themes. The University of Virginia’s Moral Foundations theory proposed innate and universally available psychological systems as the foundation of “intuitive ethics”, which in turn gives rise to the unique moralities we see around the world: University of Virginia Moral Foundation website. <http://faculty.virginia.edu/haidtlab/mft/index.php>

⁵ Feld and Frey (2002)

⁶ Michael Wenzel has classified the concept of fairness in taxation as 1) the perceived fairness of outcomes (for example, tax burdens and tax-funded benefits), 2) fairness of procedures and treatment (for example, rights and respectful treatment), and 3) fairness of sanctions (for example, punishment and amnesties). Wenzel, Michael. Tax Compliance and the Psychology of Justice: Mapping the Field. Chapter 3, Taxing Democracy, Braithwaite, Valerie (Ed.) 2003.

⁷ Everest-Phillips, Max. Business Tax as State-building in Developing Countries: Applying Governance Principles in Private Sector Development. International Journal of Regulation and Governance, 8(2): 123-154

⁸ The CRA also sees a fourth element: the federal, provincial and territorial laws and regulations it administers.

law locates the responsibility for determining one's tax liability with the taxpayer, compliance is the ultimate taxpayer *accountability*, reciprocating the obligation of tax administrations to account for performance. In the act of self-assessment, taxpayers demonstrate *transparency* in the disclosure of their activities and tax practices to the tax administration. At its simplest, transparency in managing one's tax affairs means the proper declaration of income and deductions in arriving at one's liability. At its highest level, it is an active interest by taxpayers in developing a relationship with the tax administration to ensure that the tax administration is aware of their current activities and tax practices.

Taxpayer behaviour is complex, however, and compliance postures can be influenced by a number of factors.⁹ Socio-psychological theories of compliance assume that factors such as moral and ethical preferences can lead taxpayers to follow through on their tax obligations, and more specifically, that certain ethical motivations set natural limits to the range of behaviours that some taxpayers will consider in managing their tax affairs.¹⁰

In other words, if taxpayers see compliance as an ethical issue with implications for self-image and reputation in light of values around honesty and social cohesion, for example, they will strive to meet their obligations regardless of the economic utility of non-compliance. Even from an economic analysis point of view, the desirability or demand for any outcome is based on underlying factors such as wants, needs, and values.

Therefore it is not surprising that studies have shown that the rate of compliance is higher when taxpayers have a strong belief that tax evasion is not ethical.¹¹ Certainly ethical considerations offer a possible explanation for some individual taxpayer behaviour; however discussions around organizational character suggest that similar considerations could also inform corporate decision-making. To improve compliance outcomes, it may be that tax administrations can complement efforts to foster trust and confidence by appealing to taxpayers' ethical values and promoting the concept of social duty.

2.0 Promoting Ethics within Tax Administrations

2.1 Ethics as the Foundation of Effective Organizations

The view that a revenue organization's obligation to protect the integrity of a tax system demands that employees be held to the highest standards of professional behaviour is one that is shared by many tax administrations and is enshrined in the CIAT Declaration on the Promotion of Ethics in Tax Administrations.¹² The decisions and conduct of revenue employees do affect people's lives and can—cumulatively over time—influence taxpayer behaviour. That employees be objective and

“Our success rests in large part on our professionalism and our integrity. Annually, we handle millions of transactions that have an impact on people and their opinions concerning us.”

*Canada Revenue Agency
Annual Report to Parliament 2008-2009*

⁹ Considerable research has been done on factors influencing taxpayer compliance. This paper offers only a limited perspective.

¹⁰ Roark, Stephen J. *The Influence of Ethical Attitudes on Taxpayer Compliance*. National Tax Journal (1994)

¹¹ Ho, Daniel and Wong, Brossa. *Issues on compliance and ethics in taxation: what do we know?* Journal of Financial Crime (2008)

¹² The *Declaration on the Promotion of Ethics in Tax Administrations* recognizes that the promotion of ethics must be at the heart of all policies of a tax administration.

impartial in carrying out their duties, seeing themselves and being seen by others as professionals, is essential. In this light, ethics in a tax administration is as much about transparency as professional values.

Because public trust and confidence is more easily eroded than built, sustaining a culture of ethics in the workplace is important for all tax administrations. The management of risks then must reflect a tax administration's unique context, suggesting a continuum of management models that likely begins with behavioural controls set out in strict rules and enforced with meaningful sanctions, and evolves towards a model where ethical behaviour is widely accepted and commanded at least as much by internal social norms as rules.

The practical benefits of proper conduct by taxation officials are well documented. New Zealand's Inland Revenue Department notes that its mature ethical culture allows 'previously constrained and tightly controlled services and products to become more streamlined, and more accessible and efficient for our [taxpayers].'¹³ In other words, a strong ethical culture in tax administrations creates opportunities for business improvement initiatives that otherwise would be ill-advised if not impossible. Moreover, if corruption thwarts the very purpose of taxation, by diverting payments made by taxpayers away from public accounts, then it's opposite—integrity—upholds it.

2.2 Human Resources, Training and Other Measures to Promote Ethics in Tax Administrations

Although administrative traditions vary according to historic and cultural context, there are universal expectations as to the way civil servants should fulfil their duties, namely with equity, probity and efficiency. Articulating standards of behaviour is fundamental for tax administrations. An ethical workforce has its foundation in a common understanding of the organizational values that are to guide the actions and decision-making of revenue staff of all levels, on a daily basis. Safeguarding the integrity of a tax administration requires a clear, consistent framework of rules and standards of behaviour that employees must adhere to or face meaningful sanctions. Conflict of interest regarding external business activities or investments, or the receipt of gifts and hospitality by public servants, are areas that require definition of what is permitted and what is not.

¹³ New Zealand Internal Revenue Department. *Internal Factors Influencing Inland Revenue's Integrity Framework*. Twenty Seventh Annual Technical Conference of the Commonwealth Association of Tax Administrators (2006)

CRA Tools to Foster Ethical Conduct

The CRA has four enduring values that guide employee conduct:

- **Integrity** is the foundation of our administration. It means treating people fairly and applying the law fairly.
- **Professionalism** is the key to success in achieving our mission. It means being committed to the highest standards of achievement.
- **Respect** is the basis for our dealings with employees, colleagues, and clients. It means being sensitive and responsive to the rights of individuals.
- **Co-operation** is the foundation for meeting the challenges of the future. It means building partnerships and working together toward common goals.

The CRA has also consolidated all policies dealing with ethical issues into a single Code of Ethics and Conduct. The Code describes the expected standard of behaviour in areas such as conflict of interest, confidentiality and disclosure of information, contact with the public, safety and health, financial matters, harassment and discrimination, off-duty conduct and political activity. It spells out the possible disciplinary action if there is misconduct. New employees must consent to abide by the condition of the Code.

The Conflict of Interest Policy directs employees to act in a way that is neither damaging nor potentially damaging to the organization. The Policy asks employees to avoid situations that may lead to real or perceived conflicts of interest, or that a third party would perceive to be a conflict of interest.

The Gifts, Hospitality and Other Benefits Policy makes clear that an employee must decline any gifts, hospitality or other benefits that could influence his or her judgement or call into question the employees' integrity, or that of the CRA.

The Electronic Networks Policy emphasizes that computer systems, software, equipment, networks, Internet, Intranet and e-mail are intended for authorized business purposes. Personal use of these facilities is allowed only to the extent that it does not affect productivity, infringe CRA policies and/or impose a storage burden on CRA systems.

Orientation programs for new employees integrate discussions on values and ethics. The CRA Award of Excellence recognizes individuals or teams whose work and behaviour best reflect the CRA's mission, vision, and values.

Supporting a professional workforce is equally important. A tax administration can use a variety of techniques to limit opportunities for misconduct in the workplace, including rotating staff through different functions, controlling or restricting staff access to files or areas of work and segregating responsibilities among staff. However, moving towards a workforce where staffs self-regulate requires that employees be adequately compensated

for their duties. Where remuneration is insufficient, employees may be tempted to engage in corrupt behaviour simply to 'make ends meet.'

The ability to engage highly skilled, professional staff is recognized by many governments around the world as an important shield against corruption and a cornerstone of a well-functioning, effective tax administration.

CRA Separate Employer Status and Human Resources Management

The CRA is a separate employer under Schedule I, Part II of the Public Service Staff Relations Act. The CRA is not subject to the appointment provisions of the *Public Service Employment Act* (PSEA) which governs the majority of the Canadian public service, but has its own appointment authority under the *Canada Revenue Agency Act*. Staffing in the CRA is conducted based on eight staffing principles: non-partisanship; representativeness, competency, fairness, transparency, efficiency, adaptability, and productiveness.

As a separate employer, CRA is responsible for its own labour relations, including collective bargaining. The CRA has also adopted a competency-based approach to human resources management. This approach was developed to address business needs by allowing the Agency to put the right people in the right jobs at the right time and according to their skills and abilities, as defined through competencies. Oversight of human resources rests with the Board of Management, which is accountable to Parliament through the Minister of National Revenue.

Strong ethical leadership sets the tone in any organization and inspires staff to follow suit. It is accepted as necessary for, and fundamental to, building and sustaining a culture of ethics in any organization. But ethical leadership is not only the responsibility of senior management. Rather, employees often relate most to their immediate supervisors, so ethical leadership must be present at all levels. Managers are at the forefront of effective staff management, with responsibility for employee performance, development and discipline, and therefore are critical in the pursuit of organizational objectives involving ethics. Having in place a well-trained middle management cadre recognizes the importance of a manager's role in supporting employees and fostering the desired behaviour.

CRA Management / Gestion Group

In 2002, the CRA implemented the Management/Gestion (MG) group for managerial jobs. This new classification group supports the Agency's goal of creating a management community that recognizes the importance of the manager's role as a focal point for employees. All new managers participate in the MG Learning Program, a three-week introductory management course that introduces participants to key concepts in leadership, financial management, and human resources. Values and ethics are common themes woven throughout the curriculum.

Additionally, performance agreements for both management and senior executives include a core commitment to demonstrate ethical values-based behaviour. Performance pay and movement through the salary range are impacted by the extent to which these commitments are met

Simple, transparent and efficient processes and operational procedures complement rules- or motivation-based approaches to ethics. Traditional procedures require personal accountability and hand-over mechanisms at all stages to clearly document an audit trail.

Automated transaction processing and electronic self-service options offer a partial solution, removing the need for revenue employees to interact directly with taxpayers. Of course, even with automation there will always be a need for audit trails and personal accountability.

Any framework for public service ethics is incomplete without a system of internal monitoring. Internal oversight mechanisms are crucial to ensure that operational policies are being followed and that performance standards are being met. An internal affairs division is an important body within any effective tax administration, with duties to conduct investigations into suspected fraudulent employee activity like theft of assets or revenues, conflict of interest, unauthorized access and disclosure of information, misuse of information technology systems, and improper handling of public complaints. To be effective, an internal affairs division must be regarded as complementing and supporting management.

It is equally important that staff can come forward and disclose serious wrongdoing with sufficient protection from reprisals, and that allegations will be handled objectively. Making a disclosure in good faith is in itself an ethical act and complements 'top-down' approaches to fostering ethical behaviour. More broadly, internal disclosure provisions enhance organizations' capacity to address these issues and provide concrete support for grounding organizational culture firmly in values and ethics.

Internal Disclosure at the CRA

The CRA is subject to the *Public Servants Disclosure Protection Act* (PSDPA). The Agency's Internal Disclosures Office is responsible for coordinating the investigation of internal disclosures that fall within the definition of wrongdoing as described in the PSDPA. Employees have the choice to make a disclosure to their supervisor, to the Agency's designated Senior Officer for Internal Disclosure (who is also the head of the internal affairs unit), or directly to the federal Public Sector Integrity Commissioner.

The CRA encourages employees that feel that a serious wrongdoing could be taking place to come forward using the provisions in the Act and to feel protected in doing so. Supervisors that have received a report of wrongdoing from an employee must treat it as a protected disclosure and contact the Internal Disclosures Office for assistance as soon as possible. Aggregate details of internal disclosure activity are publically reported by Canada's Treasury Board Secretariat.

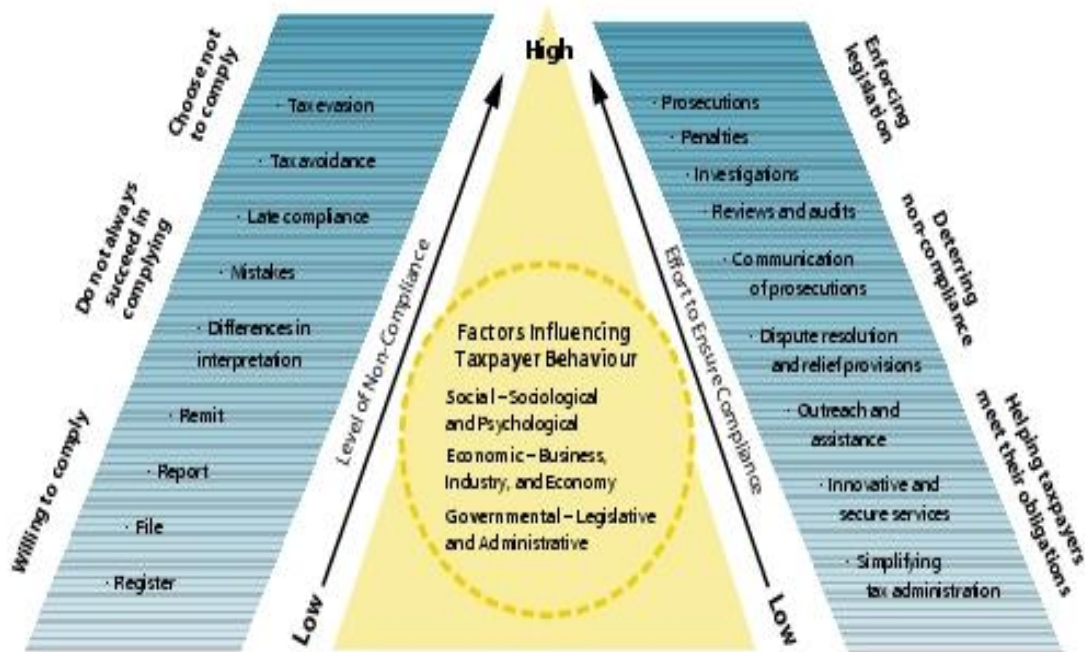
2.3 Public Service Ethics as an Institutional Attribute in Tax Administrations

If a tax administration as *an entity* can be said to have an ethical orientation, then fairness is at its heart. Intuitions about fairness are some of the most basic moral sentiments people have, and cannot be ignored in the realm of public administration. For tax administrations, fairness amounts to a delicate balance between upholding taxpayers' rights, both codified and intrinsic, and exercising its authority when warranted. The complexity of tax administration in the modern era requires that fairness be exercised in many domains.

Not only must the laws be fair, but so too must be the way in which they are enforced. In an ethical framework, the tax administration's powers of enforcement are balanced by a corresponding obligation for consistency in its application. A reasonable equilibrium can be achieved through a strategy of responsible enforcement, where enforcement responses are graduated based on the degree of non-compliance. Certainly, fairness in the enforcement of tax laws implies that tax administrations deal firmly with non-compliant taxpayers. However, fairness must also be evident to those taxpayers who are generally compliant. Excessively harsh treatment that is disproportionate to the seriousness of a contravention undermines perceptions of fairness and can turn the compliant into the non-compliant.

The CRA Compliance Model

The CRA uses a mix of service and enforcement activities to obtain compliance with Canada's tax laws. CRA programs follow an escalated approach that includes facilitation for those who willingly comply, assistance for those who need support to comply, deterrence measures for taxpayers who are considering non-compliance, and prevention and enforcement-based activities for those who choose not to comply.



An impartial, transparent and accessible redress process that is open to all taxpayers provides an important check that tax laws are applied as intended. Avenues for formal and objective recourse in the event of a dispute over tax liability demonstrate a tax administration's commitment to fairness.

The CRA's Approach to Redress

The CRA provides an impartial and timely dispute resolution process that respects taxpayers' fundamental right to redress in their dealings with the CRA.

The taxpayer can file an objection with the CRA for an independent review of the facts and or interpretation of the law. Appeals officers who were not involved in the original decision will conduct a formal and impartial review. If the dispute is not resolved at this level, the taxpayer may take his or her case to the Tax Court of Canada, then to the Federal Court of Appeal, and in the final instance, to the Supreme Court of Canada.

The CRA's Approach to Redress cont...

In addition, taxpayer relief provisions give the CRA common-sense ways to help taxpayers that are unable to meet their tax obligations because of extraordinary circumstances beyond their control, including natural or human-made disasters, civil disturbances or disruptions in services, serious illness or accident, or serious emotional or mental distress due to circumstances such as a death in the immediate family. These provisions allow the CRA to be more flexible and responsive to taxpayers' circumstances when it is unreasonable or unfair to penalize them.

In a well-functioning tax system, taxpayers' obligations are reciprocated with recognized rights. Beyond the most basic right to pay no more or less in taxes than what is required by law, many jurisdictions currently consider the right to the protection and confidential treatment of taxpayer information as fundamental to self-assessment tax systems.

Privacy and confidentiality provisions in the administration of tax tend to be consistent with broadly held social values of the same nature, so at least in principle, they are a natural extension of citizens' broader rights. Notwithstanding these broader democratic rights, tax administrations have considerable power to intrude on taxpayer privacy, for example, in conducting audits and investigations. Taxpayer rights around privacy and confidentiality are a balance against this power, and are intended to safeguard against unnecessary intrusions and use of information for purposes other than those allowed by law.

As with any abuse of power, breaches of this nature can affect the legitimacy of the tax administration in the eyes of the public and thus undermine the tax system.

The CRA Taxpayer Bill of Rights

The Taxpayer Bill of Rights is a set of fifteen rights confirming that the CRA will serve taxpayers with a high degree of accuracy, professionalism, courteousness and fairness under clear and established rules. The Taxpayer Bill of Rights is intended to make it easier for taxpayers to understand what can be expected in their dealings with the CRA. The Bill of Rights also outlines five service commitments to small businesses.

The CRA has implemented a complaint resolution process to strengthen the Agency's ability to respond to service-related problems across all programs. Founded on the Taxpayer Bill of Rights, the CRA Service Complaints Program provides taxpayers with a formal resolution process for complaints about mistakes, undue delays, and other issues related to service.

See Appendix B for the complete listing of the Taxpayer Bill of Rights.

Taxpayers' needs and expectations should also be considered in the delivery of programs and services. Modern tax administrations recognize that these 'softer' rights need to be respected, such as the right to courteous and considerate treatment and timely service.

In a self-assessment system, taxpayers might also be said to have a right to clear and accessible tax rules and procedures. Given the active role taxpayers are obliged to play in the tax system, this right encourages compliance. In extreme cases, this can also help guard taxpayers from the manipulations of corrupt tax officials, who could otherwise use the lack of clear and accessible rules to their advantage.

3.0 Promoting Accountability and Transparency in Tax Administrations

3.1 Fundamental Accountabilities of Tax Administrations

The delegation of powers from society to public authorities and institutions that is present in democratic societies means that citizens can rightly expect assurances that these powers are used effectively and prudently. The more precise act of delegation from political figures to public servants obligates leaders of all public sector institutions, tax administration included, to demonstrate results in the fulfillment of a given mandate and the wise use of resources. This expectation cannot be more relevant than it is now—even as the world economy slowly recovers, government resources will continue to be strained and citizens more than ever before will expect their tax dollars to be used in the best way possible.

A tax administration's most basic external accountability can be said to comprise two elements: the first, accountability for the securing of government revenues as measured ultimately through the collection of all taxes owed (program results), and the second, accountability for the sound administration and management of allocated resources necessary to execute its mandate (operational results). These two accountabilities are

inextricably linked, as operational results engender the effectiveness of a tax administration. There is also a third element: accountability for the means used to achieve operational and program objectives. Given tax administrations' wide range of powers and potential to significantly impact the circumstances of individual and business taxpayers, the importance of this basic accountability cannot be understated.

An expectation of accountability gives rise to its twin: the expectation of transparency. Transparency makes true accountability possible, and in its absence accountability becomes superficial. Transparency makes it difficult, if not impossible, for public servants to ignore their accountabilities around organizational performance or to avoid rendering an account of that same performance. Multilateral institutions and many governments now operate on the belief that public-sector decision-making should be visible and open to independent scrutiny in all manner of ways, and the current philosophy is that an increase in transparency leads to an increase in accountability. In most cases, this is probably true.¹⁴

Tax administrations whose operations are deeply founded in the public interest will naturally strive to perform in a manner consistent with public expectations. Perhaps the only caution in the quest for accountability and transparency in tax administrations is to avoid stifling over-bureaucratization to ensure accountabilities are met without fail. In fact, it has been noted that "accountability requires a culture where honest failure is not confused with criminal intent."¹⁵

3.2 Demonstrating Accountability

Accountability and transparency are universally accepted as cornerstones of maintaining the public's trust. Strong accountability systems are key components of good governance in general and even more so in the realm of tax administration.

Accountability presumes that there is a clearly articulated and communicated performance expectation that stems from the organizational mandate and objectives. At the organizational level, tax administrations are said to 'be accountable' for performance, however material accountabilities ultimately reside with the head of the tax administration. Without accountability, a tax administration is likely to underperform.

Executive accountability can also be considered the pinnacle of a hierarchy of accountabilities that cascade downward through management and staff based on the delegation of duties and authorities. Individuals become responsible for assigned tasks, and through delegation of authority, powers are divided and allocated to subordinates in order to achieve organizational results. Effective delegation requires:

- clear roles, where authorities match accountabilities for specific results pursuant to assigned duties;

¹⁴ In the article *The Proper Use of Transparency Instruments*, Caron and Hunt reflect on policy implications of transparency issues, arguing that naive use of transparency mechanisms can have unintended effects and can drive strategic behaviour in order to avoid required documentation. Contracting arrangements designed to circumvent disclosure requires are cited as an example. *Journal of Public Sector Management*, Volume 36, Issue 3, September 2006

¹⁵ Sears, Robin V. *The Old Accountability Shuffle*. *Policy Options*, June 2006

- a strong commitment to organizational values, which enables tax administration staff to accept their accountabilities;
- sufficient organizational capacity (infrastructure, tools, controls and management practices) and appropriate individual competencies (skills and knowledge) which equip staff to follow through on their duties to the best of their ability and assume accountabilities;
- monitoring and learning mechanisms designed to improve effectiveness and to promote self-correction in support of the accountabilities; and
- Consequences to compel staff to deliver on the results that they are accountable for.¹⁶

The literature describes “a very complex and rich set of tools [that] has been developed and implemented with an attempt to satisfy increasing demand for accountability and transparency.”¹⁷ A tax administration’s commitment to transparent management and accountability for results can be demonstrated in many ways. Most important among these is the periodic reporting of actions, initiatives, performance and expenditures to legislators and the public. This forthright disclosure of operations serves not only to ensure public accountability, but also to build public confidence. Statutory requirements for reporting and disclosure are common in modern tax administrations, and most are making use of the Internet to make a vast array of tax material accessible to the public. Independent offices of oversight and control also perform a critical monitoring and challenge function.

Demonstrating Accountability and Transparency at the CRA

STATUTORY REQUIREMENTS AND INTERNAL MEASURES

Strategic Framework

The CRA’s strategic framework identifies performance measures to enable the CRA to measure and report on its progress in meeting its mandate, strategic outcomes and expected results for each of the program activities as identified in its program activity architecture. See *Appendix C*.

Corporate Business Plan / Summary of Corporate Business Plan / Report on Plans and Priorities

All three documents provide an overview of the CRA’s main priorities over a three year period and are structured by strategic outcome, program activity and expected results. Supporting information is also provided on human resource requirements, major capital projects and the net cost of CRA’s programs. The Corporate Business Plan is produced for the Treasury Board of Canada pursuant to the statutory requirements of the *Canada Revenue Agency Act*. The Summary of the Corporate Business Plan and the Report on Plans and Priorities are tabled in Parliament, by the Minister of National Revenue and the President of the Treasury Board respectively. Both become public after tabling, and are made widely available to Canadians via the Internet.

¹⁶ Adapted from the Canadian International Development Agency *Accountability Framework*.

¹⁷ *Ibid*.

Demonstrating Accountability and Transparency at the CRA

Annual Report / Departmental Performance Report

The CRA Annual Report to Parliament is tabled in Parliament by the Minister of National Revenue, pursuant to the statutory requirements of the *Canada Revenue Agency Act*. It is produced concurrently with the Canada Revenue Agency Performance Report published by the Treasury Board of Canada Secretariat. Virtually identical, both provide a comprehensive report on the performance of the CRA for the previous fiscal year, and a rating of the CRA's achievements against the key targets and indicators set out in the Corporate Business Plan. Each contains an assessment of the fairness and reliability of the information contained in the report and an audit of the Agency's financial statements administered by the Auditor General of Canada.

Service Standards

Service standards support results-based performance measurement and are reported on in the Annual Report, where they are subject to the scrutiny of the Auditor General regarding the reliability of the information presented. The CRA's inventory of service standards is designed to improve service to individual and business taxpayers as well as benefit recipients, and promote compliance with Canada's tax and benefits legislation. Service standards represent the CRA's public commitment to the level of service that taxpayers and benefit recipients can reasonably expect to encounter in areas of importance to them. For managers and employees, service standards help to increase understanding of service interactions from the service user's perspective, and represent a willingness to be accountable for the transparent reporting of performance.

Executive Cadre (EC) Performance Management Regime

The CRA Agency Management Committee (AMC) sets out priorities and accountabilities for Agency executives (some 600 individuals) for the year ahead. Each EC performance agreement establishes a personal accountability for, and alignment with, these priorities. Priorities are based on the Agency's planned deliverables, as well as the Government's longer-term and Public Service-wide objectives.

Executive performance agreements consolidate core program and management responsibilities, along with leadership and special commitments. The agreements include assessable performance measures that help in the evaluation of the individual's contribution to the achievement of Agency goals. Performance agreements are the foundation against which movement through the salary range and eligibility for performance pay is assessed annually. For the organization, the agreements contribute to better results management. As commitments to the achievement of Agency goals are cascaded throughout the Agency, shared accountabilities are identified and horizontal linkages are strengthened.

Demonstrating Accountability and Transparency at the CRA

Management Accountability Framework

The CRA's management accountability framework describes the standards for good public service management as established by those with Agency governance oversight responsibilities. Structured around the key elements that collectively represent the management function like resources, personnel and risk, the framework provides the basis for annual evaluations of the Agency's management performance and practices. The results of this process enable the Agency's senior management to identify the management priorities needed to strengthen overall organizational performance.

Internal Audit and Program Evaluation

The CRA's internal audit and program evaluation functions support the achievement of the CRA's strategic goals by providing independent and objective information, advice, and assurance on the soundness of the Agency's operations. The results of the CRA's audits and evaluations are posted on the CRA website to promote public accountability and transparency.

Proactive Disclosure

As part of government-wide efforts to strengthen public sector management by enhancing transparency and oversight of public resources in the federal government, the CRA is required to publish on its website: travel and hospitality expenses for senior level officials; contracts over \$10,000 issued by or on behalf of the CRA; grants and contributions over \$25,000 awarded by the CRA; and the reclassification of positions.

By making this information readily available on departmental web sites, Canadians and Parliament are better able to hold the Government and public sector officials to account.

Access to Information and Privacy

The *Access to Information Act* and the *Privacy Act* (known as the ATIP legislation) provide Canadian citizens, permanent residents or any persons present in Canada, with the legal right to obtain information in any form that is under the control of the federal government. This public right of access is subject to specific and limited exceptions and to an independent review of decisions on disclosure, and is balanced against the legitimate need to protect sensitive information and to permit the effective functioning of government. The Acts also recognize the right of government institutions to deny access to information affecting, for example, national security, commercial confidentiality, policy development, solicitor-client privilege and personal privacy. The Acts serve an essential democratic purpose by making government more open and transparent, and by promoting accountability through the participation by citizens in the decisions of government affecting them.

Demonstrating Accountability and Transparency at the CRA

CRA Annual Corporate Survey

The Agency undertakes research on a regular basis to measure Canadians' experiences and satisfaction with the services and programs that the CRA provides. Since 2000, the CRA has been conducting an annual survey with national representative samples of Canadians to assess attitudes towards the Agency and satisfaction with aspects of specific programs.

EXTERNAL OVERSIGHT

Taxpayers' Ombudsman

The Taxpayers' Ombudsman is responsible for ensuring that the CRA respects the service rights outlined in the Taxpayer Bill of Rights and is mandated to: conduct impartial and independent reviews of service-related complaints; facilitate taxpayer access to assistance within the CRA; identify and review systemic and emerging service-related issues that have a negative impact on taxpayers; and provide advice to the Minister of National Revenue about service related matters in the CRA. The Taxpayers' Ombudsman operates at arms-length from the management of the CRA and reports directly to the Minister of National Revenue. Together with the Taxpayer Bill of Rights and the CRA – Service Complaints initiative, the Office of the Taxpayers' Ombudsman enhances the CRA's accountability and provides taxpayers served by the CRA with renewed assurance that they will be treated fairly, equitably and with respect.

Office of the Auditor General of Canada

In Canada, accountability is further buttressed by the Auditor General, who conducts independent audits of federal government operations and reports directly to Parliament. These audits cover not only a department or agency's management of its expenditures, but also its performance in providing "value for money" to Canadians.

4.0 Compliance as an Ethical Issue

4.1 Taxpayers and their Tax Ethics

Because the effectiveness of a tax administration in fulfilling its mandate hinges in part on the basic willingness of taxpayers to comply, any discussion of institutional effectiveness is incomplete without considering the tax ethics of taxpayers. Meeting one's tax obligations can be seen as an ethical issue from multiple standpoints. Compliance is consistent with principles of duties under law and to society; it offers net benefits for the greatest number of people; and it responds to social expectations for fairness and equity. In this regard, to comply is to act ethically.

The simple equation of compliance and ethics is complicated somewhat by the fact that taxpayers have the right to minimize their tax burden within the bounds of the law. Taxpayers are entitled to undertake mitigation practices, such as taking advantage of

credits, and effective tax planning consistent with the intent of the law. However, tax planning arrangements that are technically legal but contravene the object and spirit of the law cross the line between what is acceptable (and ethical) and what is not. Tax evasion, while clearly illegal, is also unethical. The current economic climate has raised the profile of compliance as an ethical issue. As Jeffrey Owens, Director of the Organization for Economic Cooperation and Development (OECD) Centre for Tax Policy and Administration, points out, "The threshold of tolerance for tax evasion has dropped to zero...governments need tax revenue and citizens need to be reassured that the tax burden is being fairly shared."¹⁸

Although instances of abusive tax avoidance and tax evasion can be found in all taxpayer segments, there is international consensus that large corporate taxpayers and high wealth individuals represent a significant risk for tax administrations.¹⁹ Differing from most taxpayers in terms of magnitude of tax liability, access to resources and financial flexibility, these taxpayers are not confined by domestic boundaries in the management of their tax affairs, and instead, can be described as 'global taxpayers.' In fact, the OECD describes a tax world where,

"...taxpayers' financial transactions take on an increasingly international flavour. International banking has become commonplace and it is no longer extraordinary for taxpayers to reside in one country, hold assets in another and have them managed from a third location. The proliferation of such financial relationships is a natural result of globalization, and may be motivated by tax concerns, commercial pressures or a variety of other considerations."²⁰

The international tax arena is one now characterized by globalized trade and financial systems, evolving multinational business structures and transactions, wide adoption of e-commerce and the presence of tax havens with strict bank secrecy laws. These conditions expand opportunities for taxpayers to engage in unethical tax minimization strategies, and at the same time, make the task of detecting and deterring non-compliance substantially more difficult for tax administrations.

The magnitude of global capital flight illustrates the impact of the compliance behaviour, and thus the related ethical stance, of people engaged in aggressive tax planning. Recent estimates put the value of individual and corporate assets held offshore in the trillions.²¹

No country is immune: In 2002, Canada's Auditor General reported that "tax arrangements for foreign affiliates have eroded Canadian tax revenues of hundreds of millions of dollars over the past ten years."²² Loss of potential tax revenues is particularly detrimental to developing or transitional countries needing to finance economic and social development programs. In considering global taxpayers, strong tax ethics can then be said to mean not only paying the right tax at the right time, but also in *the right place*.

¹⁸ Owens, Jeffrey. *Moving Towards Better Transparency and Exchange of Information on Tax Matters*. Bulletin for International Taxation, November 2009

¹⁹ Organization for Economic Cooperation and Development. Forum on Tax Administration. Study into the Role of Tax Intermediaries (2008) and Engaging High Net Worth Individuals on Tax Compliance (2009)

²⁰ Organization for Economic Cooperation and Development. *Tax Cooperation 2009: Towards a Level Playing Field* (2009)

²¹ In his remarks at the 2008 Conference on the Fight Against International Tax Evasion and Avoidance, OECD Secretary-General Angel Gurría noted that cited an estimate in the range of USD 5-7 trillion. Other estimates cite figures as high as USD 11 trillion.

²² Auditor General of Canada. *2002 December Report of the Auditor General of Canada*, Chapter 11 – Other Audit Observations

4.2 Responsible Citizenship and Corporate Social Responsibility

In addressing the compliance challenges presented by cross-border transactions, appealing to the duties of responsible citizenship can complement the necessary actions of controlling and enforcing compliance. In essence an ethical appeal, responsible citizenship means that individuals and businesses appreciate their civic responsibility to pay tax, and know that it is their tax contribution that enables them to enjoy all the benefits, rights and privileges that their resident country provides. Tax administrations can explore ways to enhance existing programs and introduce new activities that will improve voluntary compliance by increasing awareness amongst taxpayers, both individual and business, that their cooperation is needed to protect the valuable services that they demand from a responsive government.

An interesting sub-set of the discussions on responsible citizenship and tax ethics centres on the emergent view that, for large businesses, shouldering a fair tax burden as set out in law is an element of corporate social responsibility (CSR), in the same way that environmental stewardship and responsible labour practices are currently perceived. CSR is typically defined as a corporation's commitment to a way of conducting business that takes into account the interests of all stakeholders, from shareholders and customers, to governments and society at large. A host of corporate failures and social activism has led to a business environment where increased corporate integrity and accountability are demanded.²³ The origins of the current economic situation have focused even more attention on responsible corporate behaviours—or lack thereof—and the recent provision of government bailout packages to corporations that shift income and assets overseas has only exacerbated these public sensitivities.

A precise definition of socially responsible tax behaviour is difficult to frame because the issue is a nuanced matter. However, a sense of ethical and civic responsibility is thought to shape a corporation's orientation on CSR and that stance, if genuine, should inform all of its business decisions, including those taken to minimize tax liability.²⁴ The magnitude of a corporation's tax liability is influenced by a number of decisions over which it has control, such as where to locate operations, where to register assets/subsidiaries, how assets are priced when transferred between subsidiaries, and which tax credits to pursue. If tax is seen as a CSR issue, that position should come to bear in how a corporation conducts its affairs for tax purposes, the scope given to its tax practitioners, and in its self-assessment of what its fair tax obligation is, given the spirit of the law, and technicalities notwithstanding.

Calls on governments to create pressure on the business community to accept socially responsible tax practices, and to help foster an environment where aggressive tax planning is no longer acceptable,²⁵ show some very early indications of gaining traction with the tax administrations of some countries, Canada included. The recognition that tax payments are an important contribution to society, and the showcasing of tax paid in Canada are elements of CSR reports for a number of large corporations including some in the financial and energy sectors.

²³ Conference Board of Canada. (2008). *The Trust Imperative: Taking Governance to the Next Level*.

²⁴ *Ibid.*

²⁵ OECD Observer. *Taxation in a Global Environment* (2002).

If ever widely adopted, tax-as-CSR would theoretically lessen the need for governments to address corporate non-compliance through continual and ever-more complex legislative amendments. CSR would instead guide conduct in the multitude of situations that rules fail to fully address. Reputation considerations offer one potential driver, that is, how corporations would approach tax if faced with mounting customer and investor pressure.

A starting point for the creation of such drivers, and a concept which is gaining prominence in the international tax administration community, seeks to link tax management with good corporate governance by engaging corporate boards in discussion of the financial and reputational risks of particular tax strategies. That tax strategies can impact a corporation's financial performance is well understood. What needs to be equally well embedded is that tax issues can affect a corporation's carefully nurtured and much valued reputation, and secondly, that a reputation for good governance and tax integrity will bring corporations tangible benefits in their dealing with revenue authorities.

Promoting Compliance Among Individual and Corporate Taxpayers

The CRA believes that a sustainable tax system is one where taxpayers appreciate that paying tax is a civic responsibility that enables taxpayers to enjoy all the rights that accompany being a Canadian resident or business. The Agency is undertaking a number of efforts to ensure that taxpayers understand that their active participation in Canada's tax system is a necessary precondition. A comprehensive communications and outreach campaign targeting primarily individuals would be an example of these efforts.

The CRA's move to a risk-based approach for large corporate audits is another step. The Agency's level of engagement with corporations will be based on a range of factors, like compliance history and degree of transparency in dealings with the CRA. In brief, a risk-based approach means that corporations that demonstrate strong governance and a willingness to work with CRA on an open and transparent basis will be subject to less CRA scrutiny. Agency resources that are saved through reduced audits of low-risk businesses will be re-focused to address taxpayers that represent a higher risk to the CRA. The Agency will advise taxpayers as to how they are perceived in light of risk factors, and indicate the commensurate compliance approach.

5.0 Conclusion

There is without doubt an element of reciprocity in how tax administrations and taxpayers engage with each other. In the moral contract between a tax administration and the public, each are to offer integrity: ethics and transparency on behalf of the tax administration in return for willing compliance and transparency on behalf of the public as taxpayers, with the two halves tied together by mutual accountability. In this accord, the actions and behaviours of one affect the other. In essence, how a tax administration engages with taxpayers affects the behaviour of those taxpayers, and subsequently, taxpayer behaviour influences how tax administrations interact with them. For this reinforcing cycle to be positive, it is incumbent on the tax administration, with the balance of power at the centre of the tax system, to take the lead in setting and sustaining the right context for a mutually acceptable relationship by demonstrating ethics, accountability and transparency. In turn, taxpayers can rightfully be expected to reciprocate.

Recent events that devastated the global economic and financial system have made apparent the need for a renewed call for higher standards to safeguard against similar occurrences in the future. As part of these broad discussions, this paper has attempted to underscore the importance of ethics, accountability and transparency to a tax system and has used the CRA experience to demonstrate some of the ways in which a tax administration can implement these principles in the exercise of its mandate.

Recognizing that each tax administration operates within a unique landscape, efforts to strengthen capacity in any of these areas will naturally reflect the particular challenges and context of each revenue authority. Regardless of the strategies taken, however, the more important point is that commitment to these principles is just that—a commitment that must endure even as sensitivities to these issues diminish as economic recovery takes hold.

Appendix A – About the CRA

Canada is a large country that spans some 7,200 kilometres from east to west across six time zones. With a population of approximately 33 million people and a population density of 3.2/km², it is one of the least densely inhabited yet one of the most prosperous countries in the world.

Canada's tax system is based on voluntary compliance and self-assessment, which in Canada, is believed to be the most cost-effective way to administer taxes. Taxpayers are expected to determine what they owe under the law and then pay the correct amount of tax, without the CRA's intervention. This means that taxpayers are expected to register as required under the law, file their tax returns on time, report complete and accurate information to determine tax liability and pay all amounts when due. Non-compliance is the failure, for whatever reason, to meet any of these requirements.

The CRA is responsible for the administration of tax programs and the delivery of economic and social benefits on behalf of federal, provincial and territorial governments, and First Nations. In 2008-2009, the CRA collected more than \$366 billion²⁶ in taxes and other revenues, and issued over \$17 billion²⁷ in benefit payments to millions of families and individuals. Revenues come from three key sources: income tax, excise taxes and duties, and GST/HST. In addition, the CRA administers a number of non-tax programs, such as delivery of Canada's national child care benefit and debt collection for various government programs.

As the principal tax administrator for the Government of Canada, our primary responsibility is to protect Canada's revenue base by ensuring compliance.

The CRA's mission is:

"...to administer tax, benefits, and related programs, and to ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being of Canadians."

The CRA's vision is to be:

"...the model for trusted tax and benefit administration, providing unparalleled service and value to its clients, and offering its employees outstanding career opportunities."

²⁶ Draft Annual Report to Parliament 2008-2009.

²⁷ Draft Annual Report to Parliament 2008-2009.

The CRA's **promise** is a commitment to:

"...contributing to the well-being of Canadians and the efficiency of government by delivering world-class tax and benefit administration that is responsive, effective, and trusted."

The CRA has a workforce of up to 45,000 permanent employees across Canada, and a term population that fluctuates to approximately 10,000 during peak tax-filing season.

The Agency operates out of 55 service sites across Canada, including 37 Tax Services Offices (TSOs), six Tax Centres (TCs), two combined TSOs and TCs, and 10 call centres.

Appendix B – Taxpayer Bill of Rights and Commitment to Small Business

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 our 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 us 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 us to publish our service standards and report annually.
14. You have the right to expect us 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.

The Canada Revenue Agency Commitment to Small Business

1. The CRA is committed to administering the tax system in a way that minimizes the costs of compliance for small businesses.
2. The CRA is committed to working with all governments to streamline service, minimize cost, and reduce the compliance burden.
3. The CRA is committed to providing service offerings that meet the needs of small businesses.
4. The CRA is committed to conducting outreach activities that help small businesses comply with the legislation we administer.
5. The CRA is committed to explaining how we conduct our business with small businesses.

Appendix C – CRA Strategic Framework

