



Canada Revenue Agency

Fairness in Tax Administration Research

Executive Summary

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Political Neutrality Certification

I hereby certify as Senior Officer of Quorus Consulting Group Inc. that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the Communications Policy of the Government of Canada and Procedures for Planning and Contracting Public Opinion Research.

Specifically, the deliverables do not include information on electoral voting intentions, political party preferences, and standings with the electorate or ratings of the performance of a political party or its leaders.

Signed:



A handwritten signature in black ink, appearing to read "Rick Nadeau", is written over a light gray, textured rectangular background.

Rick Nadeau, President

Quorus Consulting Group Inc.

Research Purpose and Objectives

An important component to the Canada Revenue Agency's (CRA) mandate is to ensure that they treat all taxpayers fairly under the *Income Tax Act*. The challenge for CRA is that they do not have a clear understanding of how Canadian taxpayers define fairness and they do not have a clear measure of how they are perceived on this metric. Therefore, CRA has identified a need for primary market research to gain specific insights into the following:

- Explore the concept of fairness in tax administration and what it means to taxpayers;
- Determine which factors influence fairness and to what extent;
- Assess taxpayers' current perception of CRA on fairness;
- Assess the Agency's work on the following five specific dimensions¹ by measuring different interactions and processes on the fairness variable:
 1. Perceptions of outcome and decisions made;
 2. Perceptions of processes and procedures;
 3. Perceptions of how the taxpayer was treated (with courtesy, dignity, respect);
 4. Perceptions of accuracy, relevance, ease of understanding and timeliness of information;
 5. Perceptions of fairness of consequences (i.e., penalties, interests).

The findings from this research will feed into a strategy developed to realize the goals and priorities set forth in the Minister's mandate. The results will also be leveraged into a communication strategy and will serve as a benchmark upon which to track the established measures and improve upon them.

Summary of Findings – Focus Group Phase

What is Important When Accessing a Government of Canada Service

Participants were asked to list what is important to them when accessing a Government of Canada service. Five themes were generated and can be summarized with the following acronym - SPACE: Simplicity, Person to Person, Accuracy, Caring and Efficiency. These themes capture the following priorities:

- **Simplicity** is a synonym for “ease of use” when it comes to using resources such as websites, when it comes to understanding information and when it comes to the various forms and documents they may need to fill out.
- **Person to person** emphasizes the importance of having a “human” option to contact and that this option is easy to find and easy to reach.
- **Accuracy** focuses on the importance of consistently providing up-to-date and correct information.

¹ Dimensions of fairness as defined by the Australian Tax Office

- **Caring** alludes specifically to having customer service representatives who not only have the “right attitude” but who also leave the caller with the impression that they empathize with their situation.
- **Efficiency** is mostly about not wasting the citizen’s time – this includes reasonable wait times when calling into a call centre, minimizing redundant explanations when being transferred and quick turnaround time on documentation or information requested.

These themes and priorities are generally very consistent across all types of participants and expectations are the same irrespective of the service they are using or the Department with which they are dealing.

Rating the CRA on Fairness

Participants were asked to rate the CRA in terms of being “fair” based on their own personal interpretation of fairness. Using a 10-point scale, where 10 is the most favourable rating, participants rated the Agency somewhere in the area of 7 out of 10. This exercise also helped shed light on broader considerations related to rating the CRA on this specific dimension.

- Participants with less experience dealing with the CRA are more likely to rate the Agency favourably in terms of fairness.
- Perceptions are shaped by personal experiences as well as what participants see and hear around them through the experiences of friends, family members and co-workers.
- Unless there is evidence to the contrary, there is an assumption that the Agency is fair.
- Some participants are very reluctant to give any Government department, branch or service a high performance score on anything. For instance, for some participants, a score of 7 is considered an excellent score for a Government agency.
- Context is important. Tax rates can play a role, as some participants indicated that if they had not been informed or reminded that the CRA does not determine tax rates, the fairness rating they gave would have been lower.

Although not statistically meaningful, it is worth noting that participants who gave high or low scores in terms of fairness, also tended to give equally high or low scores when it comes to transparency, accuracy and being client-service oriented.

Defining Fairness

Participants tended to interpret “fairness” the following way: It is the equal application of the tax laws across all taxpayers irrespective of who they are or where they live. Although the focus was on equality across taxpayers, some added that fairness also meant applying the law but with a touch of humanity, empathy and flexibility.

Driving Fairness

When rating the CRA on fairness, participants are prone to focusing on isolated events, incidents or interactions that happened with the CRA. Examples include an audit, an information or documentation request and the CRA revisiting a tax return long after having issued a notice of assessment. The incident may have happened only once, it may have happened a number of years ago and it may not have even happened to them. More often than not, the “unfair” component to these interactions is when they are seen as unjustified, when they involve a lot of effort or time, or when the query is seen as unexpected.

Another contributing factor to a weak or a weaker rating on fairness is a sense that there is an imbalance in power and knowledge between the CRA and the taxpayer. Ultimately, this imbalance in power and knowledge is seen as unfair. Common scenarios include:

- When it comes to the **interpretation of tax laws**, participants feel that it is the CRA’s interpretation of the law that will carry the day.
- Participants strongly believe that, in the eyes of the CRA, they are **presumed guilty until proven innocent**, when they feel it should be the other way around.
- Some believe that the CRA charges interest on money owed to them but do not pay interest to the taxpayer if the situation is reversed, that the rate they pay the CRA is higher than the rate the CRA pays back and that the trigger date is different.
- **Audits** were raised as a point of contention for some participants, even those who have never been through one before.
 - Many wondered how the CRA chooses who they audit.
 - If the CRA spent as much time auditing large corporations as they do auditing average Canadians, they would see a much larger return on their efforts.
 - The level of effort that the taxpayer is expected to invest during an audit is unfair, especially if the audit process stretches over many weeks and months.

Participants were asked what they thought about the CRA using external and public sources of information such as social media, including Facebook, to feed into audit assessment activities. At first, many did not seem comfortable with this idea but reassurances that the information used is “external and public” and fully accessible to anyone with an Internet connection appeased many concerns.

- **CRA has a certain reputation** with some participants. Even if the citizen is entitled to some latitude, participants feel they are dealing with the large, unbending and intimidating CRA.

- An issue that was often raised is the **complexity** of the tax return and the perception that taxpayers are at a knowledge disadvantage when it comes to tax credits to which they may be entitled.
- There is also a perception that the CRA is very pro-active when it comes to finding tax revenue through their assessments but that **they do not go out of their way to let taxpayers know if they missed out on a tax credit.**
- **Having to buy software or hire an accountant** to maximize their tax return is seen by some as unfair.

Reactions to the Working Definition of “Fairness”

At the end of each session, participants were presented with what was, at the time, the CRA’s working definition of fairness. Most participants would agree that it does not reflect what they see today but they would like the CRA to be this way. Having “well-informed taxpayers” is seen as the pre-condition for success on which the Agency will need to work the most and is perhaps the greatest challenge to overcome. The three pillars on which trust will be informed seemed appropriate although some suggested that there should be some reference to simplicity, probably with respect to processes.

Methodology – Focus Group Phase

The research methodology consisted of ten traditional, in-facility focus groups with Canadian adults at least 18 years old. These sessions were conducted in five different locations across the country: Halifax, NS, Brampton, ON, Saskatoon, SK, Vancouver, BC and Montreal, QC. Sessions in each city were split based on the following criteria:

- Group 1 – General population
- Group 2 – Canadian taxpayers who have interacted with the CRA within the past twelve months (other than for sending in personal or business tax returns).

The recruitment process also sought a good representation of men and women, household income categories, and age groups. Quorus designed a recruitment screener and the moderation guide for this study and the CRA translated all the research materials.

All focus groups were 2 hours long and moderated by Rick Nadeau, one of Quorus’ bilingual senior researchers on the Government of Canada Standing Offer.

Qualitative Research Disclaimer

Qualitative research seeks to develop insight and direction rather than quantitatively projectable measures. The purpose is not to generate “statistics” but to hear the full range of opinions on a topic, understand the language participants use, gauge degrees of passion and engagement and to leverage the power of the group to inspire ideas. Participants are encouraged to voice their opinions, irrespective of whether or not that view is shared by others.

Due to the sample size, the special recruitment methods used, and the study objectives themselves, it is clearly understood that the work under discussion is exploratory in nature. The findings are not, nor were they intended to be, projectable to a larger population.

Specifically, it is inappropriate to suggest or to infer that few (or many) real world users would behave in one way simply because few (or many) participants behaved in this way during the sessions. This kind of projection is strictly the prerogative of quantitative research.

Summary of Findings – Survey Phase

Overall Assessment

The survey started with an overall assessment of the CRA. Survey respondents were asked to rate the CRA’s performance in terms of the administration of taxes and benefits using a scale from 0 to 10 where 0 meant “terrible” and 10 meant “excellent”. Nearly half of respondents (49%) rated the CRA from 8 to 10, 44% rated it from 4 to 7, and 5% gave it a score of 3 or less.

Respondents were then asked to rate the CRA’s performance on seven specific dimensions. The CRA seems to be performing the best when it comes to being accurate, with 61% of respondents providing a top-three score (8-10). Top scores then drop when it comes to being efficient (49%), **fair (49%)**, accessible (44%), having services that are easy to use (44%) and being transparent (43%). Being client-service oriented was the dimension that received the lowest performance scores (top-box score of 40%).

- Significant differences across demographic groups reveal a number of trends. For instance, respondents under 50 years old are consistently more likely to assign scores from 8 to 10 on these dimensions, and most elements are more likely to be rated positively by residents in Quebec, Ontario and Newfoundland, by those who speak a non-official language at home, and those who prepared their tax return on their own or with the assistance of a friend, family member, or volunteer. Overall, those **less** likely to see the CRA in a positive light are self-employed, and households earning over \$80,000.

Additional analysis on how respondents rated the CRA on fairness reveals trends that are very consistent with what surfaced in the focus group phase of this research study. The incidence of interaction with the

CRA seems connected with perceptions of fairness, or conversely, the less someone needs to interact with the CRA, the higher their perception of fairness. As well, the simpler a respondent's tax situation, the fairer they view the CRA, and finally, perceptions of fairness grow weaker with age.

When it comes to understanding the impact of fairness on how the CRA is perceived overall, correlation analysis reveals that being efficient is most likely to be correlated with how the CRA is seen overall. Then perceptions of being client-service oriented, **being fair** and being accurate are the next set of dimensions that seem most closely correlated with overall perceptions of the CRA as a tax administrator.

Further correlation analysis reveals that there is a relationship between perceptions of fairness and four other key overall dimensions. The strongest relationship appears to be with transparency, followed by efficiency, accuracy and being client-service oriented. Improving satisfaction on the important elements of transparency and being client-service oriented are where the CRA stands to see the biggest gains in terms of being considered fair. Accuracy and efficiency should not be ignored – while satisfaction scores on these two dimensions are stronger, there is still room for improvement. Efforts in these two areas will also lead to improvements in how the CRA is seen in terms of fairness.

Fairness Drilldown

The CRA was assessed along a full range of specific dimensions and activities related to key performance metrics such as fairness, accessibility, transparency, and being customer-service oriented.

Preparing and Filing Taxes, and Assessing Tax Returns

Roughly half of survey respondents agree (rating of 8 to 10) that **the process** of gathering the information to support their return is simple (51%), and that **the level of effort or cost** to prepare their return is fair (49%). Respondents were less likely to agree that **the CRA proactively communicates** to them the tax credits and benefits to which they are entitled (18% gave the lowest ratings of 0 to 3), that **the CRA works with them** to find payment options when the amount owed is difficult to manage (35% gave a score of 8 to 10), and that **the CRA would be flexible** if unforeseen circumstances affected their ability to file or pay on time (34%).

Another set of statements was presented to respondents to evaluate the CRA's performance assessing tax returns. The CRA gets high marks for their **timeliness** in sending refunds (70% assigned a score of 8 to 10) and assessing tax returns (65%). They perform moderately well when it comes to explaining the results of the tax return assessment (53%), but are not seen as performing well in terms of charging **fair penalties and interest** (31%). It is important to note that 13% indicate they do not know if the penalties and interests are fair, likely because they have not had to pay them.

Support and Resources Available to Canadians

Fully half of survey respondents (51%) agree the CRA provides support and resources that are **accurate**, but agreement falls when asked if the support and resources provided are **easy to access** (39%), and **easy to understand** (38%).

Efforts the CRA Makes to Ensure Taxpayers Are Compliant

Respondents do not seem to feel that the CRA is balanced in its approach to **communicating oversights or errors in tax returns**. If the taxpayer overlooked something in their return and owed more money than expected, 72% agree the CRA would bring this to their attention. Conversely, if credits are overlooked by the taxpayer, only 40% are confident that the CRA would bring that to their attention when they review their return.

Some improvements seem warranted regarding communication-related aspects of audits and requests for information and documentation. In particular, nearly half of respondents (48%) feel the CRA's **requests for clarifications or supporting documentation** when reviewing tax returns are fair, one third of respondents agree that the manner in which the CRA **decides who to audit** is fair (33%), and roughly a quarter agree the CRA does a good job **explaining to Canadians how much money is collected through its audits** (26%).

The CRA's Information Line

Survey respondents who have used the CRA's 1-800 information line were asked to rate several aspects of the service using a 5-point frequency scale (*Always, Often, Sometimes, Rarely or Never*). A vast majority of these users (88%) say the agents on the phone are often or always **respectful**, provide **accurate information** (76%), and fully **answer all their questions** (75%). **Caring about the tax situation** with which the caller is dealing (56%), and the **wait time** on the line before getting through to an agent (36%) are areas that are not rated as high.

Additional analysis establishes a link between overall perceptions of fairness and the agents' ability to provide accurate information, to empathize with the person calling and to a slightly lesser extent, to fully answer all the caller's questions. The most important area worthy of consideration is having agents care about the tax situation with which the taxpayer is dealing since it is highly correlated with fairness and this is a dimension on which the CRA's performance is relatively weaker.

The Tax Audit Experience

Survey respondents who were audited over the past year (9% of respondents) were asked to indicate whether they agreed or disagreed with a number of statements regarding their most recent personal income tax audit experience with the CRA. Overall, half of audited respondents agree that the audit

process was fair and a similar proportion agree that the audit outcome was fair. Regarding specific aspects of the audit experience, results suggest that auditors are moderately well rated when it comes to demeanor and knowledge whereas certain aspects of the actual audit process and certain communication-related dimensions are seen as falling short of expectations. More specifically:

- Roughly half believe the auditor had understood their position and a similar proportion believe that they were provided enough time and guidance to address the requirements of the audit.
- Fewer than half agree that the CRA or the auditor clearly explained the audit process, that the auditor clearly explained the results of the audit, and that the auditor cared about the tax situation with which they were dealing.

Methodology – Survey Phase

All research work was conducted in accordance with the professional standards established by the Marketing Research and Intelligence Association (MRIA), and the Government of Canada Public Opinion Research Standards.

The survey consisted of a national telephone survey with Canadians, 18 years of age and older. The sample consisted of traditional wireline telephone numbers and a sub-quota of cell-phone only households.

Quorus designed the survey instrument in English and collaborated with the CRA to finalize the survey instrument. The CRA translated the English version of the survey. The approved final questionnaires were programmed for computer-based telephone data collection, and the survey was registered with the Marketing Research and Intelligence Association's (MRIA) National Survey Registration System.

Respondents had the choice to complete the interview in English or French and were informed of their rights under the *Privacy* and *Access to Information Acts*. Survey respondents were screened based on whether or not the individual was responsible for some or all of the household's tax returns or dealings with the CRA.

The phone interview took on average 13 minutes to complete, and consisted of mostly closed-ended questions. Data collection occurred between March 13 and March 29, 2017, including a pretest of the questionnaire.

A total of 2,000 interviews were completed using a stratified random sampling approach. The response rate for the overall sample was 7.5%. The research findings can be extrapolated to the broader audience considering the margin of error associated with this sample size, +/- 2.2%, 19 times out of 20. The margins of error vary based on a variety of factors. For instance, results for sub-groups with smaller sample sizes will have a higher margin of error. As well, the margin of error is typically highest for questions where

50% of respondents answered one way and 50% answered another way. The margin of error typically decreases as the percent for a particular response approaches 0% or 100%.

Data was weighted by region, gender, age and urban/rural split to ensure that the final distributions within the final sample mirror those of the Canadian population according to the latest Census data.

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