



Canada Revenue
Agency

Agence du revenu
du Canada

Voluntary Disclosures Program Research

Executive Summary

Prepared for the Canada Revenue Agency

Supplier: Ipsos

Contract Number: CW2272513

Contracted Value: \$90,493.23

Award Date: February 8th, 2023

Delivery Date: June 7th, 2023

Registration Number: POR 123-22

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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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Ottawa, Ontario K1A 0K2
Canada

Catalogue Number: Rv4-187/2023E-PDF

International Standard Book Number (ISBN): 978-0-660-49865-2

Related publications (registration number: POR-123-22):

Catalogue Number: Rv4-187/2023F-PDF (Final Report, French)

ISBN: 978-0-660-49866-9

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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.
- 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

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Mike Colledge, President
Ipsos Public Affairs
Signed on 3.28.23