



Connect. Engage. Impact.

December 18, 2024

Mohammed Rhaman, Director General  
Business Compliance Directorate  
Collections and Verification Branch  
Canada Revenue Agency

**Via email**

**RE: Reporting Fees for Services Initiative**

Dear Mr. Rhaman:

Tax Executives Institute, Inc. (“TEI”) is grateful for the opportunity to participate in the Reporting Fees for Services working group over the past ten months. Meaningful and open discussions with stakeholders are the best path forward for the Canada Revenue Agency’s (“CRA”) administrative policy decisions.

The CRA stated during the consultation process that the Reporting Fee for Services initiative (the “Reporting Initiative”) should serve as a risk assessment tool and deterrent to non-compliance. With that in mind, TEI and its stakeholder colleagues sent a clear and unanimous message: a common-sense solution that minimizes the administrative burdens of both the CRA and taxpayers would still allow the CRA to achieve its goal of reducing unreported income in Canada. We set forth below TEI’s recommendations to achieve this common-sense solution.

**TEI Recommendations**

Exemptions

The Reporting Fees for Services initiative has a clear challenge to design a reporting regime targeting non-compliant taxpayers without unduly burdening compliant taxpayers. The CRA should therefore use information already in its possession to minimize any additional reporting and administration. The best example of this is GST registration. Payments made to GST registrants are already in the system, such that any GST registrant reporting revenue on a GST return should also report such revenue on an income tax return. If the concern is that revenue is not being reported on either return, it should be noted that the vendor, the one bearing the deductible expense, is incentivized to report the transaction on its GST return to collect the Input Tax Credit (“ITC”). Our members have large case file managers that review these monthly returns and ITC claims in detail.

1200 G Street, N.W., Suite 300  
Washington, D.C. 20005-3814  
202.638.5601  
tei.org



Thus, the CRA currently has access to this information already and in sufficient detail as well (auditors will request supplier name, GST number, date of invoice, amount, etc.). Findings from GST audits will provide most of the information needed to identify non-compliance with the Income Tax Act. Although it may be convenient for the CRA to have transactions captured on a simple reporting form or schedule, the added compliance burden of reporting fees for services for transactions conducted by GST registrants outweighs the nominal potential benefit. The existing GST (and HST) registry is an effective tool in confirming GST registrants and can further be utilized to validate GST numbers. Consequently, TEI believes GST registrants are highly likely to report their income to the CRA. TEI therefore recommends the CRA exempt payments between GST registrants from the Reporting Initiative.

Exempting payments to GST registrants from the Reporting Initiative would allow the CRA to focus more heavily on areas of true non-compliance. An exemption would also relieve pressure to raise the \$500 reporting threshold, an important consideration. The CRA acknowledged the survey results confirmed a strong preference for a much higher reporting threshold. Much of the underground economy is transacted using relatively small amounts, and filtering out most payments between compliant taxpayers will provide a clearer picture of where true non-compliance lies.

#### Detailed Reporting

The stakeholders participating in the Reporting Fees for Services working group held a unanimous view regarding monthly payment reporting. TEI strongly agrees with the stakeholder group: monthly fee reporting is unworkable for payers and not needed by the CRA. The purpose of the reporting system should be to identify possible non-compliant taxpayers. Once those parties are identified, audits can then determine the proper taxation year for any particular payment.

TEI agrees with the CRA that reporting fees for services will act as an effective deterrent against non-compliance. Reporting payments by month, however, will serve no additional use in that respect. TEI recommends that the system report payments made during each calendar year, with annual reporting similar to T5 *Statement of Investment Income's* and T4 *Statement of Remuneration's* to simplify reporting for everyone.

#### Forms

TEI agrees that a reporting slip is an effective deterrent for non-compliance. We believe, however, that the T4A *Statement of Pension, Retirement, Annuity, and Other Income* is not the appropriate medium for reporting fees for services. TEI recommends that the CRA require payment disclosure in a separate form and slip or, preferably, reported on a schedule on the taxpayer's annual income tax return.

In sum, TEI commends CRA's efforts to protect Canada's tax base from the underreported income. The implementation of an effective reporting system to combat this type of tax evasion is an



important step in that direction. However, an effective system is achievable without requiring reporting vast amounts of information, most of which will not be used or useful.

Thank you again for including TEI in this initiative. We look forward to working with CRA and the stakeholder group as this project evolves and remain available to provide any further context. Moreover, TEI believes that this consultation process should serve as a model for future initiatives, so that CRA and its stakeholders can collaborate in a meaningful and professional way toward improving Canada's tax administration system.

• • •

Should you have any questions regarding the comments in this letter, please do not hesitate to contact Sandy Shanks, Chair of TEI's Canadian Income Tax Committee, at [Sandy.Shanks@ConocoPhillips.com](mailto:Sandy.Shanks@ConocoPhillips.com) or Benjamin R. Shreck of TEI's Legal Staff at [bshreck@tei.org](mailto:bshreck@tei.org) or 202.464.8353.

Respectfully submitted,

*Josephine Scalia*

Josephine Scalia  
International President  
TAX EXECUTIVES INSTITUTE