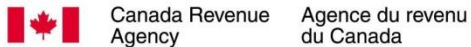


2017 ANNUAL CORPORATE RESEARCH (ACR)

Winter 2017 — Qualitative Findings and Methodological Report

Executive Summary



Submitted to
Canada Revenue Agency

Prepared by
Leger

Ce rapport est aussi disponible en français.

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POLITICAL NEUTRALITY STATEMENT

I hereby certify as Senior Officer of Leger that the deliverables fully comply with the Government of Canada's political neutrality requirements outlined in the [Policy on Communications and Federal Identity](#) and the [Directive on the Management of Communications - Appendix C](#) (Appendix C: Mandatory Procedures for Public Opinion Research).

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

Signed:

A handwritten signature in blue ink, appearing to read "Christian Bourque".

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1. Executive Summary

Leger is pleased to present this report on findings from a series of focus groups and on methodological details from quantitative surveys and a series of focus groups to the Canada Revenue Agency (CRA). The CRA mandated Leger to conduct its 2017 Annual Corporate Research (ACR). This annual research assesses several important indicators, such as overall performance and trust in and satisfaction with the CRA, among Canada's general public, small and medium-sized enterprises, and tax intermediaries.

This report was prepared by Leger who was contracted by Public Services and Procurement Canada (contract number 46575-188941/001/CY, awarded November 10, 2017).

1.1 Background and Objectives

In 2005, the CRA launched an annual survey focusing on corporate-wide issues. Since then, the research has evolved and the survey has been conducted over many years (but not every year). Among the changes made to the research approach over time, a qualitative phase was added in 2011. Moreover, each year, modules can be added or removed from the survey, depending on the research objectives. For the first time, the 2017 edition includes a compliance module with questions on the underground economy and offshore tax havens.

The ACR is of great value to the CRA for contextualizing other studies, the management of engagement and reputation, developing communication strategies, and identifying target audiences for communication tactics, etc.

This year's research explored the following elements:

- Overall perceptions of the CRA;
- Experience with income tax filing;
- Perceptions of contacts and dealings with the CRA;
- Contact methods;
- Experience with the CRA website;
- Attitudes toward compliance and the underground economy; and,
- Demographic indicators.

1.2 Intended Use of the Results

The results obtained through this research will provide the CRA with background and contextual information regarding perceptions of the public and businesses. With this information, the CRA may gauge factors, such as trust in and satisfaction with the CRA, contextualize other research information, and also provide information for reporting on engagement and reputation management. Understanding public perceptions and attitudes enables the CRA to identify target groups for specific action and communication. Findings from the 2017 ACR is intended to be used in the CRA's strategic planning exercises and internal analysis of trends in public opinion. Findings may also be used in other corporate reporting and tracking initiatives including the Public Perception Index for the Department Reporting Framework, and the Commissioner's Annual Reports to the Governments of the Provinces and Territories, etc.

1.3 Methodology

The ACR comprises two main research components: 1) a qualitative phase consisting of focus groups and 2) a quantitative phase consisting of surveys. The target population for this entire research project comprised three main groups: 1) the general adult population of Canada, 2) small and medium-sized enterprise (SME) decision-makers, and 3) tax intermediaries (that is to say, people who work with small business clients on tax-related matters).

1.3.1 ACR Qualitative Phase

Leger conducted 16 focus groups in six different locations across Canada: Toronto, Brampton, Calgary, Halifax, Montréal, and Sherbrooke. All focus groups were carried out between January 22, 2018, and February 5, 2018. All groups were held in English except for the French groups held in the province of Quebec (Montréal and Sherbrooke).

In each of the four provinces selected for the research, two sessions were conducted with the general population, one session was conducted with SME decision-makers, and another was conducted with tax intermediaries.

The following table details the 16 focus groups that took place during the 2017 ACR:

Table 1: Details of the Focus Group Sessions

City	Participants	Target	Time	Language	Date
Toronto, ON	8	SME decision-makers (\$225)	5:30 p.m.	EN	January 22, 2018
Toronto, ON	10	Tax intermediaries (\$250)	7:30 p.m.	EN	January 22, 2018
Brampton, ON	8	Low/Middle income (\$100)	5:30 p.m.	EN	January 23, 2018
Brampton, ON	10	High income (\$100)	7:30 p.m.	EN	January 23, 2018
Montréal, QC	10	SME decision-makers (\$225)	5:30 p.m.	FR	January 24, 2018
Montréal, QC	9	Tax intermediaries (\$250)	7:30 p.m.	FR	January 24, 2018
Halifax, NS	10	Low/Middle income (\$100)	5:30 p.m.	EN	January 29, 2018
Halifax, NS	6	High income (\$100)	7:30 p.m.	EN	January 29, 2018
Halifax, NS	9	SME decision-makers (\$225)	5:30 p.m.	EN	January 30, 2018
Halifax, NS	7	Tax intermediaries (\$250)	7:30 p.m.	EN	January 30, 2018
Calgary, AB	8	Low/Middle income (\$100)	5:30 p.m.	EN	January 31, 2018
Calgary, AB	10	High income (\$100)	7:30 p.m.	EN	January 31, 2018
Calgary, AB	9	SME decision-makers (\$225)	5:30 p.m.	EN	February 1, 2018
Calgary, AB	10	Tax intermediaries (\$250)	7:30 p.m.	EN	February 1, 2018
Sherbrooke, QC	8	Low/Middle income (\$100)	5:30 p.m.	FR	February 5, 2018
Sherbrooke, QC	9	High income (\$100)	7:30 p.m.	FR	February 5, 2018
Total	141				

The groups lasted approximately 120 minutes and were made up of 7 to 10 participants (out of 10 people recruited for each group). A total of 141 people participated in the focus group sessions.

Participants were recruited using a hybrid method consisting of random digit dialling (RDD) and an online panel of Canadians who agreed to be contacted for market research purposes. All Market Research and Intelligence Association (MRIA) and Government of Canada standards have been respected.

Participants from the general population received an honorarium of \$100, while SME decision-makers received \$225, and professional tax intermediaries received \$250.

Statement of Limitation

Findings from this qualitative research (i.e. focus groups) should be considered directional only, and results should not be projected as representative of the entire Canadian population. Qualitative research is intended to provide deeper insight into the underlying reasons for opinions or lack thereof.

1.3.2 ACR Quantitative Phase

Survey of General Population of Canada

Leger conducted a telephone survey with 1,647 adult Canadians between January 16 and February 21, 2018. Telephone numbers serving as the base sample were generated, and a random sample was drawn using a regional stratified approach in order to reach minimum sample sizes in each region of Canada. A random telephone sample of this size yields a margin of error of $\pm 2.4\%$ with a confidence interval of 95% (19 times out of 20).

The regional distribution was as follows:

Table 2: Regional Quotas

Region	Quotas	Effective Sample
Atlantic Region (NB, NS, PEI, NFL)	175	175
Quebec	375	375
Ontario/Nunavut	525	525
Prairies (including AB)/NWT	325	372
BC/Yukon	200	200
Total	1,600	1,647

The questionnaire used for surveying the general public had an average length of 18 minutes.

Survey of Corporate Respondents

In addition to the survey of the general population, Leger conducted an online survey of decision-makers in small and medium-sized enterprises and of tax intermediaries. The sample for this portion of the study was purchased by Leger. Data collection took place

between January 17 and February 1, 2018. A total of 605 respondents took part in the survey: 302 SME decision-makers and 303 tax intermediaries.

More specifically, surveyed SME decision-makers included respondents with the following profile:

- President/CEO/Owner
- CFO/Comptroller
- Accountant
- Payroll Manager/Officer
- Manager
- Bookkeeper
- Financial Officer

Tax intermediaries included respondents with the following profile:

- Accountant
- Tax advisor
- Tax agent
- Tax lawyer
- Tax expert

1.4 Report

The executive summary of this report outlines key findings of the ACR's qualitative phase. The executive summary is followed by a detailed analysis of focus group findings. Additional details on the ACR methodology (qualitative and quantitative) are presented in Section 3 of this report. Recruitment questionnaires, the moderator's guides, and survey questionnaires are included in the appendix. Data tables for the quantitative surveys are reported under separate cover.

1.5 Overview of Qualitative Findings

KEY INSIGHTS – GENERAL POPULATION GROUPS

People are mostly unfamiliar with the tax system and the Canada Revenue Agency.

In general, although the CRA is well known, focus group participants are not very familiar with the agency's mission and role. Its role is often confused with the role of other federal departments. Respondents were not very familiar with Canada's tax system. Some would like to see this topic in the compulsory school curriculum.

In general, people deal with the CRA once a year during the tax season, and for some, there is no contact at all. Generally, participants from the general public prefer to have a specialist prepare their yearly income tax return. This process is considered too complex and time consuming. Handing this task over to a specialist is a way to avoid mistakes and ensure that you get back as much as possible on your tax return. Only a few participants still prefer to produce their own tax return using software.

Many general population participants perceive the system as unfair.

Participants believe that the system does not work in their favour. They believe that the system allows large corporations and rich people to avoid paying their fair share without problems, while ordinary people and small business owners cannot benefit from the same largesse. They clearly see the system as unfair when comparing the big guys to the little guys. Many also feel that the Agency spends more time "bothering" small players rather than trying to catch the big players.

The Agency is mostly perceived negatively (despite perceived improvements) ...

At first glance, participants have a rather negative impression of the Agency. At best, their impression is neutral. While some participants mentioned that the Agency has improved in recent years by facilitating how to produce and submit tax returns and by improving its website, others perceive the Agency as a complex and rigid organization, which can be frustrating and lead to many inconsistencies.

... unlike its employees who are perceived positively.

Focus group participants make a clear distinction between the system, the Agency, and the employees who work there. Several participants said that the problem lies with the system (which is not fair or ethical) and not with the Agency's employees. In fact, employees are rather positively perceived. The qualities frequently associated with CRA employees are professional and respectful.

Income Tax cheating is perceived as a serious offence.

The majority of general population participants believe that income tax cheating is a serious offence. However, they believe that Canadians are mostly honest and that they play by the rules. In their eyes, only a minority of Canadians engage in tax evasion. Moreover, they would consider it very risky to engage in income tax cheating. They believe that the CRA has many resources to identify fraudsters and to catch them.

Many of them think that if they knew someone who was engaged in tax fraud, they would advise this person to declare everything to the CRA. In fact, they are convinced that the Agency would eventually catch them, so they would strongly encourage anyone to be honest on their tax return. However, it is out of question for participants to turn into informers for the CRA. None of them would report a cheater to the Agency. They consider that it is not their job to do this and they would not want Canadians to develop a culture of denunciation. They do not like the idea of citizens turning against each other.

The underground economy and tax havens are issues that are difficult to grasp for the general public.

The Underground Economy: How Big Is the Problem?

Participants are not familiar with the concept of the underground economy. They talk about the black market or working under the table. However, they are not very familiar with the phenomenon. Most of them are not able to easily assess the extent of the problem in Canada. For some, it is widespread, while for others it is a phenomenon that is becoming less significant over time. They have a great deal of difficulty estimating the amounts the government loses yearly due to the underground economy. Part of the problem is that, in their minds, the underground economy represents only small amounts of money. They do not understand that small amounts add up over time. They also think that the underground economy consists of ordinary people trying to "survive," not of rich people or big corporations.

Tax havens

Most focus group participants remembered having recently heard about tax havens in the media. A few mentioned the "Panama Papers" or the "Paradise Papers" during the discussion. However, none of them were able to elaborate on the subject. In fact, most participants knew absolutely nothing about tax havens. Participants are unaware of what the Agency is currently doing to counter this problem. They are not aware of the programs developed or the actions that have been taken against tax evasion using tax havens. For

participants, tax havens are used by rich people or large corporations to hide large amounts of money from the CRA. It is not something accessible to the general public. It takes many resources, lawyers, and accountants to gain access to tax havens.

The issue of tax havens is more important than the underground economy.

Spontaneously, many participants were more inclined to believe that tax havens are a bigger problem for Canada than the underground economy. They believe the Agency should be spending more resources to recover money from tax havens.

Underground Economy Message Testing

Overall, seven (7) messages were tested in the general population groups. In general, participants tended to prefer messages that were rather positive and rejected those they believed were more accusatory in nature. Furthermore, messages providing advice that goes beyond tax issues were seen as positive (e.g. how a written contract with a contractor protects them in many ways). Participants indicated they would prefer a message with concrete examples that tells them how the money collected through taxes is being used.

Communications from the CRA

Participants of most groups felt that the CRA should inform and communicate to Canadians some general statistics outlining their successes in reducing or tackling the underground economy and offshore tax haven issues. General statistics should focus on the size of the problem, how many people/companies were caught, what the consequences were, and how much tax money came back to the Government of Canada in the process. Participants felt this would be a positive move since, in their view, a certain level of fear of the CRA would be an effective deterrent to tax cheating.

KEY INSIGHTS – SME AND TAX INTERMEDIARY GROUPS

Decision-makers in small and medium-sized enterprises and tax intermediaries do not seem to have a completely different opinion from general population participants. On the vast majority of topics, opinions expressed were similar, and it was possible to observe the same trends among the two target groups. Even though views were similar, some differences were observed. These main differences are detailed below.

Awareness and familiarity with the CRA is greater among SME decision-makers and tax intermediaries.

These participants have, not surprisingly, more in-depth knowledge of the CRA and have much more settled views about the agency. Unlike the general population, they are much more familiar with the Agency's mission and role. Indeed, these participants have regular contact with the CRA compared to the rest of the population. Many tax intermediaries even say they have to communicate with the CRA on a daily basis. Their experiences are reflected in their opinion.

There were notable improvements in the CRA's e-services and website.

The CRA's efforts to improve its e-services and website have been noted by SME decision-makers and tax intermediaries. They say that the CRA has been proactive in this area and seem to be pleased with the changes that have been made.

Interactions with CRA employees are frustrating.

SME decision-makers and tax intermediaries point out that CRA employees are always professional and courteous. Despite these positive aspects, many participants felt that their interactions with CRA agents are not always positive. They feel that they are not always well understood by them. They also criticize the impossibility of speaking with the same person during their various calls, which means they have to re-explain their case/problem every single time. It can be frustrating for them, especially if they get inconsistent advice from one employee to the next. They pointed out that CRA employees seem to lack training and they feel that efficiency varies a great deal from one individual to another.

Procedures and lack of flexibility are an issue.

Many decision-makers and intermediaries say that the Agency lacks flexibility. For them, excessive compliance with procedures and policies is a significant source of dissatisfaction. Beyond being mere bureaucratic annoyances, CRA procedures undermine the agents' effectiveness.

The My Account service has a strong reputation, whereas the Liaison Officer service is not known.

My Account's reputation is quite strong among decision-makers and tax intermediaries. Although many feel that the registration process is laborious, most who use it are satisfied. On the other hand, the Liaison Officer service is not known. While some

participants say they do not like the idea of inviting CRA agents into their business, many decision-makers pointed out their interest in this kind of service. They would have liked the CRA to advertise this service.

Views are similar to those of the general population regarding tax cheating, the underground economy, and offshore tax havens.

Participants who are SME decision-makers or tax intermediaries do not have completely different views from the general public about tax cheating, the underground economy, and offshore tax havens. SME decision-makers and tax intermediaries are confident that the CRA is well equipped to find tax cheaters. They would not be willing to denounce a tax cheater suspect. They don't see this as their responsibility. Tax intermediaries are more inclined to offer their help to a possible tax cheater in order to allow this person to save money legally, but they would not help someone cheat.

Regarding the tax haven issue, they had fairly broad knowledge of the subject but no specific information. Similarly to the general population, they were unable to say what the CRA is doing concretely to tackle the problem. They are unaware of the programs implemented by the CRA. However, some pointed out that tax havens are not necessarily illegal and that the CRA does not necessarily have the power to solve the problem. They tend to think that the solution might be political and needs to come from legislation. Tax intermediaries were probably the ones who knew the most about the subject and they doubted that offshore tax havens were as big of a problem as the underground economy.

Underground Economy Message Testing

Overall six (6) messages were tested in the groups of SMEs and tax intermediaries. As in the general population groups, participants tended to prefer messages that were rather positive and rejected those they believed were more accusatory in nature. However, they would advise the CRA to use a mixed approach to communicate with the public: 1) a positive approach that informs the public about the underground economy, fraud, and tax evasion, in order to increase general knowledge about these issues, and 2) an approach that would have a deterrent effect by publishing how many tax cheaters were caught, the consequences of tax evasion, and the amount of money recovered by the CRA.

1.6 Additional information

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