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du Canada

Voluntary Disclosures Program Research

Final Report

Prepared for the Canada Revenue Agency

Supplier: Ipsos

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Canada 

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June 2023

This public opinion research report presents the results of qualitative research conducted by Ipsos on behalf of the CRA. A total of eight (8) online focus groups were conducted among tax professionals throughout March 2023.

Cette publication est aussi disponible en français sous le titre:

Recherche sur le Programme des divulgations volontaires

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Table of Contents

Table of Contents	iii
Executive Summary	1
Introduction and Research Objectives	1
Overview of Methodology.....	1
Summary of Key Findings	2
Experience with the VDP	2
Perceived Efficacy of the VDP.....	2
Awareness and Information Sources.....	3
VDP Application Process.....	4
Fairness of the VDP	4
Consistency with CRA’s Compliance Duties.....	4
Political Neutrality Statement	4
Detailed Report	6
1. Introduction	6
1.1 Introduction and Background.....	6
1.2 Research Objectives	6
1.3 Intended Use of Findings.....	7
1.4 Methodology	8
2. Detailed Findings	9
2.1 Top-of-Mind Associations with the Voluntary Disclosures Program	9
2.2 Experiences of accessing the Voluntary Disclosures Program.....	9
2.3 Perceived Efficacy of the Voluntary Disclosures Program	10
2.4 Administration of the Voluntary Disclosures Program	15
2.5 Macro Perspectives of the Voluntary Disclosures Program.....	19
3. Conclusion.....	20
Appendix A:	21
Appendix B:	31

Executive Summary

Ipsos

Contract Number: CW2272513

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Introduction and Research Objectives

The Canada Revenue Agency (CRA) collects taxes, administers tax law and policy, and delivers benefit programs and tax credits. The ability of the CRA to protect the revenue/tax base in Canada is strongly influenced by public confidence in how the Agency administers Canada's tax laws. The CRA Voluntary Disclosures Program (VDP) promotes compliance with Canada's tax laws by encouraging taxpayers to voluntarily come forward and correct any previous errors or omissions in their tax affairs. Most Canadians file and pay their taxes in full and on time, and it is important that the relief provided under the VDP be fair and not reward individuals or corporations looking for a way to avoid paying their fair share of taxes.

This report presents the findings from qualitative research conducted with tax professionals on their perspectives of the VDP. The primary objective of this research was to measure public awareness, knowledge, and opinions of the VDP among tax professionals and identify any barriers that may prevent potential applicants from coming forward.

Overview of Methodology

This research took the form of eight (8) online focus groups with tax professionals: six (6) groups conducted in English and two (2) groups conducted in French. A total of 59 tax professionals participated in the research, which occurred between March 23rd - 30th, 2023. Ipsos provided an honorarium of \$300 CDN to participants to attend the focus groups.

It should be noted that qualitative findings presented in this report are intended to reveal a rich range of opinions and interpretations. Qualitative findings are not statistically projectable in nature, and thus, should not be extrapolated to the broader population.

Summary of Key Findings

Experience with the VDP

Participant experience accessing the VDP ranged from repeated use with varying success levels to no prior experience and only a broad awareness of the program. Those working in larger firms and/or with more experience in the field had more VDP experiences, likely resulting from better organizational knowledge of the program in large firms and a larger client base. Nearly all previous participant experience with accessing the VDP were cases that fell under the General Program, and were triggered by various circumstances, including clients seeking to file several years of tax returns or resolve previous errors (e.g., foreign property sales, incorrect tax filings) that surfaced through client disclosure or the review of new client accounts. Among those with no experience using the VDP, the dominant reason given was lack of exposure to clients whose situations could qualify under the VDP.

Perceived Efficacy of the VDP

There was a recognition by the participants of the perceived benefit of the VDP in allowing clients to come forward and receive relief for previous financial errors or missteps, and a sense that the two-track structure was fair in allowing for a separation between those making unintentional errors and situations where there is an element of intentional conduct on the part of the taxpayer.

There were several factors identified by participants as driving a willingness to access the VDP, including:

- The structure of the General Program as providing an added benefit, in the form of partial relief from penalties and interest, and thus being particularly useful, for those with the intention of coming forward with prior tax errors;
- The VDP being divided into two tracks which fostered the belief that, through the VDP, the CRA was being more lenient on those making unintentional and smaller errors by providing partial relief from penalties and interest through the General Program; and
- The appeal of the Limited Program for cases involving a significant dollar value, with the incentive of not being charged gross negligence penalties and removal of the potential for prosecution relating to the disclosure.

However, much of the discussions focused on factors driving hesitation or potential barriers to accessing the VDP. These included:

- A cost-benefit analysis undertaken by clients and/or their tax representatives, leading them to believe that the professional costs associated with the VDP were greater than any potential savings in penalties or interest that the program could facilitate. Compounding this was the belief that generally, there is a very low chance in clients being audited by the CRA.

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- The perceived layers of uncertainty baked into the process primarily driven by the fact that applications are evaluated on a ‘case-by-case’ basis and the use of language that suggests the process to be subjective and highly dependent on individual CRA agents processing an application.
 - A fear of being “red-flagged” by the CRA, as coming forward with previous errors may subject clients to increased surveillance for future financial matters.
 - The belief that those who have made sophisticated arrangements to evade their taxes would be highly unlikely to come forward under the Limited Program of the VDP.

Given the identified factors contributing to hesitancy in accessing the VDP, participants identified several suggestions to enhance the design of the VDP. These suggestions included:

- A program based on the principle of “amnesty,” allowing clients to come forward with any errors and only pay the amount owing, without any added penalties or interest;
- A single-track “guaranteed” program, in which applications submitted by individuals looking to resolve unintentional errors are “automatically” accepted, focusing again on the amount owing and those intentionally evading taxes are dealt with through mechanisms outside of the VDP;
- The implementation of standardized and objective measures to evaluate applications to reduce the potential for ‘case-by-case’ bias; and
- More than two tracks separated based on “monetary value” or “tax bracket” and “intent,” on the basis that tracks are designed for different economic classes of people and should be further broken down to reflect this.

Awareness and Information Sources

The limited depth of awareness of the VDP that tax professionals felt existed among the general public was believed to diminish the chances of taxpayers coming forward to leverage the program. As tax professionals, participants felt they did not have an active role in disseminating VDP-related information. Rather, to combat the lack of public awareness, they suggested a public service announcement (PSA)-style campaign and a single webpage with program information provided in language accessible for the general public and addressing key questions that may arise. Language that was perceived to be intimidating and references to the Income Tax Act were deemed off-putting and thus were recommended by participants to be avoided.

Aligning with findings around varying levels of participant experience, those working with larger firms (or with CPA designation) were more likely to have formal company resources about the VDP or knowledge acquired from colleagues. There was strong interest (where relevant) in a course on the VDP that would contribute to the 20 hours of professional development required of participants to maintain their CPA designation – although this would need to be presented in a meaningful way, by someone with substantial knowledge of the program, and free of cost. Several channels were suggested to

advertise the VDP to tax professionals, including: the CRA website, leveraging e-mail lists from professional associations, LinkedIn, TurboTax, tax-related conferences, and EFILE updates from the CRA.

VDP Application Process

The application process was deemed “straightforward” for tax professionals, but it was noted that those without a tax background may struggle without professional assistance – likely intimidated by the perceived complexity and volume of information required and feeling more comfortable seeking the advice of a “fully knowledgeable” professional.

There were two areas of concern that stood out for participants in the application process. Firstly, the potential of information in applications being passed on to other CRA programs which validated fears of being “red-flagged”. Secondly, there were concerns around language which implies that anonymity is not guaranteed during the pre-disclosure discussions. This stoked fears of being subjected to penalties and interest by the CRA, regardless of their application (or lack thereof) to the VDP, which was noted to be a possible deterrent for some clients.

Participants put forth several suggestions to enhance the application process that could potentially increase likelihood of VDP uptake. These included: a designated customer service line with VDP-trained CRA staff; a breakdown of the application process, with specific instructions, forms and requirements being outlined for different circumstances that may warrant use of the VDP; and a timeline threshold of 3-6 months to receive application decisions.

Fairness of the VDP

In assessing the fairness of the VDP, perspectives varied and were dependent on whether the program is being abused by individuals. Some participants tended to believe that the VDP was a fair and beneficial tool for those whose errors are unintentional and come forward to correct them. At the same time, these participants also felt the VDP is unfair to “law-abiding citizens” because those who are intentionally evading their taxes have the potential to be rewarded through the reduction or waiving of interest and penalties.

Consistency with CRA’s Compliance Duties

Participants were more likely to view the VDP as serving the CRA’s compliance activities rather than a program or service being offered to Canadians, given references made on the VDP form to information being shared with various CRA program areas and the possibility of further action including audits.

Political Neutrality Statement

I hereby certify, as a Representative of Ipsos, that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the Government of Canada’s Policy on Communications and Federal Identity and Directive on the Management of Communications. Specifically,

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

A handwritten signature in black ink, appearing to read "M. Colledge". The signature is stylized with a large, sweeping flourish at the end.

Mike Colledge, President
Ipsos Public Affairs
Signed on 3.28.23

Detailed Report

1. Introduction

1.1 Introduction and Background

The Canada Revenue Agency (CRA) – as the revenue service for the federal government, and most provincial and territorial governments – collects taxes, administers tax law and policy, and delivers benefit programs and tax credits. The ability of the CRA to protect the revenue/tax base in Canada is strongly influenced by public confidence in how the Agency administers Canada’s tax laws.

The CRA Voluntary Disclosures Program (VDP) promotes compliance with Canada’s tax laws by encouraging taxpayers to voluntarily come forward and correct any previous errors or omissions in their tax affairs. Most Canadians file and pay their taxes in full and on time, and it is important that the relief provided under the VDP be fair and not reward individuals or corporations looking for a way to avoid paying their fair share of taxes. The VDP grants relief on a case-by-case basis to taxpayers and registrants who voluntarily come forward to correct errors or omissions in their tax filings, before the CRA knows or contacts them about it.

In 2011, the VDP conducted a Public Opinion Research (POR) project to determine levels of knowledge and awareness of the program among the participants – the general public. Moreover, the study explored levels of support for providing types of relief (from prosecution, and in some cases, penalty and interest relief) to taxpayers who have been non-compliant in filing and reporting income, but voluntarily decide to become compliant.

A program review was conducted in 2017 by the CRA, supported by the Minister of National Revenue’s Offshore Compliance Advisory Committee (OCAC 2016 to 2018), which recommended a tightening of eligibility requirements and a reduction in the available relief, specifically for taxpayers who made active efforts to avoid their tax obligations. This review, along with increased media and parliamentary interest in offshore aggressive tax planning (tax haven records leak; Panama Papers (2016) and Paradise Papers (2017)) contributed to the tightening of VDP eligibility requirements in 2018.

This report presents the findings from the latest POR study on the VDP conducted during the first quarter of 2023. The study was qualitative in nature and focused on the perspectives of tax intermediaries.

1.2 Research Objectives

The overarching aim of the study was to qualitatively gauge knowledge and opinions of the VDP among tax intermediaries and identify any barriers that may prevent potential applicants from coming forward and utilizing the program. Tax intermediaries shared their own opinions as well as their perceptions in

regards to knowledge amongst the general public, based on their professional experience. Specifically, the discussions explored:

- top-of-mind associations with the VDP and experiences of accessing the program on behalf of their clients, including any barriers that may exist;
- the perceived effectiveness of the VDP as a compliance option for participants' clients and opportunities for amending the program to enhance its attractiveness;
- current and future potential sources of information about the VDP; and
- attitudes towards the application process including pain points encountered when accessing the VDP on behalf of their clients.

1.3 Intended Use of Findings

The findings of this research will place the VDP in a better position to align its efforts in:

- Promoting compliance with Canada's Tax laws and educating taxpayers on the various communication strategies and campaigns of the program, while using CRA's People First Approach. This involves potentially improving the coverage and content of various program publications, including, but not limited to: VDP webpages available through the CRA Canada.ca website; Form RC199 – Voluntary Disclosures Program (VDP) Application; and Information Circular IC00-1R6.
- Implementing strategies to improve the overarching application experience, through future VDP-related awareness campaigns and outreach initiatives, and informing future policy reviews of the VDP.

1.4 Methodology

Participants in this research were all tax intermediaries. This was defined as individuals working with ‘regular’ clientele (i.e., individuals or small/medium business clients) on tax-related or payroll matters and those with specific interest in providing tax planning advice to clients. Only those with at least some familiarity of the VDP were eligible, although personal experience of accessing the VDP on behalf of clients was not a requirement.

The research took the form of eight (8) focus groups. As shown in the table below, the research design was national in scope, delivered in both official languages with six (6) groups in English and two (2) in French. A total of 59 participants took part in the research, which occurred between March 23rd-30th, 2023.

Group Number	Target Audience	Language	Number of Participants
1	Ontario	English	9
2	Western Canada	English	5
3	Ontario	English	5
4	Western Canada	English	8
5	Atlantic Canada	English	7
6	Quebec	French	9
7	Quebec	French	8
8	Atlantic Canada	English	8

Focus group participants were recruited according to the Standards for the Conduct of Government of Canada Public Opinion Qualitative Research. All focus groups were hosted online via Microsoft Teams. The sessions were moderated by qualitative researchers using a discussion guide (see Appendix) developed in collaboration with the CRA. Sessions lasted two (2) hours in total, and participants were offered an incentive of \$300 CDN as a ‘thank you’ for their time.

It should be noted that the qualitative findings presented in this report are intended to reveal a range of opinions and interpretations. Qualitative findings are not statistically projectable in nature, and thus, should not be extrapolated to the broader population.

2. Detailed Findings

2.1 Top-of-Mind Associations with the Voluntary Disclosures Program

When asked about their top-of-mind associations with the VDP, initial associations primarily ranged from neutral to negative. Neutral associations included general descriptions of the program and its purpose, primarily related to disclosing previous errors in tax matters. Negative associations were related to the potential for unknown penalties, large investments in professional time and effort to access the program, without the guarantee of success, and a general sense of distrust in the CRA.

A handful of participants had slightly more positive associations, such as “relief,” “optimistic,” and “safe place.” These associations were related to a perception that clients tend to be somewhat scared of the CRA due to fears of being audited, making mistakes in their finances and the possible repercussions of filing tax returns late or incorrectly. Thus, these participants felt that the VDP is an avenue that provides their clients relief from interest and penalties (if used before receiving a request to file), facilitating a sense of calm and optimism. Although, it was noted that some clients, upon learning that penalty relief is not guaranteed, were less inclined to utilize the program.

2.2 Experiences of accessing the Voluntary Disclosures Program

There was substantial variation in participants’ experiences of accessing the VDP for their clients; a few reported repeat usages of the VDP with different levels of success, some reported limited usage, while others had only heard of the program. The VDP tended to be leveraged more frequently by those in larger firms and/or with more experience in the field – this may be due to access to better organizational knowledge of the program in large firms and a larger client base to which the participants felt the VDP may be applicable. For those working in smaller firms, and those who may be newer to the tax profession, the VDP was less likely to have been utilized.

Almost all participants with previous experience accessing the VDP noted that their clients fell under the General Program. There were various circumstances that triggered VDP usage, including clients seeking to file several years of tax returns or resolve previous errors that surfaced through client disclosure or participants reviewing accounts of new clients. The type of errors, as reported by participants, allowing for use of the VDP mostly included: foreign property sales; incorrect filing of tax returns by newcomers to Canada; and inaccuracies in tax returns filed by individuals who were self-employed. For some participants, the VDP was deemed to be particularly attractive for newcomers to Canada and those who were self-employed, as they may be owing more in taxes or lack familiarity with the Canadian taxation processes. For the most part, clients who accessed the VDP were of the mindset of the need to redress these errors and the VDP was brought forth by participants as one potential option. There were some cases where participants may have had to persuade their clients to use the VDP. In these cases, participants encouraged their clients by highlighting the peace of mind that disclosure provides, as beneficial from both a functional and emotional perspective. Clients who hadn’t filed in several years

and were worried about the potential fees and interest, could seek relief under the VDP and know their affairs are correct moving forward. A small number of participants also reported that they ask new clients to sign an engagement letter under which clients agree to disclose any previous errors in their tax dealings or new information that comes to light which, in some cases, would trigger filing under the VDP.

Among participants who had not used the VDP at all, there was a belief that they had not come across cases that would qualify under the VDP coupled with lower levels of familiarity with the program. Filing an amended tax return was often the mechanism these participants resorted to as their clients were comfortable with this approach and willing to pay any penalties incurred. Indeed, it was unclear for some of these participants as to why the VDP would be a more effective mechanism than filing an amendment. As discussed in more detail in section 2.4.1, the other main reason for non-use related to clients only acting after receiving a request to file from the CRA which rendered them ineligible for the VDP.

2.3 Perceived Efficacy of the Voluntary Disclosures Program

This section focuses on perceptions of the design of the Program which includes the two-track structure and the incentives offered under the General Program and the Limited Program. Findings with respect to the way in which the VDP is delivered, which can also affect the efficacy of the program, are presented in section 2.4.

Reflecting the preceding findings on top-of-mind associations and experiences of the VDP, the in-depth discussions revealed a mixed picture on the perceived effectiveness of the program in encouraging voluntary disclosures. Participants mostly recognized the benefit of the VDP in allowing their clients to come forward and receive relief for previous financial errors or omissions. The two-track structure of the VDP with the intent and sophistication being the distinguishing variables made sense in theory. Distinguishing the individual, self-employed taxpayer who made “honest mistakes” from those who purposefully set up complex structures to evade taxes, including large corporations, was deemed fair by many participants.

At the same time, considerable time was spent discussing how the VDP’s effectiveness in practice may be limited due to program design choices and the general negative public discourse regarding the CRA. As discussed more fully in section 2.3.3, the main factors driving client hesitancy in accessing the VDP were a) the cost-benefit analysis of VDP participation did not result in clients being materially better off than if they were to be audited by the CRA, b) the uncertainty that is perceived to be built into the VDP and c) perceived unlikelihood that those targeted by the VDP, especially under the Limited Program, would come forward.

2.3.1 Factors driving willingness to access the VDP

The General Program of the VDP was seen as particularly useful for clients who already held the intention of coming forward to resolve any tax matters. For clients with the existing intention of resolving tax matters, the VDP was perceived as added value – through the partial relief from interest and penalties - for a decision that had already been made to come forward, despite the potential for the assessment of some interest and penalties. The underlying factors that result in a desire to come forward had an emotional quality: clients reportedly may come forward after years of emotional stress of feelings of guilt for non-compliance or, in the case of newcomers, they may be worried that in the future their permanent residency or citizenship application may be denied on taxation grounds. A change in the calculus on the perceived risk of being audited may also come into play – e.g., hearing of an acquaintance being audited may change their risk level. Or simply, an error surfaced for which participants are able to successfully secure their client’s consent to redress the issue accordingly (see also section 2.2). Regardless, for those taking steps to manage finances, the existence of the VDP as a possible avenue was seen as providing a sense of relief.

Further driving willingness to access the VDP is the nature of the two-track structure, with both a general and a limited program, with participants under the impression that the separation of tracks felt fair. These feelings of fairness were predicated on the sense that those making unintentional errors in their taxes should not be “bucketed” with or receive the same treatment as those intentionally evading taxes and breaking the law. Further, some participants felt that those who tended to fall under the General Program were lower or middle-class clients, compared to the wealthier clients or corporations that would fall under the Limited Program. This contributed to a belief that, through the VDP, the CRA was being more lenient on those making unintentional and smaller errors. Participants seemed to feel that this separation of tracks may drive willingness to consider the VDP as a possible avenue, specifically consideration of the General Program, because clients making smaller, unintentional mistakes are to be separated from those intentionally evading taxes. However, as discussed in the following section, there are some negatives associated with the two-track structure of the VDP.

There was a general view that the VDP becomes more financially attractive as the value of the amounts involved increases. While this was seen as broadly true for the General Program, it was discussed more fully by a small number of participants in references to the Limited Program. These participants noted that in cases where significant amounts are involved, the incentive of not being charged gross negligence penalties may result in a considerable financial incentive to come forward. That said, the primary factor, as understood by other participants, driving willingness to access the Limited Program of the VDP was related to the potential for prosecution. It was deemed that the Limited Program was thus most effective in motivating individuals to come forward who are faced with choosing between the potential for penalties, interest, or late filing fees or prison time. These participants were of the belief that most would choose the former. Although, it should be noted that not all were convinced of this as they felt that individuals in these situations where the Limited Program would apply are driven by a strong desire to avoid or even evade taxes (more details to follow).

2.3.2 Factors driving hesitancy to accessing the VDP

Materially not better-off from participating

There was substantial discussion around the cost-benefit analysis undertaken by participants with their clients to determine whether the VDP makes financial sense. The end goal was to arrive at a situation where clients are left with a net-positive financial outcome compared to alternative options available to them, including the scenario of being audited by the CRA.

In determining the cost-side of the equation, the professional costs of tax intermediaries for guiding clients through the VDP process was discussed at length in some of the groups. Participants were under the impression that the average taxpayer does not know about the VDP, let alone feel comfortable with applying to the program on their own. This was particularly due to what was seen as “obscure rules” governing VDP eligibility, which were identified as being not particularly “user friendly” (more details provided in section 2.4). As such, there was a perceived necessity to engage professional assistance, which was believed to act as a deterrent for some. Participants reflected on the nature of their work as a “time-based business,” wherein their efforts come at a cost to their client. Given the time associated with gathering the required documentation and application process, the cost of seeking professional assistance can outweigh the potential savings in penalties and interest that the VDP may facilitate. Additionally, the timeline for receiving notice of approval under the VDP following an application was seen as potentially lengthy, with participants noting prior experiences with the VDP taking upwards of a year to be resolved. The inability of participants to provide their clients with a definite timeline was believed to be off-putting for some clients.

The benefit side of the equation is driven by potential savings through the incentives offered under the VDP in comparison to penalties/interest incurred in the event of being “caught”, in other words audited, by the CRA. The incentive structure of the General Program where only partial interest relief is offered and subject to a 10-year limitation period was often not enough to make participation in the VDP seen as worthwhile when factoring in tax professional costs. Compounding this was the general perception that the chances of being audited by the CRA were viewed as very low; the perception the CRA audits just 1% of taxpayers was brought up repeatedly along with the belief that the CRA is unlikely to exert energy or resources over “small potatoes”. Thus, with errors of a smaller dollar value, participants reported a willingness of clients to either “take their chances” and hope they don’t get caught by the CRA or “tackle it head on” by filing an amendment and paying any penalties or interest incurred.

Uncertainty

Participants reported a sense of uncertainty around program outcomes should a client choose to move forward with the application, that may act as a deterrent. Participants were quick to point out that the submission of a VDP application does not guarantee relief, and rather there is potential for a circumstance in which a client applies, is denied, and must pay the entirety of all interest and penalties and for which the actual amount may be unknown. It was noted that clients tend to be willing to pay what they owe but are less willing to open themselves up to unknown interest and penalties. Specifically, in regard to their finances, clients tend to seek assurances, rather than unknown and “unquantifiable” consequences. Participants were highly cognizant of this and in their conversations

with clients do their best to present alternative outcomes that they themselves can confidently stand by.

The uncertainty and potential for unknown outcomes was largely attributed to the evaluation of applications on a 'case-by-case' basis. The 'case-by-case' evaluation of applications was understood by participants as being dependent on which CRA agent was assigned to each individual case, allowing for varying penalties which may be influenced by more arbitrary factors such as the general disposition of each CRA agent. Compounding this concern around the 'case-by-case' nature of evaluation, was concern regarding the subjective language used in VDP materials, with eligibility being measured by factors such as the 'sophistication of the taxpayer,' 'intentional conduct,' and 'efforts to avoid taxes.' Participants felt that this language was unclear and thus, subject to interpretation based on the discretion of the individual CRA agent evaluating their application, which in turn could result in inconsistencies. Indeed, many participants brought up examples of their past experiences of receiving different answers from different CRA agents on the same matter. To further illustrate this point, one participant reported of their tendency to request a "second opinion" from the CRA when submitting client applications for the VDP to minimize subjectivity.

An additional component contributing to a sense of uncertainty, and associated hesitancy, was related to the ambiguity of the two-track structure. Indeed, a common question raised by participants with less experience with the VDP was about the process that determines whether an application would fall under the General Program or Limited Program. Participants noted that, as tax professionals, they would likely have a relatively clear understanding as to which track their client would fall under but given the 'case-by-case' evaluation process and subjective language used, some felt deterred from suggesting the VDP to their clients. Their concern being that clients would apply for the General Program and be moved into the Limited Program instead.

Fear of being "red-flagged"

Further driving hesitancy in accessing the VDP was the perceived potential for additional consequences or implications at a later, unknown date. This was commonly referred to as the possibility of being "red-flagged" by the CRA, wherein a client comes forward with a prior tax error and is then subject to increased surveillance for all future taxation or financial matters. This was partly fueled by negative associations towards the CRA – the organization not being seen as particularly "forgiving" or the belief that the best course of action is to stay clear from the organization as much as possible. While the negative sentiment was prevalent across the country, participants in Western Canada were much more vocal in describing the level of distrust and negative views of the CRA and/or "the government" found in their provinces. Thus, participants felt that some clients were hesitant to draw CRA attention to themselves and their finances via the VDP, for fear of initiating further investigation with potential unknown consequences. This was supplemented with a concern about the implications of a VDP application being denied, and the potential for clients to be penalized and surveilled in the future, regardless of their efforts to come forward and remedy previous errors and missteps.

Low likelihood of those targeted by the Limited Program to voluntarily disclose

Many participants commented that the Limited Program would involve more foul play, targeting individuals with the motive and intent to evade taxes altogether using means such as offshore accounts and tax havens. Participants tended to hold the belief that these types of individuals, or entities, would be incredibly unlikely to voluntarily come forward under the Limited Program. Further, those falling under the Limited Program were deemed to have strong legal and financial support, with specific structures in place to ensure they do not get caught by the CRA. As such, participants were generally at a loss regarding how to incentivize those who would fall under the Limited Program to come forward.

One-time usage (per issue)

Among a minority of participants, the restrictions around one-time usage (per issue) of the VDP was seen as potentially being a deterrent to accessing the program. This was based on the perspective that the VDP may be seen as a golden ticket of sorts, and if it can only be accessed once, there may be a desire to “save” it. For individuals and business owners alike, there is the potential for multiple financial errors to occur over the course of a lifetime, which may make them less inclined to access the program, given the possibility of a larger financial error in the future, except under more extreme circumstances.

2.3.3 Suggestions for enhancing the design of the Voluntary Disclosures Program

In light of the factors driving hesitation discussed in the previous section, participants offered several suggestions they believed could potentially enhance the attractiveness of the VDP. Much of the suggestions centered on creating more certainty in the outcome of a VDP application. It was evident in the discussions that uptake in the VDP is seen as highly dependent on participants being able to provide their clients with assurances of a predictable, net-positive outcome from a VDP application.

A program based on the principle of “amnesty”

Many participants felt that the incentives offered under the General Program – namely, partial interest relief, at 50%, and involving a ten-year limitation period – were not enticing enough which resulted in an attitude characterized by individuals taking their chances and hoping to not get caught, as discussed above. Instead, they suggested that if clients are expected to act in good faith by coming forward with prior errors and missteps, they should only be required to pay the amount owing – rather than open themselves up to the potential of unknown interest or penalties. A system of “amnesty” where applicants should only be required to pay the amount owing, and not be subject to a limitation period was thus felt to be more effective. It was speculated that such a system would address the tendency of “taking one’s chances” as discussed above. Although, this suggestion was contentious for others, who felt that offering further incentives or guaranteed relief may be unfair and may create a “moral hazard” in that relief may incentivize taxpayers in the wrong direction, towards intentionally evading taxes or making errors, as there would be minimal consequences. Those holding concerns of a moral hazard felt that the existing relief structure provided was appropriate.

A single-track “guaranteed” program

Despite the perceived fairness associated with a multiple track system, some felt that clients would be more incentivized to come forward if there was only a single track they could fall under. This would reduce the uncertainty and ambiguity about which track clients may fall into. Participants were more inclined to believe the single track should be structured to capture the non-intentional and most viable cases as per the General Program – for example, a family-owned business who made an error in prior tax filings. They again repeated the belief that large operations or those with sophisticated tax evasion structures were less likely to come forward and the CRA may be better off targeting them with a separate program altogether. Some went on to suggest that the single track should “automatically” accept applications in that a successful outcome, that is no penalties and focusing on the amount owing only, would be “guaranteed”. Again, this suggestion was underpinned by the view that reduction of uncertainty in the VDP process is key in encouraging more clients to come forward.

Objective measures used to define differences between tracks

Related to concerns about subjectivity in the ‘case-by-case’ evaluation of applications, some participants called for the creation of standardized, objective measures to evaluate VDP applications – in order to reduce the potential for bias or subjectivity among various CRA agents. This was related to a desire for clearly defined language in “the act” and the “CRAs policy” as to what qualifies under the VDP.

Increasing the number of tracks

A minority of participants advocated for more than two streams, on the basis that the VDP should be separated based on “monetary value” or “tax bracket” and “intent” – supporting their perception that the tracks are designated for different economic classes of individuals or businesses and should be further broken down to reflect this. This multiple-track system was deemed to be fairer, particularly for those with lower incomes who may come forward with unintentional mistakes. This suggestion would also satisfy the need to reduce uncertainty in the process by using objective measures to define eligibility.

2.4 Administration of the Voluntary Disclosures Program

2.4.1 Awareness and information sources on VDP

General public

There was consensus among participants of the need to raise awareness of the VDP and this was often discussed in reference to the general public. Participants felt that the average taxpayers were not aware of the VDP and thus greatly diminished the chances of taxpayers coming forward to take advantage of the program. Low awareness was also perceived to increase the likelihood of their clients being deemed ineligible for the VDP. In the absence of knowing about VPD, a request to file (or other correspondence) from the CRA becomes the trigger to sort out one’s affairs, which is at odds with the VDP’s requirement for taxpayers to come forward prior to receiving any CRA compliance-related correspondence.

Participants suggested a broad, Public service announcement-style campaign to educate Canadians about the VDP. They saw opportunity to include information about the program in regular correspondence taxpayers receive from the CRA (e.g., “blurbs” on tax returns). Participants did not see a role for themselves, as tax professionals, in proactively disseminating information about the VDP to their clients; they would be concerned about potentially offending their clients as it may suggest that their clients are being dishonest in their affairs. They would be more inclined to bring up the VDP reactively as an option after an issue has surfaced, which could be triggered by a CRA-led mass campaign about the VDP.

Additionally, participants stressed the importance of providing VDP-related information to the public that is easily digestible, using “layman” language and avoiding “intimidating language”. The reference to the Income Tax Act in the VDP application form was highlighted as an off-putting example that results in taxpayers “having to call a professional” to assist. Instead, there were suggestions to simplify VDP information by addressing key questions taxpayers will likely have – “What does this mean for me?”, “How does it work?” and “What’s going to happen?” – in a friendly tone. It was suggested that this information could be presented on a single page (rather than users having to click various links), using interactive formats (e.g., an eligibility quiz) and with links for further information illustrating how the process works in practice (e.g., case studies that fall under each program track). There was a view that while advertising is beneficial, it needs to be done in the “right way,” in order to facilitate transparency and build trust in the CRA.

Tax intermediaries

As noted already, levels of knowledge of and familiarity with the VDP tended to vary depending on tenure, type of tax professional and size of participants’ workplaces. The same variables also partly came into play in terms of how participants became aware of the VDP and their access to resources on it. Tax professionals, with CPA designation and working for a larger firm were more likely to have access to formal company resources about the VDP or knowledge passed on from more senior colleagues. Whereas those working in smaller or solo enterprises were more likely to rely on informal means and self-education – for example, in one case, a participant had overheard a conversation on the VDP when fulfilling sub-contracting work on-site for a bigger firm. Thus, the research indicates that there is scope to raise awareness of the VDP among tax professionals.

In terms of the most effective ways of reaching tax professionals with VDP information, there was strong interest (where relevant) in a course on the VDP that would contribute towards the 20 hours of professional development participants completed annually to maintain their CPA designation. There were some caveats to their willingness, specifically that course material would need to be presented in a meaningful way (rather than simply going through the application forms) by someone with substantial knowledge of the program and it would need to be free of cost.

The CRA website, especially the 'Represent a Client' portal, was highlighted as the other main way in which the VDP could be advertised to tax professionals. Many noted that they are on the website every day, and that the CRA could provide messaging or advertising on the VDP on more prominent or higher traffic pages, versus relying on tax professionals to actively search for VDP-related information on the site. There were no major information gaps or issues found among those who had actively searched for and consulted VDP information provided on the CRA website. These participants felt that the information was fairly typical to what they are used to accessing on the CRA website.

Finally, there was interest in information about the VDP being disseminated via sources tax professionals turn to for tax-related news including: e-mail mailing lists from professional associations, LinkedIn, TurboTax, tax-related conferences, and EFILE updates from the CRA.

2.4.2 The VDP Application Process

The views about the VDP application process were fairly mixed. On the one hand, most participants did not feel that the application form looked "overly complicated," and rather, that it was "straightforward." But, they felt that individuals without an accounting or tax background would find it "a bit cumbersome," and would not likely feel comfortable submitting an application or going through the process without the assistance of a tax professional. They speculated that the average taxpayer would be intimidated by the complexity and volume of information requested. Moreover, they reported that fears of being flagged, and general negative associations of the CRA, would lead to those willing to go through with the VDP process wanting their case to be handled "the best way possible," by seeking the advice of a professional who is fully knowledgeable.

More concerning to participants were references that the information provided on the VDP application may be referred on to another CRA program area and could result in negative consequences for applicants. Specifically, the 'Declaration' section of the application form states:

"I acknowledge that the information I have disclosed in this application constitutes taxpayer information about my tax affairs. This information may be referred to another CRA program area even if I withdraw my VDP application or the CRA concludes that I am not eligible for relief under the VDP. This referral may result in an assessment or reassessment, the charging of penalties and interest, and potentially the initiation of an investigation and prosecution."

Participants emphatically pointed out their belief that the statement very much validates the significant concern their clients have of being "red flagged" or "audited" by the CRA as a result of taking part in the VDP (as discussed in section 2.3.2).

The possibility of a pre-disclosure discussion with the CRA, which may allow for clarity in terms of client eligibility, was understood by some participants as providing "comfort to the taxpayer." That said, there were some concerns about the anonymity of this discussion, in light of recent changes to the VDP where applications can no longer be submitted without a name, so are no longer confidential. With these

changes, it was deemed by participants that more information is required “upfront,” which “increases the risk for the taxpayer.” There was a sense of concern about the lack of assurances in the language used in the VDP application form – specifically that the pre-disclosure discussion “may occur before the identity of the taxpayer is revealed.” The lack of anonymity in applications and pre-disclosure discussions was seen as possibly stoking fears of being subjected to penalties and interest by the CRA, regardless of their application (or lack thereof) to the VDP, which could be a deterrent for some clients.

2.4.3 Suggestions for enhancing the VDP application process

Participants identified several struggles associated with the application process for the VDP, specifically the complexity of the application for the “average person,” and the lengthy timelines in receiving a decision regarding the status of an application. As such, some suggestions were offered to enhance and streamline the application process, making it more appealing for clients and tax professionals alike – specifically, a designated VDP customer service line, a breakdown of the application process based on the various possible scenarios or circumstances, and a timeline threshold for application decisions.

Designated VDP customer service line

The application form itself was deemed to be relatively straightforward for tax professionals, although it was noted by some that the application form was simply the first step in the application process, which would likely entail further contact with the CRA. This was something that a few participants reported trying to avoid as they felt that CRA agents may have varying levels of knowledge and familiarity with the VDP. Several felt that this process could be made more effective through the introduction of a designated customer service line for the VDP, similar to the Good and Services Tax hotline, in which CRA agents are specifically trained to address VDP-related inquiries and concerns. This was deemed as being useful to both tax professionals, as well as clients prior to their accessing a professional – as it would provide them with a specific resource tailored to the VDP, allowing them to call and receive further information and managing any hesitation or concerns.

Breakdown of the application process

In order to make the VDP application process more straightforward for the average person, some suggested “breaking it down” based on the needs of various client scenarios and providing only the necessary information. One participant advocated for the provision of a specific instructions process, outlining the associated forms, and required documents, for each circumstance (e.g., for information returns versus foreign assets). It was believed that this would streamline the application process and make clients “more inclined” to access the program.

Timeline threshold for application decisions

Finally, the length of the application process was a pain point highlighted by a couple of participants with experiences of utilizing the VDP. As previously discussed, the lengthy timelines in previous experiences with the VDP were deemed unappealing for the “average person,” in the sense that they

would be unlikely to spend “a year to 18 months at minimum” trying to access the program, with the possibility of being denied. As such, some desired a maximum threshold of three to six months to receive an update regarding the status of an application and should a decision regarding the application not be made within that timeframe, the case should be resolved and closed - rather than “carried forward to the next year”.

2.5 Macro Perspectives of the Voluntary Disclosures Program

2.5.1 Perceived fairness of the VDP

Participants tended to hold nuanced perspectives towards the fairness of the VDP, and some felt that the program’s fairness was partially dependent on the circumstances. It was conceded by some that the VDP is unfair because those who are intentionally evading taxes and CRA detection efforts have the potential to be rewarded through the reduction or waiving of interest and penalties. The VDP was seen as therefore unfair to the “law-abiding citizens” who are paying their full amount of taxes owed and in compliance with Canadian tax laws. At the same time, these participants tended to also believe that the VDP was a fair and beneficial tool for those whose errors are unintentional and come forward to correct them. There was an overarching sense that the fairness of VPD was largely based on whether it was abused by individuals, as when people begin to abuse the program it was then perceived as less fair.

Others meanwhile struggled to comment on the fairness of the VDP. It was a question they had never considered before and found it difficult to gauge the program’s fairness when considering the very broad range of actors involved – i.e., from large corporations to individuals of modest income and everyone in between. Creating a program that is fair to everyone was felt to be almost impossible.

Another view, albeit a minority one, assessed fairness with respect to the intended outcomes of the VDP. By encouraging more taxpayers to “put money in the pot”, the VDP was seen as increasing the tax revenue base government can draw on for public services that benefit all Canadians. The VDP was recognized by these participants as fair to society as a whole.

2.5.2 Consistency with CRA’s Compliance Duties

When prompted, participants were much more likely to view the VDP as serving the CRA’s compliance activities, as opposed to a program/service offering for Canadians. This finding was largely a function of the references to information being shared with other CRA program areas and to the possibility of further action found on the VDP application form (as discussed in section 2.3.2).

Moreover, there was general agreement that the VDP was in line with the CRA’s compliance duties and regime. Participants were largely under the impression that the tax system operates as an honour system, placing the responsibility on the taxpayer to “file correct information,” with the assumption that if a mistake is made, there is a sense of trust in the taxpayers to come forward with honesty. A minority of participants held a more pessimistic perspective. They felt that while the VDP is framed in line with

the CRA's existing regime, they questioned whether the program works as it should, driven again by general negative associations with the CRA. Similarly, another participant felt that VDP aligned with the CRA's duty to detect non-compliance, but in practice, operated as the taxpayer doing the "homework" or "job" of the CRA and therefore, there might be a better way to proceed.

3. Conclusion

Overall, despite varied levels of awareness and experience with the VDP among participants, there was a broad consensus that the fundamental benefit of the VDP was in its provision of an avenue for taxpayers to resolve previous unintentional tax errors without fear of facing significant charges or penalties. However, the limited depth of awareness of the VDP among the public, as well as the perceived difficulty in navigating the application process, was deemed to reduce the likelihood of taxpayers leveraging this program.

The primary drivers of hesitation in accessing this program, as identified by participants, were related to concerns around the professional costs associated with accessing the VDP, uncertainty associated with the process (e.g., 'case-by-case' evaluation basis), and a fear of being 'red flagged' by the CRA in their future financial matters. As such, several suggestions emerged regarding the removal of any potential barriers to use, including:

- Automatic acceptance, and removal of all penalties and fees, for those submitting applications involving unintentional errors.
- Implementation of a standardized evaluation process for managing applications.
- Further clarification and/or separation of tracks, based on tax bracket and intent, to better reflect the target population for each track.

These suggestions were put forth by participants on the basis that they would address the drivers of hesitation and potential barriers to access among taxpayers, thus increasing uptake and usage of the VDP.

Appendix A: Recruitment Screeners

Recruitment Screener
Voluntary Disclosures Research with Tax Intermediaries
FINAL

Introduction

Hello, my name is _____. I'm calling from [supplier name], a national public opinion research firm. First off, let me assure you that we are not trying to sell you anything. We are organizing a focus group research project on behalf of the Government of Canada, and specifically for the Canada Revenue Agency. The focus group is with professionals who provide tax-related services to businesses and/or individuals.

May I please speak with an individual in your company who provides tax, payroll or GST/HST related advice or services directly to either businesses or individuals?

When connected to the right person, ask:

Would you prefer that I continue in English or in French? Préférez-vous continuer en français ou en anglais? **[If prefers French, either switch to the French screener and continue, or say the following and then hang up and arrange French-language call-back]** Nous vous rappellerons pour mener cette entrevue de recherche en français. Merci. Au revoir.

We are looking to speak to tax-intermediaries who work with individuals or business clients on tax, payroll or GST/HST matters. Would you be this person?

- Yes 1 **CONTINUE**
- No 2 **ASK FOR THE APPROPRIATE CONTACT. IF CONTACT NOT AVAILABLE SCHEDULE CALLBACK.**

Are you a tax intermediary with business clients?

- Yes 1
- No 2

Are you a tax intermediary with any individual taxpayer clients?

- Yes 1
- No 2

IF NO TO BOTH, THANK AND TERMINATE.

The subject we will be discussing in the focus groups will involve the Canada Revenue Agency's Voluntary Disclosures Program. This program was designed to help compliance with Canada's tax laws by encouraging taxpayers to voluntarily come forward and correct errors or omissions in their dealings with the CRA. We

are looking for tax intermediaries who have some awareness of the program, direct experience with the program is not required.

Prior to today, were you aware of the Voluntary Disclosures Program?

- Yes 1
- No 2 **THANK AND TERMINATE**

EXPLAIN FOCUS GROUPS. About six to eight people will be taking part in each group, all of them randomly recruited just like you. The online discussion will last no more than two hours and will take place during the evening. For their time, participants will receive an honorarium of \$300. But before we invite you to attend, we need to ask you a few questions to ensure that we get a good mix and variety of people. May I ask you a few more questions? This will take about 5 minutes.

- Yes 1 **CONTINUE**
- No 2 **THANK AND TERMINATE**

Participation is voluntary and individual’s decision to take part will not affect any dealings they may have with the Government of Canada. We are interested in hearing your opinions, no attempt will be made to sell you anything or change your point of view. The format is an online “round table” discussion led by a research professional. All opinions expressed will remain anonymous and views will be grouped together to ensure no particular individual can be identified in accordance with laws designed to protect your privacy.

[Si préfère continuer en anglais pour les groupes de Québec qui seront dirigés en français, demandez :]

The discussion will be held entirely in French, and participants will be asked to review and discuss communication materials written only in French, as well as share their opinions verbally in French. Would you be comfortable with this?

- Yes.....1
- No.....2 **REMERCIER ET TERMINER L’ENTREVUE**

[If prefers to continue in French for the Atlantic, Ontario or Western English-language focus groups, ask:] La discussion se déroulera entièrement en anglais et nous demanderons aux participants de passer en revue du matériel de communication écrite en anglais seulement, puis d'en discuter en anglais. Seriez-vous à l'aise avec cela ?

- Oui..... 1 **CONTINUE**
- Non 2 **THANK AND TERMINATE**

READ TO ALL IF APPLICABLE: “This call may be monitored or audio taped for quality control and evaluation purposes.”

ADDITIONAL CLARIFICATION IF NEEDED:

- to ensure that I (the interviewer) am reading the questions correctly and collecting your answers accurately;
- to assess my (the interviewer) work for performance evaluation;

- to ensure that the questionnaire is accurate/correct (i.e. evaluation of CATI programming and methodology – we’re asking the right questions to meet our clients’ research requirements – kind of like pre-testing).
- If the call is audio taped, it is only for the purposes of playback to the interviewer for a performance evaluation immediately after the interview is conducted or it can be used by the Project Manager/client to evaluate the questionnaire if they were unavailable at the time of the interview – all audio tapes are destroyed after the evaluation.
- To verify it is a legitimate Government of Canada project, they can search online using the terms “CRA public opinion research” or go to www.canada.ca/por-cra (French: www.canada.ca/arc-por). The name of the project is *Voluntary Disclosures Program research with tax intermediaries*.
- IF ASKED: The personal information you provide to the Canada Revenue Agency is governed in accordance with the Privacy Act. In addition to protecting your personal information, the Privacy Act gives you the right to request access to and correction of your personal information. You also have the right to file a complaint with the Privacy Commissioner of Canada if you think your personal information has been handled improperly.
- The information collected through the research is subject to the provisions of the *Privacy Act*, legislation of the Government of Canada, and to the provisions of relevant provincial privacy legislation.

S1) Do you or any member of your household work in or has retired from: [READ LIST]

LIST	Yes	No
A marketing research firm	1	2
A magazine or newspaper	1	2
A radio or television station	1	2
A public relations company	1	2
The government, whether federal or provincial	1	2
An advertising agency or graphic design firm	1	2

IF “YES” TO ANY OF THE ABOVE, THANK AND TERMINATE

S2) Are you...? (target a 50/50 split male/female in all groups; accept others)

- Male..... 1
- Female 2
- Non-binary..... 3
- Prefer to self-describe WRITE IN 4
- Prefer not to say/Unsure..... 5

S3A) In which city/town/village and in which province/territory do you currently reside?

City/Town/Village: _____

Province/Territory: _____

S3B) And, in what province or territory is your office located? **(do not read list)**

Western region - B.C.	1
Western region - Yukon	2
Western region - Alberta	3
Western region - Saskatchewan	4
Western region - Manitoba	5
Western region - Northwest Territories	6
Ontario Region - Ontario	7
Ontario Region - Nunavut	8
Quebec Region - Quebec	9
Atlantic Region - New Brunswick	10
Atlantic Region - Nova Scotia	11
Atlantic Region - P.E.I.	12
Atlantic Region - Newfoundland & Labrador	13

S4) Thinking of your own business, about how many employees does your business have including yourself and any full-time or permanent part-time employees?

- | | | |
|-------------------|---|-------------------------------------|
| 1 | 1 | } TRY TO ENSURE GOOD MIX PER |
| 2 – 4 | 2 | |
| 5 – 19 | 3 | |
| 20 – 49 | 4 | |
| 50 – 99 | 5 | |
| 100 or more | 6 | RECRUIT MAXIMUM 2 PER GROUP |
| Don't know | 9 | THANK AND TERMINATE |

[If “yes” to business clients, ask:] Thinking of the business clients for whom you are an authorized representative, which of the following services do you provide to these clients? **(read list)**

Payroll-related services:

- Yes 1
No 2

GST/HST-related services:

- Yes 1
No 2

Tax-related services:

- Yes 1
No 2

Bookkeeping services:

- Yes 1
- No 2

IF YES TO ONLY BOOKKEEPING SERVICES, THANK AND TERMINATE.

The discussion groups for this project will be conducted online and will require the use of a laptop or desktop computer connected to high speed Internet and equipped with a webcam, a microphone and speakers.

Q1) Do you have access to a laptop or desktop computer with high-speed Internet to take part in this focus group?

- Yes, laptop or desktop computer 1
- No 2 **THANK AND TERMINATE**

Q2) You will need to participate to the session using a webcam and your computer will need to be equipped with a microphone and speakers. Does the computer you will use for the focus group have a webcam, a microphone and speakers?

- Yes 1
- No 2 **THANK AND TERMINATE**

Q3) You will need to be in a place that is quiet and free of distractions for the duration of the online session. Would you able to participate in this type of location?

- Yes 1
- No 2 **THANK AND TERMINATE**

THANK & TERMINATE SCRIPT FOR Q1-Q3: Based on your responses, we are unable to invite you to take part in this online focus group, as you do not meet the technical requirements. We thank you for your interest in this research.

Q4) Before we ask you further qualification questions, would you be available to attend an online focus group on **Date, at Time**? It will last no more than 2 hours, and as mentioned, you would be receiving \$300.

- Yes 1 **CONTINUE**
- No 2 **THANK AND TERMINATE**
- DK (do not read) 3 **ARRANGE CALLBACK**

Q5) Have you participated in a focus group before? A focus group brings together a few people in order to know their opinion about a given subject.

-
- Yes 1 **ASK Q6A AND Q6B**
 - No 2 **SKIP TO INVITE**
 - DNK / DNA 9 **THANK AND TERMINATE**

Q6a) And how many of these sessions have you attended in the past five years?
 _____ **IF 5 OR MORE THANK AND TERMINATE. OTHERWISE CONTINUE**

- Q6b)** Have you been invited to participate in one of these sessions in the next few weeks?
- Yes1 **THANK AND TERMINATE**
 - No2 **CONTINUE**

Invitation

Sometimes participants are asked to read text, review images or write down things during the discussion. Is there any reason why you could not participate?

- Yes 1 **THANK AND TERMINATE**
- No 2 **CONTINUE**
- DK 3 **THANK AND TERMINATE**

TERMINATE IF RESPONDENT OFFERS ANY REASON FOR NOT BEING ABLE TO COMMUNICATE EFFECTIVELY OR TAKE PART IN THE DISCUSSION IN ANY WAY, SUCH AS SIGHT OR HEARING PROBLEM, A WRITTEN OR VERBAL LANGUAGE PROBLEM.

ALSO TERMINATE IF YOU HAVE ANY CONCERNS ABOUT PARTICIPANTS’ ABILITY TO BE UNDERSTOOD IN THE LANGUAGE TO BE USED DURING SESSION.

As I mentioned earlier, the online group discussion will take place on **Date at Time**. Would you be willing to attend?

- Yes 1 **CONTINUE**
- No2 **THANK AND TERMINATE**

RECRUIT 8 PER GROUP FOR 6 TO SHOW

City/Date:	Date	Time:
Ontario region	March 23 rd	Ontario time: 5:30pm – 7:30pm
Ontario region	March 28 th	Ontario time: 5:30pm – 7:30pm
Western region	March 23 rd	B.C. time: 5:00pm – 7:00pm Alberta time: 6:00pm – 8:00pm Saskatchewan time: 7:00pm – 9:00pm Manitoba time: 7:00pm – 9:00pm
Western region	March 28 th	B.C. time: 5:00pm – 7:00pm Alberta time: 6:00pm – 8:00pm

		Saskatchewan time: 7:00pm – 9:00pm Manitoba time: 7:00pm – 9:00pm
Atlantic region	March 29 th	New Brunswick, Nova Scotia, PEI time: 5:30pm – 7:30pm Newfoundland time: 6:00pm – 8:00pm
Atlantic region	March 30 th	New Brunswick, Nova Scotia, PEI time: 5:30pm – 7:30pm Newfoundland time: 6:00pm – 8:00pm
Quebec region	March 29 th	Quebec time: 5:30pm – 7:30pm
Quebec region	March 30 th	Quebec time: 5:30pm – 7:30pm

Privacy Questions

Now I have a few questions that relate to privacy, your personal information and the research process. We will need your consent on a few issues that enable us to conduct our research. As I run through these questions, please feel free to ask me any questions you would like clarified.

P1) First, we will be providing the online focus group platform hosts and session moderator with a list of respondents' names and profiles (screener responses) so that they can allow you into the group. This information will not be shared with the Government of Canada department organizing this research. Do we have your permission to do this? I assure you it will be kept strictly confidential.

- Yes 1 **GO TO P2**
No 2 **READ RESPONDENT INFO BELOW**

We need to provide the online focus group platform hosting the session and the moderator with the names and background of the people attending the focus group because only the individuals invited are allowed access to the session and the facility and moderator must have this information for verification purposes. Please be assured that this information will be kept strictly confidential. **GO TO P1A**

P1a) Now that I've explained this, do I have your permission to provide your name and profile to the hosts and moderator?

- Yes 1 **GO TO P2**
No 2 **THANK & TERMINATE**

P2) An audio and video recording of the group session will be produced for research purposes. The recordings will be used by the research professional to assist in preparing a report on the research findings.

Do you agree to be audio and video recorded for research purposes only?

- Yes 1 **THANK & GO TO P3**

No 2 **READ RESPONDENT INFO BELOW**

It is necessary for the research process for us to record tape the session as the researcher needs this material to complete the report.

P2a) Now that I've explained this, do I have your permission for audio and video recording?

Yes 1 **THANK & GO TO P3**

No 2 **THANK AND TERMINATE**

P3) Employees from the Government of Canada may observe the groups remotely through the secure website. They will not take part in the discussion in any way, and they will not be given your name or the name of the business.

Do you agree to having Government of Canada employees observe the session?

Yes 1 **THANK & GO TO INVITATION**

No 2 **GO TO P3A**

P3a) It is standard qualitative procedure to invite clients, in this case, Government of Canada employees, to observe the groups. They will be there simply to hear your opinions first hand although they may take their own notes and confer with the moderator on occasion to discuss whether there are any additional questions to ask the group.

Do you agree to having Government of Canada employees observe the session?

Yes 1 **THANK & GO TO INVITATION**

No 2 **THANK & TERMINATE**

Invitation:

Could we please confirm the email address where we can send you the detailed instructions for logging in to the group?

Record email address (and verify): _____.

We will send you the instructions by email at least 1 day in advance of the group. The group discussion will begin promptly at <TIME> and will end at <TIME>, and last up to 2 hours. Please log in on time to ensure that the session is not delayed. If you arrive late, we will not be able to include you in the discussion, and will not provide you with the incentive.

As mentioned, we will be pleased to provide everyone who participates with **\$300**, provided by e-Transfer or cheque, as you'd prefer. It takes approximately 3 business days to receive an incentive by e-Transfer or approximately 2-3 weeks following your participation to receive an incentive by cheque.

Would you prefer to receive your incentive by e-Transfer or cheque?

e-Transfer 1

Cheque 2

IF PREFER TO RECEIVE INCENTIVE BY E-TRANSFER:

Could you please confirm the e-mail address where you would like the e-transfer sent after the focus groups?

Email address: _____

And please confirm the spelling of your name: _____

The e-transfer password will be provided to you via email following the group.

IF PREFER TO RECEIVE INCENTIVE BY CHEQUE:

Could I have the mailing address where you would like the cheque mailed after the focus groups?

Mailing address: _____

City: _____

Province: _____ Postal Code: _____

And please confirm the spelling of your name: _____

As these are very small groups and with even one person missing, the overall success of the group may be affected, I would ask that once you have decided to attend that you make every effort to do so. If you are unable to take part in the study, please call _____ (collect) at _____ as soon as possible so a replacement may be found. Please do not arrange for your own replacement. Someone will also call you the day before to remind you about the discussion.

So that we can call you to remind you about the focus group or contact you should there be any changes, can you please confirm your name and contact information for me? **[READ INFO WE HAVE AND CHANGE AS NECESSARY.]**

First name _____

Last Name _____

Email _____

Day time phone number _____

Night time phone number _____

If the respondent refuses to give his/her first or last name or phone number please assure them that this information will be kept strictly confidential in accordance with the privacy law and that it is used strictly to contact them to confirm their attendance and to inform them of any changes to the focus group. If they still refuse THANK & TERMINATE.

Appendix B: Discussion Guide

Discussion Guide
Voluntary Disclosures Research with Tax Intermediaries
FINAL

INTRODUCTION

Introduce moderator (Ipsos, a marketing research firm) and welcome participants to the focus group. As we indicated during the recruiting process, we are conducting focus group discussions on behalf of the CRA. For this evening's discussion, we are particularly interested in your views as professionals providing tax-related services to businesses and/or individuals.

The discussion will last approximately 2 hours. Feel free to excuse yourself during the session if necessary. Describe how a discussion group functions:

- Discussion groups are designed to stimulate an open and honest discussion. My role as a moderator is to guide the discussion and encourage everyone to participate. Another function of the moderator is to ensure that the discussion stays on topic.
- Your role is to answer questions and voice your opinions. We are looking for minority as well as majority opinion in a focus group, so don't hold back if you have a comment even if you feel your opinion may be different from others in the group. There may or may not be others who share your point of view. Everyone's opinion is important and should be respected.
- I would also like to stress that there are no right or wrong answers. We are simply looking for your opinions and attitudes. It was not a prerequisite coming into the group that you be an authority on any of the topics we will be addressing. This is not a test of your knowledge.
- Please note that the moderator is not an employee of the CRA, I am not an expert in taxation and may not be able to answer some of your questions.

Explanations re:

- Recording – The session is being video/audio-taped for analysis purposes, in case we need to double-check the proceedings against our notes. These video-tapes remain in our possession and will not be released to anyone without written consent from all participants.
- Confidentiality – Please note that anything you say during these groups will be held in the strictest confidence. We do not attribute comments to specific people. Our report summarizes the findings from the groups but does not mention anyone by name. The report can be accessed through the Library of Parliament or Archives Canada or via the web site www.porr-rrop.gc.ca.
- Client viewing – A few observers from the CRA are watching to make sure I cover all the questions they want to hear from you about and to listed first-hand to your feedback. They don't know any personal details about you, they're just here to listen in.

Ask participants to introduce themselves using first names only

- Years in the tax services professions
- Location of practice
- High level overview of your clientele (individuals vs. businesses) and services offered

TOP-OF-MIND ASSOCIATIONS

DIGITAL FLIPCHART. The topic for tonight's discussion is the CRA's Voluntary Disclosures Program often referred to as VDP. What's the first thing that comes to mind when you think of the VDP?

- ASK PARTICIPANTS TO POST THEIR TOP-OF-MIND ASSOCIATIONS.
- SELECTIVE PROBING ON WHAT THEY MEAN AND REASONS BEHIND ASSOCIATIONS – SPECIFICALLY IDEAS ABOUT NEEDING PROFESSIONAL ASSISTANCE TO ACCESS VDP/FEAR OR CONCERN ABOUT ACCESSING VDP
- RESERVE PROBING FOR ITEMS THAT WILL BE COVERED LATER IN THE DISCUSSION

KNOWLEDGE AND EXPERIENCES OF VDP

Where do you receive tax-related news/updates? How are you keeping yourself up to date with the industry?

We invited you to today's discussion because you indicated that you were aware of VDP. How familiar or knowledgeable would you say you are with VDP?

SHOW OVERVIEW OF VDP ON SCREEN

The Voluntary Disclosures Program (VDP) grants relief on a case-by-case basis to taxpayers and registrants who voluntarily come forward to fix errors or omissions in their tax filings before CRA knows or contacts them about it.

The VDP receives applications from a wide range of taxpayers and registrants correcting various tax situations, below are just a few of these situations:

- A tax return for a previous year was not filed and is now late
- Income was not reported or under-reported on a tax return that is already filed
- Expenses were claimed on a tax return that were not eligible
- Employee source deductions were not submitted (for example, pension plan or employment insurance deductions)
- Required information returns were not filed (for example, Form T1135, Foreign Income Verification Statement)
- Income from foreign sources that is taxable in Canada was not reported on a tax return that is already filed
- GST/HST wasn't charged, collected, and/or reported for any reporting period

-
- Ineligible GST/HST input tax credits, refunds or rebates were claimed
 - Incomplete information was provided on a return for a reporting period

First can I check if this description aligns with your understanding of VDP and how it aligns?

Overall, how effective is VDP in encouraging taxpayers to come forward voluntarily and comply with Canada's tax laws?

Overall, is VDP a good way for government to collect unpaid taxes it might not otherwise know about? Why or why not?

Help me understand your experiences with accessing VDP for your clients. How often, if at all, have you accessed VDP?

- IF NO EXPERIENCES: Why is that? NOTE: Regardless of whether you have accessed it, I'd still like to get your perspectives on the rest of my questions.
- Are there certain types of clients or circumstances where you are more likely to bring up VDP? Why is that? THROUGHOUT THE DISCUSSION MODERATOR WILL ENCOURAGE THOSE WITH NO EXPERIENCES TO COMMENT BASED ON HYPOTHETICAL SCENARIOS
- What are some of the questions or concerns your clients may have in relation to VDP?

How can VDP be made to be more accessible for those who may have less knowledge of it?

Deep Dive on Incentives and Barriers to Accessing VDP

Before we move on. I'd like to share some additional details on how VPD is structured. ASK PARTICIPANTS TO INDIVIDUALLY READ THE FOLLOWING INFORMATION THAT WILL BE DISPLAYED ON SCREEN. SHOW VDP DETAILS ON SCREEN:

Effective March 1, 2018, VDP applications relating to income tax disclosures may fall into one of two tracks:

1. The first track is a General Program. If accepted under the VDP, these applications will be eligible for penalty relief and partial interest relief.
2. The second track is a Limited Program. Applications that disclose non-compliance where there is an element of intentional conduct on the part of the taxpayer or a closely related party will be processed under this Limited Program and if accepted, will receive reduced relief under the VDP.

Topic	General Program	Limited Program
Eligibility Criteria	Relief under the VDP may be considered if a taxpayer:	In general terms, the Limited Program provides limited relief for applications that disclose non-

	<ul style="list-style-type: none"> -failed to fulfill their obligations under the Income Tax Act (ITA) and/or Excise Tax Act (ETA) -failed to report any taxable income they received -claimed ineligible expenses on a tax return -failed to remit source deductions of their employees -failed to file information returns -failed to report foreign sourced income that is taxable in Canada. 	<p>compliance where there is an element of intentional conduct on the part of the taxpayer or a closely related party. The following factors may be considered:</p> <ul style="list-style-type: none"> -efforts were made to avoid detection using offshore vehicles or other means -the dollar amounts involved -the number of years of non-compliance -the sophistication of the taxpayer -the disclosure is made after an official CRA statement regarding its intended specific focus of compliance (for example, the launch of a compliance project or campaign) or following broad-based CRA correspondence (for example, a letter issued to taxpayers working in a particular sector about a compliance issue). <p>For example, a taxpayer who opened an offshore bank account in 2010 and has been transferring undeclared business income earned in Canada to that account since that time would not normally qualify under the General Program.</p> <p>Generally, applications by corporations with gross revenue in excess of \$250 million in at least two of their last five taxation years, and any related entities, will be considered under the Limited Program.</p> <p>The existence of a single factor will not necessarily mean that a taxpayer is eligible only for the Limited Program. For example, a sophisticated taxpayer may still correct a reasonable error under the General Program.</p>
<p>Type of Relief offered</p>	<p>- The taxpayer will not be charged penalties (subject to a limitation period of within the previous 10 years before the calendar year in which the application is filed)</p>	<p>-The taxpayer will not be referred for criminal prosecution with respect to the disclosure (i.e. for tax offences) and will not be charged gross negligence penalties even where the facts establish that the taxpayer is liable for such penalties. However, the taxpayer will be charged other penalties as applicable.</p>

<p>- They will not be referred for criminal prosecution with respect to the disclosure (i.e. for tax offences).</p> <p>- May be granted partial relief in the application of interest against a taxpayer in respect of assessments for years preceding the three most recent years of returns required to be filed (subject to the limitation period). Generally, this interest relief will be 50% of the applicable interest for those periods. Full interest charges will be assessed for the three most recent years of returns required to be filed.</p>	<p>-No interest relief will be provided.</p>
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Did anything surprise you in the VDP details that were shared? What, if anything, stood out for you in a positive or negative way? Why is that?

I'd like to focus on each individual track first, starting with the General Program. To what extent is the General track designed in a way that incentivizes those who made innocent errors or omissions to voluntarily come forward and disclose them? What makes you say that?

- Which aspects of the General Program may encourage taxpayers to apply and why?
- Which aspects of the General Program may deter taxpayers from applying and why?
- PROBE SPECIFICALLY FOR IDEAS AROUND INCENTIVES (allow for 2nd round of comments on this)

Let's move on to the Limited track. To what extent is the Limited Program designed in a way that incentivizes taxpayers to correct past errors or omissions? What makes you say that?

- Which aspects of the Limited Program may draw taxpayers to apply and why?
- Which aspects of the Limited Program may deter taxpayers from applying and why?
- PROBE SPECIFICALLY FOR IDEAS AROUND INCENTIVES (allow for 2nd round of comments on this)

What's your perspective on the two-track structure of VDP?

- How might the two-track structure affect taxpayers' interest in coming forward to report past errors or omissions?
- When considering both tracks side-by-side, is the level of relief provided under each track appropriate? What makes you say that?

-
- Has enough relief been offered under both tracks to avoid a situation where taxpayers think that they are not much worse off if the CRA was to audit?
 - Has enough relief been offered to overcome the belief that the risk of non-compliance being identified by the CRA is low?

Taxpayers who come forward to voluntarily disclose must include information for all years where these errors or omissions have occurred. What's your reaction to this requirement – is it fair or not?

- Could this potentially discourage taxpayers from coming forward or not really? How many years would be preferable and why? Should it be different depending on the track?

What amendments might be made so that VDP appropriately incentivizes those who made past errors or omissions to disclose them voluntarily? PROBE IN RELATION TO NON-INTENTIONAL VS. INTENTIONAL CASES

Can you think of any unintentional consequences or risks that may deter taxpayers from coming forward? For example, would being audited after making a disclosure be a concern?

- For example, would being audited after making a disclosure be a concern? IF YES: How can this be overcome?

ALLOW FOR 2ND ROUND OF COMMENTS SPECIFICALLY RELATING TO INCENTIVES

Views on VDP Administration

We've spent a fair amount of time talking about the way the VDP incentives are designed. My next questions are on how VDP is administered.

Has enough been done to raise awareness about VPD among taxpayer and tax intermediaries?

- What should the CRA do to increase awareness of VDP?

What about information available about the VDP process? Is the information that is made available to taxpayers and tax intermediaries...

- Enough?
- Appropriate content?
- Easy to find?
- Do you have any suggestions of how the CRA could improve VDP information available to taxpayers and tax intermediaries? Where would you like to access this information?
- PROBE FOR TAXPAYER VS. TAX INTERMEDIARY DIFFERENCES

What about the VDP application process itself? Based on what you know, how easy or difficult is it?

SHOW RC199 on screen for a quick overview

SHOW ON SCREEN

1. **Pre-Disclosure Discussion.** Taxpayers who are unsure if they want to proceed with an application are given an opportunity to participate in preliminary discussions about their situation on an anonymous basis to get insight into the VDP process, a better understanding of the risks involved in remaining non-compliant, and the relief available under the VDP. These discussions with a CRA official are for the benefit of the taxpayer; they are informal, non-binding, and may occur before the identity of the taxpayer is revealed.

2. **Information Required.** Taxpayers should use Form RC199, Voluntary Disclosures Program (VDP) Application to apply for VDP. If a taxpayer is not using Form RC199, the VDP application should contain all of the information requested on that form. All CRA returns, forms and schedules needed to correct the non-compliance must be included with the application.

Where a taxpayer received assistance from an advisor in respect of the subject matter of the VDP application, the name of that advisor should generally be included in the application.

It is expected that taxpayers and/or their representatives will co-operate in the voluntary disclosure process. While the VDP application is being evaluated, the CRA official may request documents, records, books of account, as well as other additional specific documentation, for example information relating to foreign accounts and assets, financial institutions and advisers. The taxpayer must comply with such requests within the stipulated timeframes, and provide sufficient detail to allow the facts of the case to be verified. If a taxpayer refuses to provide complete documentation or if the CRA is not satisfied that the application is complete, then the taxpayer will in most cases not be eligible for relief.

Due to the nature of a particular application, referrals to other programs within the CRA may be necessary in order to fully analyze the application (but not to initiate a formal audit). Furthermore, applications involving complex issues or large dollar amounts will be reviewed for completeness by a specialist area.

3. **Completed Applications** are accepted electronically, by mail or fax.

Does the application process seem straightforward or complicated? What makes you say that? To what extent do you feel that taxpayers in general are capable of making a voluntary disclosure without the support of a tax professional, and why ?

ALLOW FOR 2ND ROUND COMMENTS ON THE APPLICATION PROCESS

Macro Perspectives on VDP

So far, we've discussed VDP from the narrow lens of those targeted by the program. More broadly, do you see the VDP as more of a program/service offering that is available to Canadians, or as a program serving the CRA's compliance/enforcement activities (such as audits or collections)? PROBE FOR REASONING

Do you think the VDP is generally in line with the CRA's compliance duties – to prevent, detect, and address non-compliance? Why or why not?

Has VDP succeeded in offering relief that is fair to program participants, as well as Canadians at large who comply with their tax obligations? How so?

Wrap Up

POLLING QUESTION: Ultimately, what do you think is the main reason why taxpayers who could be eligible under VDP do not come forward to disclose their errors or omissions?

- Lack of knowledge about the program
- Lack of knowledge about the process
- Application process is too complicated
- Not enough benefits in to come forward to disclose
- Afraid of being audited after making a disclosure
- Risk of non-compliance being identified by the CRA is low
- Not much worse of if CRA was to audit
- Other

PROBE FOR REASON BEHIND SELECTION

Based on everything we discussed tonight, what is the most important final piece of advice you have for the CRA with respect to the Voluntary Disclosures Program?

THANK PARTICIPANTS.

FINAL REPORT WILL BE AVAILABLE AT LIBRARY & ARCHIVES (SEARCH FOR REPORTS) IN APPROXIMATELY 6 MONTHS FROM NOW.

INSTRUCTION FOR INCENTIVE.

END SESSION