

Update on CPA Canada Activities

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JANUARY 2019



Private Corporation Changes



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Private Corp. Changes: CPA Canada Main Activities

- “ CPA Canada formal submissions
 - “ Preliminary submission on timing and a subsequent submission on selected issues after the October announcements
- “ Joint Tax Committee of the CBA and CPA Canada also made three large technical submissions
- “ Appeared before Finance and Senate Finance Committees
- “ Connected with other groups to share information despite not participating in a group submission
- “ Discussed the concerns identified by tax community on revised passive income proposals in 2018 federal budget

CPA Canada – Going Forward

- “ Discussions with CRA as part of compliance committee .
guidance on technical and assessing
 - “ Documentation CRA will ask for
 - “ Guidance on key rules
 - “ Technical answers to questions

- “ Now addressing the concerns on private corporation taxation more generally as part of tax review initiative (discussed in next section)

Tax Review Initiative



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Tax Review Initiative

- “ Has been a CPA recommendation for a number of years. However, this has now turned into a national discussion
 - “ US tax reform and Private Corporation changes have increased the volume
- “ CPAC has moved from a recurring pre-budget submission idea to an active program for 2018/19

Goal is to have the major political parties put a comprehensive tax review in their election platforms.

CPA Canada's Tax Review Initiative

KEY OBJECTIVE

- “ Persuade the federal government (*or one of the major political parties*) to commit to a tax review for the benefit of all Canadians

OTHER CENTRAL GOALS

- “ Enhance CPA Canada's reputation as a strong advocate in the public interest
- “ Demonstrate CPA Canada's leadership in tax
- “ Expand CPA Canada's influence and relations with government and business and policy stakeholders

Tax Review Initiative

- “ Activities to date:
 - “ Hire of public relations firm
 - “ Meetings with key government stakeholders including opposition parties
 - “ Feedback from key stakeholders, including survey of our volunteers for their views
 - “ Media Articles
 - “ Preparation of three papers
 - “ Canada's position globally (released)
 - “ What are the key problems with our tax system?
 - “ What should a tax review look like?

Tax Review Initiative

- “ Paper 1 - What is the rest of the world doing?
 - “ Some countries have or are doing a review
 - “ Others have implemented tax reforms
 - “ Key issues for Canada globally

Tax Review Initiative

- “ Paper 2 . Concerns about the Canadian Tax System
- “ Issues discussed by CPA Canada advisory committee
 - “ US Tax reform
 - “ General competitiveness . both personal and corporate
 - “ Tax expenditures
 - “ Private company/business taxation
 - “ Savings and retirement taxation
 - “ Support for innovation
 - “ GST/Digital economy

Tax Review Initiative

- “ Paper 2 . Concerns about the Canadian Tax System
 - “ Tax administration issues
 - “ Fewer expenditures and simplicity
 - “ Where are taxpayers having trouble applying rules?
 - “ Foreign issues . simplification
 - “ Dispute settlement
 - “ Committee on tax administration simplification
 - “ Enhanced tax consultation approach us UK as an example

Tax Review Initiative

- “ Paper 3 (in progress) . What should a Tax Review look like
- “ What have other countries done
- “ What works and what doesn't

CPA Canada's Tax Review Initiative

KEY HIGHLIGHTS TO DATE

- “ Op-ed by CPA Canada and Canadian Chamber of Commerce in *The Globe and Mail*, Oct. 7, 2018
- “ National media cited our first report: Andrew Coyne in the *National Post* and Carole MacNeil on *CBC Newsworld*
- “ Various other media references
- “ Government Committee endorsements
- “ OECD and IMF references
- “ Numerous meetings with senior political and bureaucratic officials to advocate for a comprehensive tax review, since September 2018



Other 2017/18 Projects/Issues



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CRA Verification Projects

- “ Owner manager expenses / Capital cost allowance queries from CRA
- “ O/M expenses
 - “ CRA had started to deny expenses based on Adler TCC decision
 - “ CPA Canada discussed the issue with CRA and CRA ultimately agreed to not reassess/reverse those that had been assessed
 - “ CRA also to release long-term policy
- “ Similar issue arose on opening CCA after eligible capital property changes and CRA has revised process

CRA Electronic Communications Design Jam

- “ CRA has had success signing up taxpayers for online mail . except for those that use tax preparers
- “ CPAC and CRA have discussed issue several times over the years . tax preparers have a number of concerns
- “ Recent session . designed to identify all of the relevant issues on both sides
- “ Next steps

Technology WG/Service Committee

- “ Enhancements
 - “ Combined RC59/T1013 for unincorporated business people
 - “ Deceased taxpayer authorizations
 - “ Ability to submit to use RAC for individual authorizations
 - “ Other changes on the horizon
- “ Continue to discuss and relay concerns to CRA

CRA Requests for Personal Bank Statements

- “ Not always needed . depends on risk
- “ There is significant non-compliance generally .
CRA's highest risk for small businesses is unreported income
- “ One approach is IVI . testing and assessing techniques
 - “ Testing . preliminary . to establish risk of unreported income
 - “ Assessing . more detailed work to justify assessment
- “ Why personal financial information is needed
- “ Alternatives?

CRA Requests for Personal Bank Statements

- “ Best Practices
 - “ Keep personal records in case they are needed
 - “ Keep documentation for non-taxable sources of funds . need to show taxable amounts are reported and reason why other amounts not taxed

- “ CPA Canada Blog . coming soon

Work in Progress

- “ Tax Blog
 - “ Reminder changes are coming
 - “ Summary of key issues in letter from CRA
 - “ Main issues:
 - “ Acceptable costing methods
 - “ Variable overhead
 - “ Rules for contingencies

Other Issues

- “ T1134 . 2018 federal budget
- “ Voluntary disclosure policy change . feedback to CRA on form/process
- “ Discussions with CRA on pre- and post verification issues
- “ BP Canada / access to working papers
- “ Quebec Sales Tax change . Tax Blog
- “ Best practices for corporate tax audits . Tax Blog

Working with the Provinces

- “ Regulation of tax services
- “ Serving You Better initiative
- “ Tax practice inspection
 - “ Tax Risk Questionnaire

Plans for the Winter 2018-19

- ” Discussion on T1135 issues
- ” Voluntary disclosures
- ” T1 verifications
- ” Further discussions on TOSI administration and identification of uncertainties for rulings
- ” Section 55 . other alternatives
- ” Meetings with CRA Appeals and Chief Services Officer

Questions?

Tax at CPA Canada

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