



# DEBATES OF THE SENATE

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## **CANADA REVENUE AGENCY ACT**

**BILL TO AMEND—SECOND READING—  
DEBATE CONTINUED**

Speech by:

The Honourable Patricia Bovey

Thursday, May 3, 2018

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**Hon. Patricia Bovey:** Senators, I rise today to speak to Bill S-243, An Act to amend the Canada Revenue Agency Act, reporting on unpaid taxes.

Senator Downe, who introduced the bill, has been a tireless advocate in holding CRA to account for Canadians, and I know his efforts have been greatly appreciated.

We all as senators represent the voices of those who do not otherwise have a voice in this chamber as we ensure fairness and equality among all Canadians. This is what this bill does and what I am doing in support of it.

The genesis of Bill S-243 was a request by Senator Downe to have the Parliamentary Budget Officer undertake a study of Canada's tax gap in the absence of CRA conducting one of its own. The PBO was unable to obtain the data needed to undertake the study from CRA for a period of five years. CRA has recently agreed to provide data to the PBO, but this bill remains relevant today.

Bill S-243 would require the Canada Revenue Agency to report on all convictions for tax evasion, including international tax evasion, and on the tax gap in the annual report CRA submits to the Minister of National Revenue for tabling in Parliament. It also requires the minister to provide data on the tax gap to the Parliamentary Budget Officer.

Bill S-243 is very important in that it provides a definition of the tax gap as well as the basis for a calculation of the estimated amount that tax gap is in Canada. As of today, we really have no reliable estimate on what that tax gap is. Various attempts have been made at an estimate. As Senator McIntyre mentioned, the Conference Board of Canada arrived at a tax gap estimate at the federal level of between \$8.9 billion and \$47.8 billion annually, depending on the methodology used.

Over a dozen countries now measure and report on their respective tax gaps. Indeed, the United States has been doing so in some form since the 1980s and the U.K. since 2001. Studying the tax gap provides several benefits to countries that do it, and I quote from a 2006 article in the *Journal of Tax Research*:

It helps identify the type of non-compliance that contribute to the tax gap. It identifies where resources should be allocated within a tax authority to combat non-compliance. It measures the effectiveness of a tax authority.

The question of methodology is an important one in the context of measuring the tax gap. The only way we might arrive at the correct methodology really is to annually study the tax gap. Doing so will lead to a better understanding of the factors involved and lead us to more accurate estimates.

In the United States, the Internal Revenue Service, which estimates their tax gap, studied the tax years 2008 to 2010 and found no significant change since the last study conducted in 2006. What is interesting about this particular study is the confidence in how the IRS portrays its numbers:

The small increase in the estimated size of the tax gap and the small decrease in the voluntary compliance rate are largely attributable to improvements in the tax gap estimation methodology, and do not represent a significant change in underlying taxpayer behaviour.

To me, this is key. Without a regular estimation of the tax gap, we cannot improve the manner in which we collect and assess information to arrive at an accurate figure as possible.

The second part of Bill S-243 would compel the Minister of Revenue to provide the Parliamentary Budget Officer with the data on the tax gap collected and any additional information that the PBO considers relevant in conducting a further analysis of the tax gap.

The PBO is well-positioned as an independent body to conduct such an examination. Having the PBO report to Parliament directly is beneficial. The reports issued by the PBO have been providing valuable independent analysis since 2006.

As a comparison, in the United States, the Government Accountability Office, the GAO, is an independent, non-partisan agency that works for Congress. In 2017, the GAO was asked to review the Internal Revenue Service's tax gap estimate for the period of 2008-2010, the date of the latest review conducted by the IRS. The report by the GAO contains information on the main drivers of the tax gap, the confidence level of the IRS in its tax gap estimates, the goals of the IRS in reducing the tax gap and the extent to which the IRS uses tax gap estimates to develop strategies to reduce the tax gap.

The GAO made several recommendations in that report, none more important than that the IRS used the information collected in order to develop a comprehensive plan to update tax compliance strategies. Estimating the tax gap is one thing. Using the data to recoup the lost revenue is what Canadians are really looking for. I would expect the PBO report on the tax gap to be as comprehensive as that of the GAO.

Senator Downe has spoken in this chamber and has published several op-eds on the CRA. He has pointed out there exists a gap in trust, which exists among Canadians and the agency. In his speech at second reading, he mentioned the billions of dollars the CRA has claimed to have invested in fighting tax evasion. Senator McIntyre mentioned this in his speech as well. The reality is that this amount has not actually been spent and will be spent over the next six years.

Senator Downe has also pointed out other issues, such as the agency purchasing newspaper ads to promote its own actions, false call centre statistics and the rejection of claims under the

Registered Disability Savings Plan, and the reticence of the agency to pursue offshore tax havens. These have all added to the trust gap between the CRA and Canadians.

This leads to a concern I have regarding the exchange of data on the tax gap between the CRA and the PBO. Will this bill create a one-off between the two or will the PBO regularly receive tax gap data from the CRA in order to continue to study the issue? I would like to propose a friendly amendment at committee stage, which will allow for the PBO to continue to monitor the situation so that the data might be turned over on a regular basis, be that annually or every two or three years. It can be discussed.

Senators, a great majority of Canadians pay their taxes in full and on time, and we have all just done it. CRA, in refusing to estimate the tax gap for so long, has done a disservice to Canadians. If we're truly looking at lost revenue ranging from somewhere between \$9 billion and \$50 billion, we are also looking at an agency which has dropped the ball on maintaining the integrity of our tax system.

Bill S-243 would be a good step in restoring some of Canadians' lost confidence in the CRA.

Thank you.

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