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**The Certified General Accountants Association of Canada  
Statement delivered before the House of Commons Standing Committee on Finance  
on the Statutory Review of the first five years of the Canada Revenue Agency Act**

**The road to clear, fair, and equitable tax administration**

**June 21, 2006**

Mr. Chairman, honourable members:

### **Introduction**

The Certified General Accountants Association of Canada (CGA-Canada) represents more than 64,000 certified general accountants and students across Canada. On their behalf, I thank you for the opportunity to appear before you today on an issue that is central to professional accountants everywhere to say nothing of the interests of the clients they represent.

Given that summer is now upon us, I thought it appropriate to frame my remarks by sharing with the committee the story of U.S. president, General Ulysses S. Grant and his introduction to golf. On a visit to Scotland, he was invited to observe a demonstration of the game by his host, who it appears wasn't much of a player at all. While Grant watched, the fellow teed up his ball, stood back, and took a swing. He missed. Though he tore up a huge patch of grass in front of the tee, the ball didn't budge an inch. He made several more attempts sending patches of dirt and grass sailing high into the air but without coming into contact with the ball. Grant looked from his now perspiring host to the ball and back again, and said, "There seems to be a fair amount of exercise in the game but I fail to see the purpose of the ball."

### **The role of Canada's Revenue Agency**

When the Canada Customs and Revenue Agency was first created in 1999, there was much discussion of the organization's purpose and it is on this I intend to focus my commentary today. The agency's primary responsibility is to administer Canada's *Income Tax Act*. In so doing, it assumes the job of ensuring we each pay the appropriate taxes to government based on our annual revenue. Canada's tax system has been built on a foundation of self-assessment — a system in which citizens are required by law to disclose complete and accurate information to government on their earnings, and in turn, the money they owe the Crown. This is no trivial matter. According to the auditor general, personal income tax was the single most important source of government revenue in 2003-04. That year, the CRA assessed \$125 billion in taxes payable by

individual Canadians to federal, provincial, and territorial governments other than Quebec.

### **Where accountants fit in**

That's where our members come into the picture. In their capacity as professional accountants, it's their job to assist individual Canadians and businesses to comply fully and in a timely fashion with the requirements of the *Income Tax Act*. In a manner of speaking, accountants are the third leg of Canada's tax stool along with tax-payers and the tax-collector. They are ostensibly navigators within an extraordinarily complex system. They also act as interpreters of the law on behalf of their clients, while at the same time playing the role of overseer on behalf of government. On the opposite side of the government/citizen divide is the government auditor who is also a professional accountant – and in many cases, a member of our organization. It's a unique role — one that is delicate, demanding, and at times, conflicting — a job that carries the weight of enormous responsibility with the prospect of equally weighty financial and legal repercussions for their clients. To this end, Canadians and tax practitioner alike require clarity in the laws and regulations that govern taxation and the manner in which those laws are applied. In essence, clarity is the gateway to a fair and level tax playing field.

### **The CRA in review**

We welcome this committee's review of the CRA's mandate. From the agency's launch, CGA-Canada has played an active role in providing important input that has helped guide its administration of Canada's tax system.

It's a task we embrace as we believe we've something unique and valuable to contribute to the further development and refinement of a fair and equitable tax system. At the time of its creation, the Canada Revenue Agency was assigned three important objectives:

- To deliver better service to Canadian tax-payers and businesses;
- To achieve greater organizational effectiveness and efficiency; and
- To establish a closer partnership with the provinces and territories.

We believe the agency has achieved some success in each of these though we also see room for improvement. We support the Public Policy Forum's view that "A focus on improving service and reducing costs to the tax-paying public is the best catalyst for thinking about future directions."<sup>1</sup> In its bid to better serve Canadians by becoming a customer-driven organization, we suggest the agency focus on strengthening its performance in four key areas:

**1. Rendering consistent, predictable decisions**

Consistent decision-making is critical to a just, defensible application of tax laws and regulations.

**2. Delivering expertise and well-informed counsel**

The reliability of information and that of its sources is a "make or break" issue for professional accountants. This speaks to the training requirements of agency personnel in the interest of delivering even-handed, well-informed information to clients. In this regard, we urge this committee to consider the benefits of maintaining the agency's current advisory committee structure, whose purpose is to provide ongoing information and advice on needs and interests specific to particular sector and client groups.

**3. Communicating effectively with Canadians**

With 24 million tax filings each year the task is daunting. The CRA is to be commended for its introduction of new technologies aimed at improving Canadians' access to better, more timely information. While we see this as a healthy start in the right direction, the implementation of cutting-edge web-based information systems is undermined by the requirement to maintain antiquated paper-based records for auditing purposes — one that is costly, confusing, difficult to manage, and no longer necessary.

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<sup>1</sup> *Public Policy Forum Assessment of Canada Revenue Agency Relationship with Provinces and Territories: External Perspectives, Summary Report, October 2004.*

#### 4. **Treating Canadians fairly and respectfully**

As taxpayers, we're obligated under the law to report the truth about how much money we earn each year. In return, the tax man — in this case the CRA — should treat us with the fairness and respect we've come to expect and deserve. We think the CRA's approach to risk assessment ought to better reflect that in the real world, honest mistakes can and do happen. An underlying principle of the *Income Tax Act* is self-assessment and it is the job of the professional accountant to assume the burden of accountability on behalf of his or her clients.

Albert Einstein once said, "The hardest thing to understand is income tax." I'd like to "link" that to my earlier anecdote about the purpose of golf. Perhaps with a bit of wisdom and much "FOREsight," committee members might prove Einstein wrong...and I wish our friends in the translation booth the best of luck arriving at a nuanced interpretation for that!

Mr. Chairman, I welcome committee members' questions. Thank you.

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