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2018-2019 CRA Leads Program Qualitative Research

Executive Summary

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Prepared for the Canada Revenue Agency by Sage Research Corporation

June 2019

The Canada Revenue Agency (CRA) commissioned Sage Research Corporation to conduct a qualitative public opinion research study on awareness and perceptions of the CRA's Leads Program and to test various communication materials related to reporting leads on suspected cases of domestic tax cheating to the CRA. The results were used to help the Leads Program continue to strategize toward improving the quality of the leads it receives and improving communications with taxpayers. Eight focus groups were conducted between February 12 and 21, 2019, with two groups in each of Moncton, Montreal, Toronto and Vancouver. The groups varied in household income, and the likelihood that they would report a person suspected of tax cheating. This publication reports on the findings of this public opinion research study.

Cette publication est aussi disponible en français sous le titre : Recherche qualitative 2018-2019 sur le Programme des indices de l'ARC

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Executive Summary

The Leads Program provides an opportunity for members of the public to come forward and anonymously report suspected cases of non-compliance with federal tax laws. It coordinates and reviews all domestic leads received to assist the Canada Revenue Agency (CRA) in identifying taxpayers who are not complying with their tax obligations. A lead is information provided to the CRA by the public that indicates suspected tax cheating.

The Program relies on the public to provide the CRA with meaningful, actionable leads. As such, the quality of the leads received is linked to program success. The Leads Program is taking steps to improve the quality of the leads it receives. Communications activities have been undertaken to provide greater clarity to Canadians on the type of information needed when submitting a lead. Furthermore, as recommended by the Minister's Underground Economy Advisory Committee, the CRA has made improvements to the Leads Program external web page.

The purpose of this research was to obtain information from the general public that will help the Leads Program continue to strategize toward improving the quality of the leads it receives and improving communications with taxpayers.

The research objectives included:

- Assess current public awareness and perceptions of the CRA Leads Program (particularly its brand), its role and value;
- Explore the public's understanding and expectations around the Leads submission process and what the CRA does with submissions;
- Identify drivers of and barriers to reporting tax evasion;
- Test some existing and newly developed communications materials.

In support of the above objectives, the communication effectiveness of the following materials was explored in the focus groups:

- Five different messaging concepts to encourage reporting a lead;
- The CRA website that gives information about reporting a lead;
- Examples of complete and incomplete leads.

Eight focus groups were conducted between February 12 and 21, 2019, with two groups in each of Moncton, Montreal, Toronto and Vancouver. The groups varied in household income, and the likelihood that they would report a person suspected of tax cheating. Two focus groups were conducted with each of the following target groups: low/medium income – less likely to report, higher income – less likely to report, low/medium income – more likely to report, and higher income – more likely to report.

This research was qualitative in nature, not quantitative. As such, the results provide an indication of participants' views about the topics explored, but cannot be statistically generalized to the full population. Qualitative research does, however, produce a richness and depth of response not

readily available through other methods of research. It is the insight and direction provided by qualitative research that makes it an appropriate tool for exploring participants' opinions and their reactions to the communication materials.

Impressions of the CRA's Efforts to Address Domestic Tax Cheating

The majority of participants across all target groups said they had little or no awareness of the CRA's efforts to address domestic tax cheating. Of the minority of participants with an impression of the CRA's efforts with respect to domestic tax cheating, the most common impression was that the CRA focusses more on "the little guy" than on wealthy individuals and large businesses.

Awareness that the CRA accepts leads from the public: The majority of participants in all target groups said they were not specifically aware that the CRA provides a way for members of the public to report a case of suspected domestic tax cheating to the CRA. Among the minority who said they were aware the CRA accepts leads, this mostly consisted of a vague level of awareness, with no specific knowledge of the program or how one might report a lead.

Awareness of the Leads Program by name: None of the participants were aware of the name "Leads Program" ("Programme des indices", in French) on either an unaided or aided basis.

Perceived Factors Affecting Likelihood of Reporting Tax Cheating

Participants were asked reasons why a person might be more likely to report a case of suspected domestic tax cheating, and why a person might be less likely to report this. The results were similar across all target groups.

More likely to report: Most of the reasons participants mentioned why a person might be more likely to report a case of suspected tax cheating fell into two categories: a personal connection to the tax cheater, or a principled objection to the tax cheating. Both categories of reasons were widely mentioned.

- Personal connection to the suspected tax cheater: In this category, the two most widely mentioned reasons for being more likely to report were personal dislike for the suspected tax cheater, or jealousy of the tax cheater's lifestyle.
- Principled objections to the tax cheating: The two most widely mentioned principled reasons that could motivate someone to report suspected tax cheating were fairness in the sense of "I pay my fair share in taxes and so should everyone else", and taxes pay for important programs and services so tax cheating means less money to fund these.

Less likely to report: The low level of awareness that the CRA accepts leads from the public about suspected domestic cheating is one important reason why a person might be less likely to report a tip. Beyond this, the four most commonly mentioned reasons why a person might be less likely to report a case of suspected domestic tax cheating were:

- Concern about anonymity – i.e. if the suspected tax cheater finds out who informed on them, there could be reprisals
- Protect a family member or friend

- Small dollar magnitude: The reasons given for being less likely to report when the dollar magnitude is perceived to be “small” included:
 - The suspected tax cheating is not perceived to be serious.
 - It is not worth the time and effort to report it.
 - The CRA may spend much more on the investigation than is recovered.
- Compassion for the person or business: A person may be reluctant to report tax cheating by what they perceive as an honest person or small business just struggling to get by.

Other reasons mentioned by some participants for being less likely to report suspected domestic tax cheating included:

- A general value that “people should mind their own business.”
- Not sufficiently sure there was tax cheating – i.e. do not want to get someone in trouble who is not actually a tax cheat.
- The CRA might also focus on the tax compliance of the person submitting a lead.
- Some unreported cash income is perceived to be culturally acceptable – “everyone does it.”
- A suspicion that the CRA may not actually do anything with the lead – an attitude that might at least in part be driven by the relatively low awareness of what the CRA does to address domestic tax cheating, and low awareness that the CRA accepts and acts upon leads from the public.

Reactions to Messages

Participants were shown five messages in the context of the statement, “Here are some different concepts for messages to encourage someone who knows of a suspected case of tax cheating by a person or business to report it to the CRA.” For ease of reference, the concepts were assigned letter names. The results were similar across the different target groups.

Strongest concept: Concept S

S: Tax cheating takes away from funding for crucial services like hospitals, schools and programs that we all rely on. It may not always be easy, but by reporting tax cheating to the CRA, you’re helping to make sure the tax system is fair to everyone.

Concept S was strongest of the five concepts, with almost all categorizing it as “meaningful and motivating”, and with a large majority ranking it as first or second on this dimension. The key perceived element of Concept S that drove the widespread positive reaction was the reference to “*crucial services like hospitals, schools and programs that we all rely on.*” This presents a concrete and relatable benefit associated with reporting tax cheating. It was often commented that referring to schools and hospitals also adds a positive emotional dimension to the concept, because of the importance of these institutions in most people’s lives.

Other positive elements included the reference to fairness, and the apparent empathy in acknowledging that “*it may not always be easy*” to report a lead to the CRA. There were no notable negative reactions to the concept.

Next strongest concept: Concept F

F: The Government of Canada is committed to making the tax system fair for all. All taxpayers have to pay their fair share of taxes and abide by Canadian law. Do you suspect someone or a business of tax cheating? Report them to the Canada Revenue Agency (CRA). Your identity will be protected and the information you provide to the CRA will remain anonymous, by law.

Concept F was the next strongest concept after Concept S. About three-quarters categorized it as “meaningful and motivating”, and about half ranked it first or second. The single most important perceived positive element of F was the last sentence, *“Your identity will be protected and the information you provide to the CRA will remain anonymous, by law.”* This directly addresses a barrier to reporting a tip that was important to many participants. This led some participants to suggest adding this to Concept S, to make that concept even stronger.

The main issue quite a few participants had with Concept F was the language: it was seen as written in a dry, “government” style that was neither interesting or emotionally engaging – particularly in comparison to Concept S.

Intermediate concepts: Concepts K and R

K: A few dollars of unreported income may not seem like a big deal, but collectively they amount to billions of dollars lost that are needed to fund public services in your community. Be part of the solution! Report suspected tax cheating.

R: Someone who uses government services but doesn’t pay taxes is putting their hands in your pocketbook and helping themselves. That just isn’t right. Report suspected tax cheating to us.

For each of these two concepts, a bit over half categorized each as “meaningful and motivating”, a bit less than one-third ranked each as first or second.

Concept K: Among those who liked Concept K, the main positive elements were:

- *“...billions of dollars lost that are needed to fund public services in your community”*: The reference to “billions of dollars” concretely conveys that a lot of money is not collected due to tax cheating.
- *“Be part of the solution”*: Some liked this softer phrasing of the call to action more than the phrase used in Concept B in particular (*“Do your part and report it!”*), which some perceived to be too “bossy.”

The main issue that some participants had with Concept K was the reference to *“a few dollars of unreported income.”* As noted earlier, many participants said they would not report suspected tax fraud to the CRA if the dollar magnitude was perceived to be small. This also led some to perceive Concept K as the CRA focusing investigation of tax cheating on “the little guy.”

Concept R: Participants were basically divided over the tone of the concept, as conveyed by the phrase, *“putting their hands in your pocketbook and helping themselves.”* Some found this strong statement of personal impact to be motivating. Some other participants perceived the tone of Concept R to be too dramatic, or “over the top” as one participant put it.

Weakest concept: Concept B

B: Some people think that if they don't declare a small amount of income, if they operate in cash, or if they don't keep records, the CRA won't find out. That's false. The CRA has many tools and partners to detect tax cheating. Do your part and report it!

Concept B was perceived negatively by most participants. There were several aspects of Concept B that many participants did not like:

- Perceived to focus on suspected tax cheating by "the little guy"
- *"The CRA has many tools and partners to detect tax cheating."*: There were two different types of negative reactions to this sentence:
 - It seems to negate the need for people to report leads to the CRA, because it says the CRA already has the capabilities needed to detect tax cheating.
 - Some perceived the concept as implying extensive surveillance of Canadians by the government, and did not like that image.
- Tone is perceived to be too bossy/aggressive

CRA Website Page - Overview

Participants reviewed the first three pages from the CRA website, *Report a lead on suspected tax cheating in Canada: Overview, What you need to know, and Information to include.*

A general observation is that overall participants perceived the material on the three web pages to be clearly written and easy to understand. There were issues with particular elements on some of the pages, but these were usually more about whether or not they agreed with the content.

Perceived impact of no feedback

The *Overview* page states:

However, you will not receive feedback or updates after you submit a lead. This is because the CRA cannot disclose information about other taxpayers.

Most participants agreed that for privacy reasons the CRA should not disclose personal information about the target of the lead. That said, some said that this lack of *"feedback or updates"* would cause some people to be less likely to report a suspected case of tax cheating.

Participants made various suggestions about what the CRA could do to help offset the discouraging impact of "no feedback." A suggestion that many supported was to give aggregate statistical information on the value of the Leads Program. General information of this sort would not violate anybody's privacy. The idea is that it would help motivate people to report, and to feel good about having gone through the effort to report, to know that the Leads Program is effective. It was further suggested that this information be not only in an acknowledgement to a lead submission, but also on the *Overview* web page. Putting it on the web page could help offset the potential negative impact of the "no feedback or updates" text on likelihood of going ahead and submitting a lead.

Reactions to no monetary rewards

The Overview web page states, “Furthermore, the CRA does not give monetary rewards for information about suspected tax cheating under this program.” While some participants said a monetary reward should be given in order to motivate people to submit leads, a large majority agreed with the current CRA policy of not giving monetary rewards for cases of domestic tax cheating. Participants who said there should be no monetary rewards agreed that offering a monetary rewards would increase the number of leads submitted to the CRA. However, they voiced two types of objections to offering rewards:

- There would be a large number of poor quality leads.
- Offering a reward would violate the CRA’s privacy commitment: Some participants said if the monetary reward is tied in some way to money being collected from the target, this gives the person submitting a lead some personal information about the target.

CRA Website Page – *What you need to know*

Privacy section

Many participants said it is very important that the person submitting a lead be anonymous in the sense that the target never learn the identity of the person. The *Privacy* section of this web page addresses that topic in the subsection titled *You will remain anonymous*. This subsection can be divided into a part that participants liked because it is perceived to promise anonymity, and a part that many participants did not like because they interpreted it as undermining the promise of anonymity:

Participants liked this part	You will remain anonymous When you report suspected tax cheating (by submitting a lead), you will not be asked to disclose personal information about yourself. The protection of personal information is important, and the CRA is committed to protecting your identity.
Participants did not like this part	This means that the CRA will do all it can, under the law, to protect your identity along with any information that suggests you submitted a lead. Accordingly, if asked to disclose that information under a formal Access to Information Act request or Privacy Act request, the CRA will claim an exemption from such disclosure under subparagraphs 16(1)(c)(ii) of the Access to Information Act and 22(1)(b)(ii) of the Privacy Act.

There were two perceived problems with the latter part that undermined the perceived simple and straightforward promise of anonymity in the first part:

- “the CRA will do all it can”: This was widely interpreted as meaning there are circumstances in which the CRA will release the identity of the person submitting a lead.
- Reference to various legal statutes: Some participants said the extended reference to various legal statutes was confusing and did not really mean anything to them. Because of this, it did not provide reassurance that they would remain anonymous.

Process section

Process

When the CRA receives a lead (it must be in English or French), it will take these steps:

- verify the identity of the suspected tax cheat
- review the lead to determine if tax cheating occurred
- take the appropriate action to address the specific type of tax cheating

Many participants commented that this section is clearly written and provides good information. A key perceived positive take-away is the impression that the CRA will take action – which can help to motivate someone to proceed to submit their lead.

Participants were asked specifically about the third bullet point, which refers to “*take the appropriate action.*” Most were comfortable with the language, and some commented that they interpreted “appropriate action” to mean that the CRA could take actions of varying severity depending on the specifics of the case. This was perceived to be a good thing, and can help someone feel better about submitting a lead. They do not need to feel worried or guilty that the person they are informing on will be punished more severely than is warranted.

Participants were also shown the following text that might be added to the third bullet point:

These compliance actions range from mild to severe and may include education letters, reassessments, audits, and, when warranted, fines, penalties, or criminal prosecution. Depending on the type of intervention, it may take us some time to process the file. The ultimate goal is to bring the taxpayer back into long-term tax compliance.

Participants were divided on whether or not to add this text to the third bullet point. Some liked spelling out the idea that there is a range of actions the CRA might take – even if they had already inferred that from “appropriate action”, while others felt it was unnecessary.

A suggestion made in some focus groups was to leave the text of the third bullet as is, but make “appropriate action” a hyperlink to the above explanation. Many participants agreed with this suggestion, because it clearly indicates that more information is available on the meaning of “appropriate action” for those who want it, but does not force it on those who do not feel a need to read more.

CRA Website Page – *Information to include*

The *Information to include* web page contains four sections: *Key identifiers, Facts, Supporting documents,* and *Examples of complete and incomplete leads.* The focus group discussion concentrated on the last section.

Most participants liked the concept of providing an example of an incomplete versus a more complete lead. This was perceived to make what the CRA is expecting more concrete, and to illustrate what would not be adequate. Participants felt it would help reduce the number of inadequate leads submitted. Some participants understood from text on the website that a person can submit a somewhat less than complete lead even if they do not have all the information required for a complete lead.

Although the concept of providing an example of incomplete and a complete lead was viewed as helpful, quite a few participants said the complete lead could discourage people from proceeding to submit their lead. The issue is that the complete lead examples contain a lot of detail that participants felt would often not be available to a person submitting a lead. A person focusing on the complete lead, and comparing its level of detail to the level of detail in their lead may conclude that they do not have enough information to satisfy the CRA or to justify submitting the lead.

Participants were directed to look at the first two sentences on the *Information to Include* page (so, prior to the *Key identifiers, Facts and Supporting documents* sections). These sentences state: “*You may not have all the information suggested below. But the more details you give, the easier it is for the CRA to level the playing field for all Canadians.*” This text was perceived as clearly indicating that it is acceptable and useful to the CRA for a person to submit a less than complete lead. The problem is some said they forgot about this by the time they reached the section with the incomplete and complete leads. Some suggested this needs to be restated in this section.

Some participants suggested that to reduce the potentially discouraging impact of the complete lead, there should also be an example of some sort of intermediate lead that would not be complete, yet would contain enough information to be useful to the CRA. This would concretely communicate that leads do not need to be complete. Several participants suggested a variation on this, which would be a lead with “the minimum information the CRA needs.”

Impact

The research identified various communication themes that have potential to increase willingness to report suspected domestic tax cheating.

A basic and necessary communication objective is to create awareness that the CRA accepts leads from the public about suspected domestic tax cheating. Awareness of this fact is relatively low.

Beyond this, the more important communication themes would be:

- Fairness in the sense of “I pay my fair share in taxes and so should everyone else”
- Taxes pay for important programs and services so tax cheating means less money to fund these; it is better to mention specific programs and services that are widely used in order to make the point in a more concrete and relatable way.
- The person submitting a lead will be anonymous.
- The CRA is not just targeting “the little guy” or small dollar amounts.
- Provide comparative examples of incomplete and complete leads to help encourage leads that have more information. However, because the amount and types of information in a complete lead may discourage reporting a lead, also convey there is value to submitting a lead even if it’s not quite complete.
- Demonstrate the value and effectiveness of the Leads Program through some statistical measures of impact; this is important (a) to offset the fact the CRA cannot give feedback on individual cases, (b) to show that the CRA does act on leads submitted by the public, and perhaps (c) to show that the amount collected is significant.

Contract value: \$70,886.03 including HST

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A handwritten signature in blue ink that reads "Rick Robson". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Rick Robson
Vice-President
Sage Research Corporation

