



## **2022-2023 Annual Corporate Research – Qualitative Component Final Report**

### **Prepared for the Canada Revenue Agency**

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## 2022-2023 Annual Corporate Research – Qualitative Component Final Report

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This public opinion research report presents the findings from qualitative research conducted to assess the perceptions and experiences of taxpayers, decision-makers of small businesses, and professionals involved in assisting individual and small business clients on tax-related or payroll matters in the following areas: views of the CRA; income tax filing and interactions with the CRA; service expectations of the CRA; protection of personal information; and compliance related activities. To meet the objectives, 25 focus groups and five in-depth interviews were conducted across the country. Eleven focus groups and five in-depth interviews were conducted online, and the remainder (14 focus groups) were conducted in person. The fieldwork took place between June 5 and July 6, 2023.

Cette publication est aussi disponible en français sous le titre :

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## Executive Summary

The Canada Revenue Agency (CRA) commissioned Phoenix Strategic Perspectives (Phoenix SPI) to conduct qualitative public opinion research (POR) as part of the Agency's annual corporate-wide issues public opinion research.

### 1. Research Purpose and Objectives

The purpose of the research was to assess the perceptions and experiences of taxpayers, decision-makers of small businesses, and professionals involved in assisting individual and small business clients on tax-related or payroll matters in the following areas: views of the Agency; income tax filing and interactions with the CRA; service expectations of the CRA; protection of personal information; and compliance-related activities.

### 2. Methodology

To meet the objectives, 25 focus groups and five in-depth interviews were conducted across the country. Eleven focus groups and five in-depth interviews were conducted online, and the remainder (14 focus groups) were conducted in person. In-person sessions were held in Calgary, Toronto, Montreal, and Halifax. Online sessions were held with taxpayers residing in the Territories, tax intermediaries working in the Greater Toronto Area, as well as tax intermediaries and small business decision-makers working in western Canada and Atlantic Canada, as well as in smaller communities across the country. In total, 196 individuals participated in the research: 85 taxpayers, 57 decision-makers of small businesses, and 54 tax intermediaries. All sessions were conducted in English, except for the focus groups in Montreal and the five in-depth interviews conducted with taxpayers living in the North. All participants received an honorarium. The fieldwork took place between June 5 and July 6, 2023.

### 3. Highlights

#### Overall Impressions of the CRA

*Impressions of Canada's tax system tend to be critical with a focus on its perceived complexity. So too were top-of-mind views of the CRA—participants routinely focused on service-related issues when asked what first comes to mind when thinking about the CRA.*

The most common impression of Canada's tax system, and the most widespread was its perceived complexity. Asked what words they would use to describe Canada's tax system, participants routinely used terms expressing variations on this theme. This included the following: 'challenging', 'complex', 'confusing', 'convoluted', 'cumbersome', 'difficult to understand', 'frustrating', 'onerous', 'over-complicated', 'overwhelming', 'rule-heavy', and 'scary'.

In addition to complexity, the other impression about Canada's tax system expressed with some frequency was a perceived lack of fairness, which was conveyed through the use of the term itself (i.e., 'unfair'), but also through expressions such as 'unjust', 'taxes too high', 'middle class overtaxed', 'benefits the rich', 'big firms getting away with a lot', 'predatory', 'overburdening', and 'inequitable'. This was an impression widespread among taxpayers, but much less frequent among representatives of small businesses and intermediaries.

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When asked what first comes to mind when thinking about the CRA, participants tended to focus on service-related issues or problems. This included difficulty getting through to an agent by phone, and difficulty resolving an issue or getting a definite answer to questions. The only other thing that came to mind with any frequency when thinking about the CRA was its customer service agents. For the most part, impressions about agents tended to be positive, with a focus on staff being helpful, polite, empathetic, and patient. On occasion, however, participants' impressions were either mixed, describing service as 'inconsistent', or critical, describing service agents as being 'aggressive', 'not nice to deal with', 'not helpful', 'not proactive', or 'unreasonable'.

*While top-of-mind views of the CRA tended to be critical, overall impressions of the CRA ranged from neutral to moderately positive.*

Impressions of taxpayers and representatives of small businesses tended to range from neutral or mixed to moderately positive, while overall impressions of tax intermediaries tended to be neither positive nor negative. Neutral to mixed assessments focused on service interactions, with an emphasis on uneven or inconsistent service from CRA agents. In other words, service delivery was sometimes good and sometimes not good. Negative impressions focused on two things: the time it takes to get through to an agent, and difficulty getting consistent information and/or resolving an issue in one service interaction.

*Digital services and efficient processing of tax returns are viewed as things the CRA does well and reducing wait times was the most frequently identified thing the CRA needs to improve.*

There was widespread agreement that the CRA offers good online services and processes returns quickly and efficiently. This includes the Agency's website as well as its digital services: My Account (for individuals) and My Business Account/Represent a Client. Members of all three audiences most often identified reduction of wait times when calling the CRA as something the Agency needs to improve. The only other area of improvement identified frequently was improving the overall knowledge of agents, with a focus on ensuring consistency in the information provided.

*The CRA is perceived as trustworthy by most participants, primarily because there is no reason to think that the Agency is not trustworthy. Most, moreover, described their level of trust in the Agency as unchanged over the last few years—that is, nothing has affected their trust in the CRA by either increasing or diminishing it.*

Based on their personal experience, or what they may have seen, read, or heard, most participants view the CRA as trustworthy. The most common reason for trusting the CRA was lack of any reason not to. Those who did not express outright trust in the Agency were more likely to have mixed feelings about this than to express outright lack of trust. Mixed assessments were almost entirely based on service interactions with the Agency—specifically, mixed experiences dealing with agents, but also mistakes made by the Agency that had to be brought to its attention, a perceived lack of proactivity on the part of the CRA in terms of providing information, and the need to revisit the same issue periodically.

### Service-related Issues

*Client-focused service and digital services are seen as being key features of a modern tax organization. The CRA, overall, was more often characterized as more traditional than modern. However, from the perspective of digital services, the CRA was described by many as modern or in the process of modernizing.*

Most participants described a modern tax organization as being characterized by two things: client-focused service and technology/online services designed to deliver it. Client-focused service considered ‘modern’ was seen to include service that is consistent, timely, efficient, available 24/7, and tailored to meet the needs of the individual or business in question. ‘Modern’ technology/online services were routinely described as being ‘cutting-edge’, user-friendly, and secure. With an emphasis mainly on the view that a modern tax organization is technologically focused, participants tended to characterize the CRA as a modern tax organization, or expressed mixed views about this, including the impression that it is developing in that direction or trying to modernize.

*When asked about the CRA adopting modern processes and new technologies to be responsive to a changing world, participants supported the CRA leveraging artificial intelligence (AI) to be an efficient and responsive organization.*

There was widespread, but qualified, support for the use of AI by the CRA. Support for the use of AI was routinely conditional and premised on its use as a support mechanism rather than a decision-making tool. Specifically, AI should be used for such things as providing information, research, and assistance (e.g., answering questions), but not for making decisions and determining complex issues, such as an audit and eligibility for benefits (which should continue to involve/be subject to human oversight). In addition, even where AI is used in a supportive role, many participants felt that it should be implemented gradually and tested through pilot projects, and that any security-related issues be thoroughly addressed (e.g., protecting personal information) before such systems are implemented. A few participants did not support the use of AI by the CRA, even in a supportive role, because of concerns or apprehensions that it might not be controllable through human oversight.

*Most taxpayers describe the process of completing and filing their tax returns as easy, and among representatives of small businesses and tax professionals, there was a widespread impression that the process of filing business taxes has become easier in recent years, primarily because of digital services.*

Most taxpayers characterized the process of completing and filing their tax returns as easy or relatively easy, and there was a widespread impression that the process has become easier over time (or has not become more difficult). Reasons included the uncomplicated and/or unchanging nature of one’s tax situation, the use of tax software and e-filing, the use of a tax professional, and experience. Reasons for characterizing the process as complicated or difficult usually involved complexities or issues resulting from personal or family circumstances, but also included difficulty keeping track of tax-related documents, finding the correct forms, and understanding some of the language, terms or expressions used in various forms.

Representatives of small businesses and tax professionals felt that the process of filing business taxes has become easier in recent years, primarily because of their access to digital services, but also because of technology and software. What has become more complicated to some are new

rules and regulations and/or changes to rules and regulations, as well as the use of unclear language in explaining rules and regulations.

*There was widespread awareness and use of CRA's digital services, and impressions of these services tended to be positive.*

Awareness of My Account for individuals and My Business Account and Represent a Client is widespread as is registration for these services. Reasons for using My Account included receiving email, tracking refunds, setting up direct deposit, viewing the status of one's return, viewing previous tax returns, checking RRSP limits, viewing notices of assessment, viewing tax information slips, submitting documents, and changing personal information, such as one's address. Reasons for using My Business Account and Represent a Client included viewing mail, checking balances, setting up direct deposit, submitting documents, getting tax slips, making payments, and authorizing representatives.

Assessments of these digital services ranged from positive to very positive. Based on their experience, intermediaries routinely observed that Represent a Client makes the process of meeting client's tax filing obligations less burdensome because of its speed, ease of use, and comprehensiveness.

*The main perceived challenge of small businesses when dealing with the CRA is the time it takes to reach an agent, followed by unmet information needs. According to tax professionals, being accessible and providing tailored information for small businesses are the top ways in which the CRA can improve relations with small businesses.*

The most frequently identified 'biggest' challenge of small businesses when dealing with the CRA was the time it takes to get through to an agent. Another challenge identified relatively frequently was uneven or inconsistent service from CRA agents regarding various issues, i.e., receiving different information from different agents. Other challenges were identified less frequently and included not always knowing where to start/what to ask/what one needs to know when contacting the CRA, difficulty finding information on the Agency's website that is designed for small businesses, and a general sense that the CRA does not understand small businesses.

Asked what the CRA can do to improve its relationship with small businesses, intermediaries identified the following: provide dedicated phone lines for small businesses; provide a chat service; include notes on business owners' files to help track and resolve issues; provide video tutorials or workshops for entrepreneurs, especially those just starting a business; provide tax-related information to entrepreneurs when registering their businesses; and provide consistent information in response to questions/information needs.

*Getting through to an agent is also the main challenge tax intermediaries face when dealing with the CRA.*

The most frequently identified challenge intermediaries said they face when dealing with the CRA is getting through to an agent, specifically the amount of time spent waiting on the phone to speak to an agent. Another frequently identified challenge dealing with the Agency was inconsistency of service, specifically the challenge of getting through to a knowledgeable agent.

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*Among research participants, there was a widespread impression that personal and business information is safe with the CRA. Confidence in the CRA's ability to keep information safe is linked to how it communicates/acts.*

There was a widespread impression that information is safe with the CRA. Asked if their feelings about this have shifted over the years, most participants said they had not. Some said that they have been thinking more about safety of information in general, given the increase of (or increased reporting of) incidents of hacking and identity theft, but that this has not affected their feelings regarding the safety of their information with the CRA. Some said their feelings have changed in the direction of increased confidence. This was either because of their direct experience with the CRA's safety measures, or because of the impression that the CRA has increased and/or improved its security measures over time.

Asked if they would feel more or less confident about the CRA's ability to keep information safe when the Agency communicates about events related to vulnerabilities with its tax database, participants observed that it depends on the way in which the Agency communicates and acts. A few said that, regardless of how the Agency reacts, their confidence in it would be shaken because a breach indicates that there are vulnerabilities. Some explained that their confidence in the Agency would likely be affected by factors such as: how quickly the breach was detected, the extent of the breach, the kind of information/data that was compromised, and the speed with which the problem is resolved, and the frequency of such events.

*Staff knowledge and prompt service were identified as the most important service attributes when interacting with the CRA. Impressions of CRA staff tend to be mixed, with participants often specifying that the quality of service depends on the agent.*

Asked what service qualities are most important to them when they interact with the CRA, participants most often identified the competence and knowledge of CRA agents and the ability to obtain answers and information promptly. Additional service attributes were also identified with some frequency, either on their own or as linked/associated with the latter. These included the ability to complete transactions in one service interaction and consistency in information (identified on their own or associated with the competence/knowledge of staff), and ease of access (identified on its own or associated with quick/efficient service).

Overall impressions of CRA staff tended to be mixed. Among taxpayers, impressions of CRA staff were routinely positive, but there was also a fairly widespread impression that service can vary depending on who one is dealing with. Differences in service were usually associated with the agent's level of knowledge, not their willingness to be helpful, their politeness, or their empathy. Feedback from representatives of small businesses and intermediaries tended to be similar. Impressions of CRA staff were routinely positive when it came to such things as helpfulness, empathy, respect, and politeness (with a few exceptions), but there was a relatively widespread impression that knowledge varies depending on who one is dealing with.



### Compliance-related Issues

*There were differences in opinions about whether most people follow tax rules and pay their fair share of taxes. The main effects of some not paying their fair share of taxes were seen to be the unfair burden placed on others to pay taxes and fewer public services resulting from less income tax revenue.*

Taxpayers tended to be divided on this issue between those who felt most pay their fair share and those who felt they do not or who have their doubts. Among those who felt that most people do not, some suggested that the likelihood of paying one's fair share of taxes varies by income level, with the assumption being that the middle-class carries the main burden when it comes to paying taxes.

As a follow-up to this, taxpayers were asked about the impact, if any, of people not following tax rules and not paying their fair share of taxes. In response, the most frequently identified impacts were an inordinate tax burden placed on others (mainly the middle class), a decline in the nature and quality of public services, as well as a decline in benefits (e.g., rebates, credits).

For their part, representatives of small businesses and intermediaries generally agreed that it is sound for the CRA to proceed on the assumption that most people will meet their tax obligations (though some who thought this also recognized that 'many' will try to avoid fully complying with their obligations if they can).

*According to representatives of small businesses and tax intermediaries, the CRA should provide information to help businesses learn about meeting their tax obligations.*

Participants emphasized the CRA's role in providing information to businesses with a focus on ensuring that the business information it provides through its agents and on its website is correct and current; that information for and about businesses is accessible/easy to find; and that such information is clear, with a focus on avoiding ambiguity, clarifying grey areas, and keeping language simple. Although representatives of small businesses and tax intermediaries see a role for the CRA in helping businesses learn about meeting their business tax obligations, there is virtually no awareness of any products or services offered by the Agency to help businesses comply.

*There was a difference of opinion on whether tax cheating or benefitting from loopholes is the bigger problem for the rest of Canadians who pay their fair share of taxes. Opinions also differed on the perceived effectiveness of the CRA at addressing issues of non-compliance and on whether the CRA treats everyone equally in addressing non-compliance in meeting tax obligations.*

Those who identified loopholes as the bigger problem often noted that they privilege the wealthy (with representatives of small businesses sometimes specifying that they favour large companies), and result in massive sums of lost tax revenue (taxpayers sometimes adding that this results in an unfair burden being placed on the middle class). Those who identified cheating as the bigger problem often noted that loopholes, though regrettable, are not illegal while cheating is a blatant disregard of the law. Some also felt that, while the existence and use of loopholes is a problem, they are not available to most people whereas cheating is more widespread (e.g., the underground economy/accepting cash for services).

Opinions on the effectiveness of the CRA at finding and addressing issues involving people not paying their fair share of taxes varied across all three audiences. Among taxpayers, the difference



of opinion tended to be more clear-cut between those who felt the CRA is effective in this regard and those who felt it is not. Among representatives of small businesses and intermediaries, opinion tended to be more mixed, divided between those who described the Agency as effective, those who described it as ineffective, and those who said they do not know.

The reason provided most often to explain why the CRA is perceived as effective in this regard was the impression that the Agency has the power and resources to do this—for example, sophisticated means of tracking and monitoring and the authority to impose penalties or conduct audits. Opinion that the CRA is not effective in this regard was routinely based on a perceived lack of evidence that it is effective, exemplified mainly by the existence of tax havens and the underground economy.

Most participants did not think that the CRA treats everyone equally when it comes to addressing non-compliance. The most frequently given reason for believing that the CRA does not treat everyone equally was the impression that the Agency's approach varies by income level. Specifically, there was a widespread assumption that the CRA tends to focus its enforcement activities on middle- and lower-income Canadians because they are easier to target. On the other hand, the wealthy and powerful were seen as having ways to avoid compliance, such as loopholes to exploit and offshore accounts to hide earnings.

*Opinion was divided as to whether knowing about the CRA's enforcement practices would result in greater trust that the CRA is making sure that everyone is paying their share of taxes.*

Most taxpayers did not think that knowing more about the CRA's enforcement practices would not result in greater trust that the CRA is making sure that everyone is paying their share of taxes. A few explained that such trust could only be increased by knowing that the Agency is implementing its enforcement practices. Conversely, most representatives of small businesses and intermediaries think that knowing about CRA enforcement practices would increase their trust that the Agency is making sure everyone pays their share of taxes.

*Participants were usually aware of the underground economy, though some were not aware of it by this designation, and a few confused it initially with the black market. The main perceived effect of the underground economy is dealing with a tax shortfall.*

There was widespread awareness of, and agreement about, the types of activities that characterize the underground economy. The most frequently provided example was paying cash for goods and services to avoid paying taxes. Ways of characterizing this kind of activity or transaction included 'not declaring revenue', 'not charging tax', and 'providing cash for service'. Factors that taxpayers felt contribute to participation in the underground economy included increases in the cost of living, the impression that people are always looking for deals, a perception that taxes are too high, and a perception that the tax burden falls mainly on lower- and middle-income Canadians. In the opinion of taxpayers, the main effects of the underground economy include the tax burden being unevenly distributed—specifically, that those participating in the underground economy are not paying their fair share of taxes.

*Most believe participation in underground economy has become more socially acceptable and that people who participate in these activities will not get caught.*

Most participants believe that participation in the underground economy has become more socially acceptable over time. That said, this belief was more widespread among taxpayers, while there was more difference of opinion about this among representatives of small businesses and tax

intermediaries. Reasons for believing that it has become more socially acceptable to do so included things like increases in the cost of living, a desire to save money and/or have more disposable income, the feeling that taxes are too high, and a decline in respect for authority/government, among other reasons.

Not only are these activities viewed as more socially acceptable by most participants, most also think it is unlikely that people who participate in the underground economy will get caught by the CRA. Reasons routinely provided to explain why included the perceived difficulty of monitoring such activities, the impression that the underground economy is willfully ignored, and the fact that one never hears anything about people being caught. The small number of business representatives and tax intermediaries who think it is likely that people who participate in the underground economy will get caught by the CRA usually pointed to the Agency's growing technological sophistication and analytical capabilities to detect involvement in the underground economy.

*Few have heard anything recently about offshore tax havens or CRA efforts to stop use of them, and many do not believe the CRA is doing enough to stop offshore non-compliance.*

Only a few participants recall having heard anything recently in the media about offshore tax havens. Similarly, very few had heard anything about any measures, tools, or projects the CRA has put in place to stop individuals or businesses from hiding their revenue abroad to avoid paying taxes in Canada. Asked if they believe the CRA is doing enough to stop offshore non-compliance, participants either said no or that they do not know. Taxpayers were more likely to say they believe the Agency is not doing enough, while representatives of small businesses and intermediaries were more likely to say they do not know.

*Reaction to the Voluntary Disclosures Program was positive. In addition, participants believe options for paying tax amounts owed should be available.*

Perceived benefits of the Voluntary Disclosures Program (VDP) included retrieving tax revenue; incentivising 'doing the right thing'; encouraging honesty in reporting; fostering trust in the tax system; saving the CRA time and resources in pursuing the non-compliant; and providing a cooperative instead of an adversarial approach to compliance. Participants collectively identified a variety of options that should be available to taxpayers when it comes to paying the tax amounts that are owed to the CRA through the VDP. The most frequently identified consideration was financial ability to pay, with participants occasionally suggesting that this could include accommodations, such as repayment plans and lower interest rates (or none at all).

### Conclusions and implications

- While satisfaction with My Account, and My Business Account/Represent a Client is widespread, a few suggestions for improving these services were offered by participants. The two mentioned most often for improving these services were the addition of a chat function and the ability to add file notes. Both are noteworthy in the context of this research
  - The suggestion to include a chat function offers the Agency an opportunity to incorporate AI in a way that reflects a widespread desire among participants regarding how it should be used by the Agency—that is, in a supportive rather than a decision-making capacity
  - The suggestion to include file notes on transactions and interactions with the CRA is clearly linked to, and in response to, one of the main issues identified by

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participants when dealing with the CRA—that is, receiving different answers and/or information on the same issue from different agents

- Awareness of anything the CRA is doing to address the underground economy and tax havens is so limited as to be effectively non-existent. Given that this lack of awareness is advanced by many as a reason for believing that these issues are not a priority for the Agency (or that it is doing nothing about these issues), the CRA may want to consider publicizing actions it is taking, if only to correct potential misperceptions on this issue
- Drawing attention to Agency activities as well as providing general information regarding tax havens, in particular, could be beneficial, given the relatively widespread perception that the wealthy do not pay their fair share of taxes and that the CRA does not treat everyone the same in this regard. Among taxpayers, this manifests itself as an assumption that the tax burden falls mainly on the middle class, while among representatives of small businesses, it manifests itself as the impression that large companies can take advantage of loopholes unavailable to small companies
- Although representatives of small businesses and tax intermediaries see a role for the CRA in helping businesses learn about meeting their business tax obligations, there is virtually no awareness of any products or services offered by the CRA to help businesses comply. This lack of awareness is compounded by impressions that such information is difficult to find, that the Agency is not proactive in offering it, and that the Agency does not understand the needs of small businesses. In addition, lack of financial literacy was identified as one of the ‘biggest’ challenges small business clients face when dealing with the CRA according to tax intermediaries
- Related to the preceding bullet, representatives of small businesses and tax intermediaries suggested services that they felt the CRA *should* consider offering to help businesses comply with their tax obligations. These suggested services, for example, webinars, information sessions and liaison officers, may already be offered by the Agency to assist businesses with tax compliance. Representatives of small businesses and tax intermediaries were simply unaware of such services. The research findings, therefore, point to an ongoing need *and* a demand for these types of services to be offered by the CRA

#### 4. Limitations and use of the findings

Qualitative research is designed to reveal a rich range of opinions and generate directional insights rather than to measure what percentage of the target population holds a given opinion. The results of these focus groups and in-depth interviews provide an indication of participants’ views about the issues explored, but they cannot be quantified nor generalized to the full population of taxpayers, small businesses, and tax professionals. As such, the results may be used by the CRA for the following: to gauge trust in, and satisfaction with, the Agency; to provide evidence-based information for strategic decision-making; and to provide information for reporting on engagement and reputation management.

#### 5. Contract Value

The contract value was \$149,915.00 (including applicable taxes).

## 6. Statement of Political Neutrality

I hereby certify as a Senior Officer of Phoenix Strategic Perspectives that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the *Communications Policy* of the Government of Canada and Procedures for Planning and Contracting Public Opinion Research. Specifically, the deliverables do not contain any reference to electoral voting intentions, political party preferences, standings with the electorate, or ratings of the performance of a political party or its leader.



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