



Canada Revenue
Agency

Agence du revenu
du Canada

2021-2022 Annual Corporate Research (ACR) Qualitative Component

Executive Summary

Prepared for Canada Revenue Agency

Prepared by Narrative Research

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Canada 

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Prepared for Canada Revenue Agency

Supplier Name: Narrative Research

September 2022

This report presents the results for the 2021-2022 Annual Corporate Research – Qualitative Component conducted by Narrative Research, on behalf of the Canada Revenue Agency. This report presents the findings of the online focus groups conducted from May 24 to July 6, 2022. This component of the research entailed a total of 30 online focus groups, namely 10 groups with each of three audiences: individual taxpayers, representatives of small and medium size businesses, and tax professionals. Two groups per audience were conducted in each of five regions: West, Ontario, Quebec, Atlantic, and remote areas. In half of the groups, the discussion focused on service elements, while in the second half of the groups, the discussion focused on compliance elements.

Cette publication est aussi disponible en français sous le titre:

Recherche d'entreprise annuelle de l'ARC de 2021 - 2022 - Constatations qualitatives

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Background and Research Objectives

In 2005, the Canada Revenue Agency (CRA) launched an annual survey that focuses on corporate-wide issues, with the aim to provide a public opinion context for strategic planning and reporting. A review of the methodology was conducted by the CRA in 2010 which led to the redesign of the Annual Corporate Research (ACR) in 2011 to include a core survey each year along with annually rotating modules and focus groups, featuring expanded target audiences. The fiscal year of 2011-2012 saw the first iteration of the ACR's new cycle. In 2013, new questions were added to examine experiences with the CRA website. The 2013, 2016, 2018 and 2020 editions repeated the service-focused module and the 2017 iteration was the first compliance module and was repeated again in 2019.

In 2021, another in-depth review of the methodology has been conducted, and the ACR has been updated to reflect changes in corporate priorities and tax-related themes, as well as technological changes that have evolved since 2010. The redesigned format of the Annual Corporate Research will involve a change in design, where following the completion of the quantitative (survey), a separate qualitative research contract was awarded to conduct focus groups covering both service and compliance subject-matter, with groups being conducted on an annual basis. The annual addition of service and compliance groups helps explore in greater detail results from the previous survey component within a qualitative context following tax-filing season, where participant recall of their filing experiences are based on recent experiences.

In this context, the CRA was interested in assessing public perceptions of taxpayers, small and medium-sized businesses, and professionals involved in assisting small businesses with their taxes. This information collected will enable the CRA to gauge factors such as trust in, and satisfaction with, the CRA, contextualize other study information, inform strategic decisions, and provide information for reporting on engagement and reputation management.

The following themes were examined during the study:

- Reputation & overall perceptions of the CRA
- Experience with income tax filing
- Perceptions of contacts and dealings with the CRA
- Methods of contact
- Attitudes about services and service expectations (website, portals and communications)
- Attitudes about compliance, underground economy and related activities.

Target Populations

There were three target audiences:

- **Individual taxpayers:** Those aged 18 who have lived in Canada for a minimum of one year
- **Small and medium-sized businesses (SMEs):** Businesses of less than 100 employees. Participants included the business decision-makers or individuals involved in decisions related to the business tax matters, payroll, GST/HST preparation, or bookkeeping. Acceptable job titles included:
 - President/CEO/Owner
 - CFO/Comptroller
 - Accountant
 - Payroll Manager/Officer
 - Manager
 - Bookkeeper
 - Financial Officer
- **Tax Intermediaries (TIs or Intermediaries):** Those who work with small and medium size business clients (<100 employees) on tax-related or payroll matters.

Research Methodology

A total of 30 online focus groups were conducted, namely 10 sessions with each audience. The following table provides a breakdown of groups by audience, region and language.

Distribution of Focus Groups						
	English				French	Total
	West	Ontario	Atlantic	North	Quebec	
Individual Taxpayers	2	2	2	2	2	10
Small and Medium Size Enterprises	2	2	2	2	2	10
Tax professionals	2	2	2	2	2	10
Total	6	6	6	6	6	30

Sessions in Quebec were conducted in French while all other sessions were in English. The online focus groups were held from May 24 to July 6, 2022 and each session lasted approximately 2 hours. Business audiences received an incentive of \$200, while members from the general public received \$100 in compensation. In total 287 individuals were recruited using panels and RDD calling and 240 took part in the sessions.

This report presents the detailed findings from the qualitative portion of this study. Caution must be exercised when interpreting the results from this study, as qualitative research is directional only and is not statistically projectable. The qualitative results cannot be attributed to the overall populations under study, with any degree of confidence.

Political Neutrality Statement and Contact Information

I hereby certify as a Senior Officer of Narrative Research 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 contain any reference to electoral voting intentions, political party preferences, standings with the electorate, or ratings of the performance of a political party or its leader.



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Key Findings

Impressions of the CRA

Opinions of the CRA are neutral to moderately positive, having declined compared to similar research conducted prior to the pandemic. On the positive side, the professionalism and friendly demeanor of CRA agents and continuous improvements to online services primarily support favourable impressions. Improved access and functionality to the secure portals, My Account, My Business Account, and Represent a Client are acknowledged and appreciated for providing convenience and timely transactions.

Issues with the phone service most notably contributed to negative feelings. These issues included long wait time, calls being dropped or not returned and being transferred to multiple agents. Other issues included; being provided contradictory information and long wait time for remittance of overpayments and issue resolution. Opinions were generally consistent across audiences, although SMEs, and even more so Intermediaries, expect faster service on the phone, and easier access to experienced agents. Intermediaries also called for enhancements to Represent a Client, notably in terms of accessing clients' accounts.

Income Tax Return Completion

Individual Taxpayers and SMEs are slightly more likely to rely on someone else, or someone outside of the business, to file their taxes. Often, the decision to use a professional or experienced tax preparer is based on a greater assurance of quality, thus avoiding potentially costly mistakes in filing taxes. In addition, relying on someone familiar with the tax laws provides greater assurance that all benefits and credits available are accessed. In addition, in a year dominated by the COVID-19 pandemic, there is a desire among SMEs to stay focused on running the business.

Individual Taxpayers generally report filing their taxes on time to avoid penalties, or to receive a return more quickly, and very few recall experiences that affected their ability not to file on time apart from situations where access to required documents or receipts was delayed by an employer, a former spouse, or the CRA.

There are mixed opinions in terms of how filing a tax return has changed over the recent past. While the tax software products are seen as having improved, increased requirements from the CRA for information and supporting documentation, and changing benefits and deductions, led some Individual Taxpayers and SMEs to say that the process is harder than it used to be.

Although the CRA is considered as acknowledging the need for service accessibility, the focus on moving services online is considered as limiting access to some Canadian taxpayers. At times, the CRA is also seen as lacking flexibility in the options available for tax payment.

Online Services and Security

Online Services:

Across audiences, the Internet is an important tool for communications, record-keeping, and personal and businesses finances, including filing income taxes and accessing information. Participants in all target groups were either already using the Internet extensively or have generally found that they have been using it more in recent years. Out of convenience, Individual Taxpayers report largely relying on the Internet for their personal finances, notably in terms of banking, bill payment, and retail purchases, but less so to access their tax information through My Account, and even less so to access other government services. SMEs and Intermediaries also report increased reliance on the Internet for business activities as improved functionalities have made their work easier, including accessing tax information through My Business Account and Represent a Client.

My Account / My Business Account / Represent a Client:

Awareness of the CRA online portals is high across audiences, although usage varies. While many Individual Taxpayers have set up My Account, most generally access it only once or twice a year to verify the status of a tax return or benefit payment, or to access their notice of assessment. My Account is increasingly well regarded for being easy to use now that the login process is streamlined.

Usage of My Business Account and Represent a Client is higher among SMEs, and even higher among Intermediaries who all rely heavily on these tools. Activities such as reviewing balances, reviewing information on credits, GST and income tax applied, or accessing the mailbox are most reported uses by SMEs. The platform is considered user-friendly once familiar with it, though suggestions were made to include a dashboard to summarize most recent activities. Intermediaries, who use My Business Account and Represent a Client frequently, would like to have the ability to change their business clients' address or banking information on the portals, when permission is granted and would also like to have more advanced online functionality, such as uploading of larger documents or enabling electronic signatures.

Apart for the online portals, SMEs and Intermediaries are likely to use the CRA's electronic payment tool, GST/HST Netfile, Business Registration Online and Attach-a-document or Submit-a-document. Usage of the CRA's BizApp is infrequent.

The CRA's Approach to Technology and Security:

In terms of its use of technology, the CRA is considered up-to-date and keeping up with technology, though it is not seen as leading edge. Individual Taxpayers hold more favourable opinions in that regard than SMEs and Intermediaries. Nonetheless, the organization is seen as performing better than other government departments and agencies, though trailing behind financial institutions. Navigation issues with the CRA website and the unavailability of advanced online tools or features (such as a chat bot) may contribute to negative perceptions of the organization in terms of its familiarity with technology.

From a security standpoint, there is general trust in the CRA client portals, though participants across audiences recognize the risk for security threats and see nothing online as fully secure. This general sentiment extends to other aspects of the CRA's work as well, and it is believed that protection measures need continual attention and improvement.

Service Experience:

Communications Channels:

While Intermediaries make use of various channels when interacting with the CRA, Individual Taxpayers and SMEs primarily rely on the CRA website and personal telephone contact with an employee, and to a lesser extent My Business Account for SMEs.

Telephone: Telephone is a common means of interacting with the CRA, and while the service provided by agents is appreciated, the long wait time and the inability for SMEs and particularly Intermediaries to access specialized experts are among the most important points of frustration. The CRA's automated telephone service is not widely used or known and holds little appeal among SMEs and Intermediaries.

Mail: Individual Taxpayers report that correspondence they receive by mail or online primarily originates from the CRA or is required by the CRA for certain transactions, rather than being the preferred form of communication of clients. While speed of communication and record keeping are viewed as advantages of online communications, there is a fear that something could be missed if emails or the CRA online portals are not accessed frequently. Many of the SME representatives in the sessions, especially those in smaller organizations, open the mail that is addressed to the business, including mail received from the CRA. Despite mail interactions being infrequent, there continues to be an occasional preference for it out of convenience or habit, or as required by the CRA, and for commanding attention, being accessible, and more secure. This is most notably the case for notices of assessment, even if this document is available online. This seemed to be motivated by a desire to conveniently file important documents.

Service Attributes:

The service provision from the CRA is considered to have largely remained unchanged within the past few years, with access by telephone (the time to reach an agent) still being an issue, while the experience with agents remains positive. There is an acknowledgement that online services have improved. Regardless of the method for interacting with the CRA, several service attributes are most desired across all audiences:

- **Knowledge/Expertise/Accuracy:** There is an expectation that the CRA will provide expert advice, accurate information, and proper guidance in response to queries. This is especially important for Intermediaries.
- **Compassion/Patience/Understanding/Listening/Empathy:** A feeling of being listened to and understood is an important consideration and a show of respect, which is valued across audiences, but especially so for Individual Taxpayers and Intermediaries.

- **Professionalism:** Receiving a service in a professional manner is of particular importance to SMEs and Intermediaries.
- **User-Friendly/Efficient/Helpful:** Simplicity and ease of use of the different tools available, as well as in understanding the information provided is of importance, especially to Individual Taxpayers and SMEs who are not as knowledgeable of the tax laws. Quick service and quick resolution of queries or issues are viewed as important considerations as well.

Tax Education

Tax education is considered paramount as part of enhancing taxpayers' financial literacy, and an area where it is felt the CRA should play a role. The most important information to convey includes; how to fill out a tax return, the credits and benefits available, taxpayers' responsibilities, how taxes collected are redistributed (services received), as well as broader financial literacy topics, such as financial planning and savings. Intermediaries also believe that education should be provided on the requirements when setting up a business, especially in areas that impact tax filing. Conducting tax education through the high school curriculum was seen as the best way to improve taxpayers' knowledge, while for businesses, it was felt that online materials and in-person tutorials would be best.

Integrity of the Tax System

Addressing Issues of Non-Compliance:

Of six tax avoidance examples presented, filing an inaccurate tax return was considered most serious across both Individual Taxpayers and SMEs because it is a deliberate fraudulent act that involves serious consequences. The second most serious example for Individual Taxpayers consisted in not declaring income from an Airbnb, while SMEs tended to select their second choice based on the amount of money involved. In determining which of the activities were more serious, Individual Taxpayers often considered the amount of money involved, how conscious or deliberate the activity was, how traceable or easily detected it was (and therefore the likelihood of being caught) and also how much impact the activity had on others. For SMEs, the deciding factor was often the amount of profit involved or taxes avoided with greater amounts adding to the seriousness of the action.

Crypto-Currency Transactions:

SMEs and Intermediaries typically have little knowledge about crypto-currency and tax implications. The SMEs tend to look to their Intermediaries for assistance, who in turn look to the CRA for guidance and answers.

Perceived Level of Cheating:

All three target groups felt most taxpayers complete their taxes honestly and pay their fair share, although higher-income taxpayers are believed to have the resources needed to legally take advantage of the tax loopholes. Consistently though, cash businesses such as tradespeople, those who earn tips in restaurants (servers and bartenders) and personal care businesses such as hairdressers were thought to be the ones who could (and would) under-report cash revenues. Aside from the potential for direct

implications such as prosecution or fines, the implications from tax cheating mentioned included less money for public services, increased tax burden for others and of course, the unfairness of the situation.

Reporting Tax Fraud:

Among both Individual Taxpayers and SMEs, there is great reluctance to report personal or business tax evasion even when certain, for fear of unfairly judging the situation. People generally feel that what others are doing is “none of their business”, with some of the belief that there may be attenuating circumstances that may explain the cheating, especially for low-income households. A concern for living in a place where people would be reporting on each other was also expressed. In general, acceptance of the behaviour among individual taxpayer was more accepted than among businesses. Participants were unsure of how to report this type of situation, but upon thinking about it, felt they would go through the CRA or another government department.

Audit Experience:

Intermediaries who had experienced audits on behalf of clients felt the majority had been handled well. Several commented that the more senior/experienced people at the CRA were knowledgeable and reasonable in their approach. Improvements to the audit process were suggested, notably in informing newcomers of the process itself and for very new immigrants to reassure them that audit would not impact their ability to stay in Canada, providing a longer timeframe for clients’ response or shortening the CRA’s response time, ensure that auditors are aware of modern accounting principles, and allowing intermediaries to coordinate the audit directly with the CRA with a client’s permission.

Underground Economy

Definition:

The concept of the underground economy is generally understood or referred to by conducting business “under-the-table” by English participants. French-speaking participants are most familiar with the term “travail au noir” or “sous la table”. It was felt to be most common in the construction and service industries, with smaller businesses, and where cash transactions are common. Across audiences, there is little awareness or understanding of what the CRA is doing to address the situation. The general sense among Individual Taxpayers and SMEs is that the Agency is putting in efforts to tackle the issue, while Intermediaries are more critical of the Agency in how effective it is in addressing the issue. In general, where small amounts are involved, the allocation of CRA resources may not be worth it given the small payback.

Publicly Available Information:

The general consensus across all target groups is the use of publicly available information, including information on social media, is acceptable as the CRA enforces tax laws, as long as the findings are obtained from a public source. For example, “friending” someone to get more information was not considered appropriate. Participants also cautioned that everything that is seen online is not always true – so a new expensive item as an example, might be just borrowed for the picture and not actually owned by the person.

Big Fish Little Fish:

There was general understanding of the terms Big Fish and Little Fish across all target groups. Big Fish are generally seen as more frequently using tax avoidance measures. While this is not seen as illegal, it is cause for envy and frustration. There was little awareness of media stories about compliance and little evidence that anything had been done with the information. That said, there is generally a desire to hear more about the CRA's efforts in enforcing compliance.

Education:

There is an expectation that the CRA should educate the public on tax compliance, notably in high school or via a public education campaign. This was felt to be needed to minimize cheating but also mis-reporting resulting from taxpayers and businesses not fully understanding the tax laws. Again, informing about the services and benefits Canadians receive from their tax dollars was felt to contribute to greater compliance.

Tax Avoidance and Tax Evasion:

There is a fair level of understanding across all target groups between the terms “tax evasion” and “tax avoidance”, with both being perceived as having different levels of severity. While tax evasion is considered illegal, tax avoidance is viewed as legitimate. Perhaps as a result, tax evasion is considered a much more serious offense than tax avoidance, although both are viewed as providing unfair advantages to larger businesses and wealthier Canadians. Very little is seen or heard about individuals or businesses being investigated or convicted of tax fraud, although there is some interest in this kind of information.

Offshore Compliance

While the concept of offshore tax havens is familiar, there is minimal recall of specific examples in recent years. Many assume that the CRA is doing its best to address the issue, although very little is known as to how this is done. Some are not prepared to give the CRA the benefit of the doubt because of the lack of evidence of results.

Voluntary Disclosures

Participants were presented with a scenario whereby they would discover they, or their client in the case of Intermediaries, owed \$1,000 in taxes from two years before resulting from an honest mistake. They were asked how they would react in this situation. While all Intermediaries would advise their client to amend their tax return to show the overlooked income, some SMEs would seek advice from their accountant before reporting the situation to the CRA (but would still generally pay) and Individual Taxpayers would generally report it especially if a larger amount is involved. The risks of fines and that the CRA would investigate previous years' tax returns was a consideration for many and a factor in their choice to report or not the error. While intentions to repay was strong at the \$1,000 level, it was even stronger at the \$10,000 level.

Overall, awareness of the Voluntary Disclosure Program is low, but across target groups, the consensus was that it was a reasonable program to have in place.

Attitudes Towards Debt

A tax-related debt is deemed as important and similar to one owed to the bank that should be paid promptly. There is mixed awareness of payment options for taxes owed, and a general consensus that more flexible options should be available and that all taxpayers should have access to the same options.