

Office of the President and  
Chief Executive Officer

Cabinet du président  
et chef de la direction

December 11, 2012

The Honourable Gail Shea, P.C., M.P.  
Minister of National Revenue  
The Canada Revenue Agency  
7<sup>th</sup> Floor  
555 MacKenzie Avenue  
Ottawa, Ontario  
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Dear Minister:

In September, the Canadian Chamber of Commerce concluded its 83<sup>rd</sup> Annual General Meeting (AGM) in Hamilton, Ontario. A major highlight of the Chamber's AGM is the Policy Session. It is during the Policy Session that resolutions submitted by local chambers of commerce and boards of trade from across Canada are debated and voted on by accredited delegates. Once approved, these resolutions become policy of the Canadian Chamber for the following three years.

Our delegates issued a clear and decisive national policy mandate that we intend to pursue vigorously with the federal government over the coming months. This mandate includes a number of issues that fall within your portfolio.

**Taking Advantage of External Expertise in Federal Departments and Agencies:**

In recent years, there has been a significant reduction in the number of opportunities that are available to non-government experts to assist in improving the administration and compliance burden imposed by the tax system. In most cases, the CRA Advisory Committees that previously existed have been wound down. Re-engaging private-sector experts from industry, law and accounting would allow for an exchange of ideas and increased understanding of the workings of both government and business, and facilitate the proposal and development of solutions that take the needs of both parties into account. Where required, confidentiality agreements could be considered.

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**Canada Revenue Agency Impact on Small Business:**

We congratulate the Government of Canada and, in particular the CRA, for its renewed and enhanced focus on cutting red tape for small businesses. Our members have identified four areas for further possible improvement. First, our members call on the government to instil flexibilities into CRA systems to allow frontline staff to manage communications between CRA streams on behalf of small business owners, and take a client-oriented, customer-service approach to resolve issues in a timely fashion. Second, our members urge the government to assign a case officer, with the appropriate training, to small business files to make compliance faster, cheaper and simpler. Third, the Agency should correct and respond to CRA errors within 30 days of notification by the taxpayer or taxpayer's representative. Lastly, our members believe the CRA should be more open and accountable for its actions and decisions.

**Fair Tax Process for Small Business:**

Canadian courts hold most government agencies accountable to basic procedural safeguards to ensure that all Canadian citizens benefit from a fair and due process when denied or granted government benefits. These protections do not cover the activities of the CRA wherein citizens must understand the complicated details of the *Income Tax Act* and escalate concerns to the courts. The CRA's internal policies for small businesses should be reviewed and common administrative law practices should be implemented into CRA's procedures, ensuring intermediary assistance for small businesses to resolve conflicts with the CRA with the protection of due process.

**Restoring Balance in Sector Applicability of Scientific Research and Experimental Development (SR&ED):**

Our members believe that the proposed changes to the SR&ED Investment Tax Credit program discriminate on the basis of company size and favour labour intensive R&D projects over capital intensive R&D and labour intensive industries over capital intensive sectors. We have written to the Department of Finance outlining our concerns. We appreciate that the government is focussing on improving the administration of the SR&ED program, including having the CRA conduct a pilot project to determine the feasibility of a formal pre-approval process. Our members believe this process should be monitored carefully to ensure it accomplishes its objectives. If it can be made to work predictably, it would be a positive change.

**Improving the Accuracy and Timeliness of the SR&ED Program:**

Many businesses find the SR&ED ITC program complex and cumbersome from an administrative standpoint. Our members call on the CRA to develop an

approach to SR&ED that mirrors the Canada Border Services Agency's Customs Self Assessment (CSA) program. The CRA could focus its attention on SR&ED claims made by claimants it does not know or deems high risk while expediting the processing of claims and issuance of payment from claimants the CRA knows are legitimate. In short, to mirror the CBSA's CSA program, the CRA could establish a "SR&ED Claim Certification Program" that:

- Is client focused and voluntary
- Requires CCPCs to follow specified policies and procedures in the preparation and submission of its SR&ED claims
- Allows the CCPCs to be audited and certified by the CRA as known and compliant with the program requirements
- Employs an Administrative Monetary Penalty System (AMPS) for non-compliance

Specific details on how the program can be structured and administered are found in the attached resolution. The resolution also offers specific recommendations with respect to SR&ED eligibility and evaluation criteria/process.

**Non-Residents Performing Services in Canada – Waivers from Withholding Obligations Under Regulations 105 and 102:**

Many Canadian companies routinely, or as required, work with non-resident service providers from the U.S. and abroad. In many cases, these non-resident employees and their employers face overly complex and burdensome tax administration and compliance obligations. To improve employee mobility across the Canada-U.S. border and help facilitate access to skilled labour in Canada we urge the Government of Canada to eliminate Regulation 105 and introduce legislation to permit all non-resident employees to administer a Regulation 102 blanket waiver process for employees working in Canada below a specified number of days. We also recommend that non-residents who are exempt from income tax under a tax treaty are not required to register, collect and remit for GST/HST purposes.

The full text of these resolutions is attached.

Sincerely,

A handwritten signature in black ink that reads "Perrin Beatty". The signature is written in a cursive style with a large initial "P" and a long horizontal stroke at the end.

Perrin Beatty  
President and Chief Executive Officer

Attachments