TEI-CRA INCOME TAX LIAISON MEETING
DECEMBER 8, 2020

A. CRA INTERNATIONAL AND LARGE BUSINESS DIRECTORATE – PRIORITIES AND VISION FOR 2021

We invite the Director General of the CRA's International and Large Business Directorate to provide an update regarding her thoughts on the CRA's priorities for the next 12 months given the impact of COVID-19, and her vision for the Directorate's future—including how TEI might contribute to the realization of that vision.

The Canada Revenue Agency (CRA) has now resumed a full range of audit work and adapted our practices to reflect the health and economic impacts of COVID-19. We are prioritizing actions that are beneficial to the taxpayer or where taxpayers have indicated there is an urgency to advancing their audit. This includes prioritizing higher dollar audits, audits close to completion, and those with a strategic importance to the Government of Canada, provinces and territories, or our tax treaty partners.

CRA employees across the country stepped up to support these services, including taking on new roles answering help line phone calls and reviewing claims for emergency measures. With most employees working from home, many new approaches had to be developed quickly, with streamlined processes and newly co-ordinated, multi-branch efforts to get things done.

We are committed to learning from the new best practices adopted during the pandemic and to keeping as much as possible of the responsiveness and speed that the CRA achieved during this time. The spirit of collaboration, both within the CRA and with stakeholders, as well as the increased networks of contacts within and outside the CRA, are a lasting benefit of the agency's experience during the COVID-19 crisis.

The International and Large Business Directorate (ILBD) continues to work on being more timely through service in compliance and the Directorate's main priorities remain the same as last year:

1. To build and maintain technical capacity and implement effective succession planning strategies within the program both in HQ and in the regions, through a comprehensive training and learning strategy, effective employee development programs and targeted staffing;
2. To enhance our risk assessment capabilities using automated systems, leverage business intelligence including all available data sources, and improve the integrity of our data.
3. To ensure that our cases meet the required standards for audit quality throughout the compliance process from risk assessment and validation to audit finalization which includes engagement of subject matter experts and if needed counsel at audit stage, thereby ensuring the sustainability of our compliance results.

We will continue to work closely with our stakeholders, including TEI to implement our key priorities over the coming years to improve the compliance program, provide service whenever possible, and to ensure tax fairness within the large business population segment.

B. CANADA EMERGENCY WAGE SUBSIDY ("CEWS") PROGRAM

TEI understands that the CRA's first wave of CEWS-related audit activity began during the summer. With regard to this program, we invite the CRA to comment on the following:

B1. We understand that the initial audit query letter was designed centrally within the CRA. What is the plan for how future CEWS audits will be developed, specifically with respect to centralized or regional control?

B2. What are the design considerations related to CEWS audits of different classes of taxpayers, such as owner-managed organizations versus publicly traded companies?

B3. How does the CRA plan to deal with confidentiality issues related to employee information? Is the CRA contemplating the use of segregated communications portals for payroll components and revenue components?

B4. What are the CRA's principal concerns in designing the CEWS audit program? For example, will such audits focus more on proper computation (payroll) or substantive qualification for the program (decline in revenue), fraud detection or particular technical missteps?

B5. Given the exigent circumstances surrounding the drafting and enactment of the CEWS legislation last April, what is the CRA's view on what taxpayers should expect from a pragmatic and principled CEWS audit?

B6. The CEWS legislation provides that the government is entitled—but not obligated—to publicize the name of any person or partnership that applies for relief under the CEWS program. Given the obvious privacy concerns and potential reputational risks attendant thereto, in what circumstances might the CRA contemplate publishing the names of CEWS applicants?

The CEWS Post Payment Audit – Phase 1 (CEWS Phase 1 audits) initiative began in August 2020 and a limited number of taxpayers were selected for audit with most identified through CRA's risk assessment systems and processes, but with some randomly selected. The results of these audits will inform the CRA on the level of compliance in regard to this benefit program, and the resource commitment needed for future phases. A higher incidence of compliance at Phase 1 would reduce the need for any expansion of a post payment audit program in the future. Conducting these audits on a real-time basis before the end of the taxation is an innovative approach. Given the unprecedented levels of support being provided by the government to businesses to help them retain employees, CRA concluded that early action to verify compliance was warranted. The CRA plans to use its experience with CEWS compliance to adapt best practices for our regular tax audit program.

The CEWS Phase 1 audits are being coordinated by the HQ compliance functions and are being conducted by existing field audit teams. The CEWS program itself and the various templates including the Initial Contact Letter were developed by HQ. The Contact Letter is an all encompassing request for information to cover as much of the legislation and potential scenarios involving the revenue tests and payroll tests. The audit teams are instructed to cater the letter to the size, complexity and nature of the books and records of the taxpayer. Unfortunately, this was not followed in all cases and we have

provided further guidance to our auditors. We agree that the scope of the audit should be commensurate with the size, complexity and risk of the taxpayer. Obviously, a Large Business taxpayer who has made significant CEWS claims covering tens of thousands of employees, and has computed their revenue decline, say, on a consolidated accounting basis, should expect a more comprehensive request for information.

As indicated, the results of the CEWS Phase 1 audits will inform the CRA on the scope of future compliance activities. If the level of compliance is considered high for Phase 1 then a more targeted approach focusing on the most egregious situations based on enhanced risk assessment will be considered. Regardless of the scope of the program, the CRA will continue to follow a centrally coordinated approach for any future post payment audit activities.

The CEWS Phase 1 audits are focussed both on the revenue tests and payroll tests. For many small and medium taxpayers that provide the required documentation, these tests can be performed quickly, and if fully compliant, the audit can be closed quite quickly after it began. To speed up the audit process for Large Business taxpayers, we have assigned a Computer Audit Specialist (CAS Specialist) who can retrieve the electronic data on behalf of the audit team, and an Employer Compliance Auditor (ECA Auditor) who can conduct most if not all of the payroll tests. The CAS Specialist and the ECA Auditor are in effect embedded in the Integrated Large Business Audit Team. The Case Manager continues to be the single point of contact for the CEWS audit.

As indicated, the ECA Auditor will conduct the payroll tests like any other payroll audit and confidentiality of the eligible employee information will be maintained. In regard to the revenue test, where the taxpayer has used a consolidated accounting method or made an election in computing the revenue drop then more audit work would be required. The CRA will examine whether the taxpayer took additional steps to artificially reduce or defer revenue to meet the requirements of the wage subsidy, and application of the specific anti-avoidance rule and the related 25% penalty will be considered if the reporting of revenues have been manipulated. In all cases, the audit teams must exercise their professional judgment in applying the CEWS legislation, and when in doubt they have been instructed to make a referral to HQ for technical guidance.

Bill C-14, COVID-19 Emergency Response Act, No. 2, amended the Income Tax Act to enact the CEWS program and to authorize the CRA to publish the name of any eligible employer that applies for the CEWS. The CEWS Employer Search has been created to provide Canadians with a user-friendly way of seeing which corporations have received the wage subsidy. The creation of this database will provide transparency to all Canadians on how their tax dollars are being spent to protect jobs, allow businesses to keep employees on the payroll, and re-hire workers who were previously laid off while at the same time discouraging non-compliance.

C1. FORM T1134 UPDATE

In October 2019, the CRA shared its draft revisions to Form T1134, *Information Return Relating to Controlled and Non-Controlled Foreign Affiliates (2021 and later taxation years)*, with TEI and invited our members to comment thereon. TEI returned a complication of responsive comments to the CRA in early November 2019, and members of TEI's Canadian Income Tax Committee participated in a follow-up conference call with CRA officials in December 2019 to discuss those comments in further detail.

As discussed, TEI members welcomed a number of the CRA's draft changes to Form T1134, including (i) the revised requirement to provide unconsolidated financial statements only for foreign affiliates in which the reporting entity or a member of the related group owns at least 20 percent of the voting shares, (ii) the option to electronically provide such unconsolidated financial statements to the CRA, and (iii) the revised thresholds and entity-level application of the exception for "dormant" or "inactive" foreign affiliates. At the same time, however, our members were disheartened to see that the revised form would require taxpayers to report significant amounts of additional information beyond what is required by the existing form, which would have the counterproductive effect of *increasing* the compliance burden on many Canadian companies—especially those with numerous foreign affiliates. It was also unclear to many of our members why the CRA would even require some of this additional information for risk-assessment purposes.

In view of the form's substantially shortened filing deadline and the range of additional risk-assessment tools at the CRA's disposal, TEI members urged the CRA to take meaningful additional steps to streamline the information required to be reported on Form T1134. This issue remains a significant concern to our members, and we invite the CRA to address the following questions:

Part A

What is the current status of the CRA's effort to revise Form T1134 and, in particular, what significant changes to the form are being considered in view of the concerns raised by TEI members last fall?

Since our discussion, we refined and simplified the form as much as possible to address both the CRA's critical business needs and the tax community's concerns on compliance burden. With the number of legislative amendments to the foreign affiliate regime that have been enacted since 2012 to address tax gaps or loopholes, it is inevitable that more questions will need to be asked in order for CRA to gather the necessary information on the taxpayer's (and their foreign affiliates') involvement in the transactions and arrangements that are the subject of this new legislation. Some of the items that have been added to properly administer those rules include specific questions on tracking interests, foreign affiliate dumping rules, upstream loan rules, elections regarding the ordering of surplus distributions, foreign accrual property losses and/or foreign accrual capital losses carryovers, and Pertinent Loan or Indebtedness.

We are currently on track to release the form for January 2021. Our systems are being updated to process the form and collaboration is ongoing with external tax software developers to ensure the form is available for 2021.

To help prepare taxpayers for the new filing changes, we recently shared a copy of the revised T1134 form with key stakeholders and highlighted changes made to the form.

In terms of the specific recommendations provided by TEI, in addition to the three changes you have mentioned earlier that were made to the form, we are happy to report that the following changes have been made to the form since our last consultation:

- The question regarding a reporting entity's PUC in the shares of its foreign affiliates has been removed.
- The question regarding the composition of revenue of each controlled foreign affiliate has been modified by only requiring a breakdown between amounts from arm's length sources v. that from non-arm's length sources.

Other changes made on the revised form include:

- New joint filing option for a group of reporting entities that:
    - are related to each other;
    - have the same year-end; and
    - report in Canadian dollars or in the same functional currency.

  The option allows taxpayers to jointly file one set of T1134 Summary and Supplements in respect of all foreign affiliates that any one of its members would have otherwise been required to file.
- In response to stakeholders' concerns regarding the duplication of information provided with the return, the three financial data fields in Part II – Section 3 (total assets, accounting net income before tax, income or profits tax paid or payable on income) along with the reporting entity information in Part II – Section 1 have been removed.
- New questions were added to the T1134 Summary for lower-tier non-controlled foreign affiliates that are held indirectly through other non-controlled foreign affiliates, focusing on transactions and events that affect the surplus account balances.
- Reporting entities will be required to provide the adjusted cost base of the foreign affiliates' shares they own, broken down between common and preferred shares, and identify any changes during the year.
- The questions on the gross amount of debt owing to or from the foreign affiliate will only apply if the information was not otherwise reported on the form T106 filed by the same reporting entity.
- Reporting entities will only be required to provide the total number of employees each controlled foreign affiliate employs throughout the year by selecting the appropriate range of values. The requirement to provide a breakdown on a business-by-business basis has been removed.

Part B

For many Forms T1134, a foreign affiliate's unconsolidated financial statements must be attached to the form on filing. And in some cases, taxpayers must file large numbers of Forms T1134 with large data files attached thereto. Can the CRA confirm that such taxpayers may use the "My Business Account" online portal to upload the required financial information, even in cases where the attaching data files are very large?

Currently, taxpayers cannot use the "My Business account" to upload required Financial Statements for Forms T1134. However, a foreign affiliate's unconsolidated financial statements can be attached to the T1134 form when filed electronically with a T2 return or a Partnership return (T5013) through T2 software and Partnership (T5) software. This option is available through certified software that supports the functionality eService's Submit e-Docs to Foreign Reporting FileNet storage tab. The maximum file

size for eService's Submit e-Docs is currently 150 MB, but we are looking to increase it to 2GB in the near future.

C2. TRANSFER PRICING AUDIT PROCEDURES

In response to question 5(a) from the *Audit/Appeals Matters* section of TEI's December 2018 liaison meeting agenda, the CRA stated in part that:

> *The sample contemporaneous documentation letter, as outlined in TPM-05R, continues to be an effective means of obtaining taxpayer information. In certain limited circumstances, with approval from the International Tax Division, auditors may change the sample contemporaneous documentation letter to focus on specific risk factors which have been identified through initial risk assessment.*

Certain TEI members have reported that their field auditors were not familiar with the internal process or contact person(s) from whom to obtain this approval. As a result, we invite the CRA to clarify its internal processes to be followed for the limited circumstances in which auditors may change the sample contemporaneous documentation letter to focus on specific risk factors.

Our internal policy ILBD-07-02R Requests for Contemporaneous Documentation describes our internal process for an auditor to follow when preparing and issuing a contemporaneous documentation request letter.

As the internal policy ILBD-07-02R is meant to guide our internal auditors, it differs from the public policy TPM-05R Requests for Contemporaneous Documentation, in how much detail is provided concerning procedures.

There have been some rare instances where the wording of the contemporaneous documentation request letter has been changed when a taxpayer had an existing Advanced Pricing Arrangement (APA) with the CRA on specific transactions. In order to clarify our internal process, auditors are normally required to use the sample template contemporaneous documentation request letter, as outlined in ILBD-07-02R or TPM-05R. If a taxpayer has entered into an APA or if the auditor considers that an exception may be warranted, an auditor's first point of contact concerning international tax issues should always be the Regional International Technical Advisor (RITA) assigned to his or her particular Tax Service Office. Upon discussing the issue with the RITA, the applicable International Tax Division Manager and the Competent Authority Services Division (CASD) will be informed and a decision would be made in conjunction with the International Large Business Case Manager or Team Leader on the particular case.

C3. TECHNOLOGY AT THE CRA

During our December 2019 liaison meeting, the CRA provided a comprehensive response to TEI's question regarding completed and planned enhancements to "My Business Account," the secure online portal that provides an opportunity to interact electronically with the CRA on various business accounts.

TEI invites the CRA to provide an overall update regarding its efforts to improve the online experience for corporate taxpayers. We further invite the CRA to provide specific updates with respect to each of the following issues that the CRA indicated they would consider during last year's meeting:

PART A

Implementation of access to the non-resident account information by taxpayers through My Business Account. Please address both types of non-resident accounts:

i) Non-resident withholding accounts, typically starting with "NRX" or "NRJ," used by Canadian corporations to withhold withholding taxes from payments to non-residents. These types of accounts are not currently available in My Business Account. Would the CRA consider adding these accounts to the portal?

ii) Business accounts for non-resident taxpayers who have not previously filed a Form T1, *Income Tax and Benefit Return*.

i) Non-resident tax accounts are currently not accessible through existing CRA portals (My Account, My Business Account, and Represent a Client). The CRA recognizes the value in providing digital services and we are continually exploring options for improving the services we deliver. We are currently assessing the feasibility of implementing digital offerings for non-resident tax accounts.

ii) Currently, in order to register for My Business Account, taxpayers including non-resident taxpayers must provide the following information: their social insurance number (Individual Taxation Numbers, ITNs for non-residents), date of birth, current postal code or ZIP code and an amount they entered on one of their income tax and benefit returns (It could be from the current tax year or the previous one). If a return for one of these two years has not been previously filed and assessed, they will not be able to register for My Business Account. For further information please see: https://www.canada.ca/en/revenue-agency/services/e-services/cra-login-services/cra-user-password-help-faqs/registration-process-access-cra-login-services.html#hlp1d

PART B

Improved tracing ability for transfers of funds between accounts. Payment transfers between taxation years, and sometimes between program accounts, are not currently displayed in My Business Account. For example, if a taxpayer were to transfer a 2018 installment payment to the 2019 installment account, My Business Account would not show a transfer. Instead, it would report a payment only to the 2019 taxation year without any indication that the payment was originally credited to 2018. The absence of a "paper trail" causes problems for taxpayers both in tracking payments and satisfying internal corporate governance controls, especially for large corporate groups with multiple payment transfers between various accounts. Would the CRA consider adding functionality in My Business Account to display payment transfers between taxation years and between accounts or extensions?

The CRA is adding functionality in My Business Account to display payment transfers between taxation years and between accounts or extensions, and this feature should be available May 2021. There was a delay in adding this functionality due to Covid-19 emergency measures.

PART C

Automatic availability of statements of interest for each notice of assessment or reassessment. At present, statements of interest are not typically issued with notices of assessment or reassessment, requiring taxpayers to separately request such statements and wait for their requests to be fulfilled. Would the CRA consider automatically issuing a statement of interest with each notice of assessment or reassessment?

A Statement of Interest is automatically issued with a (re)assessment only when the revised and adjusted amount of instalment or arrears interest is equal to or greater than the set threshold. For RC accounts, the threshold is $500 and for OL, CT and GST accounts the threshold is $5,000.

You can request a statement of interest through My Business Account by selecting the "Enquiries service" and then selecting the "Request interest or statement of interest" form.

This question was also raised at last year`s conference. Based on an analysis conducted when this change was introduced several years ago, we determined that there has been very little demand to automatically issue a statement when they did not meet the thresholds outlined above. Should a statement be deemed necessary in such situations, there is a channel available for requesting it digitally. We have noted your concern and will continue to monitor client feedback for opportunities to enhance our processes and correspondence.

C4. BENEFITS AND ALLOWANCES RECEIVED FROM EMPLOYMENT

PART A

Since October 2017, Income Tax Folio S2-F3-C2, *Benefits and Allowances Received from Employment*, has been "under review" and the CRA has indicated that employers should continue to follow current practices consistent with the information available in Guide T4130 *Employers' Guide - Taxable Benefits and Allowances*. In response to TEI's question on this subject in December 2018, the CRA indicated that it had reviewed and revised the folio's wording with respect to employee discounts on merchandise, but that the revised folio continued to "undergo additional review as per our internal procedures." TEI invites the CRA to provide an update regarding the status of this additional review and the projected release date of the revised folio.

The folio is currently in the process of review and approval in accordance with CRA internal procedures. A projected release date for the updated folio cannot be provided at this time.

During the approval period, the CRA continues to administer employee discounts on merchandise in accordance with the administrative policy outlined in Guide T4130, Employers Guide – Taxable Benefits and Allowances, which is currently available on the tax pages of the Canada.ca website.

PART B

Given the unprecedented number of employees working from home during the COVID-19 pandemic, we understand that the CRA is making COVID-19 related revisions to existing publications such as Guide T4044, Employment Expenses 2020, and Form T777, Statement of Employment Expenses, to facilitate claiming work-space-in-the-home expenses and employment expenses in general. TEI invites the CRA to expand on these efforts and, in particular, whether they include any potential COVID-19 related changes to what would be considered a taxable benefit (e.g., employer-paid parking in cases where the employee is now working at home) or to the calculation of benefits (e.g. standby charges).

Since the beginning of the COVID-19 pandemic in mid-March 2020, public health officials have asked Canadians to stay at home to help minimize the spread of the virus. As a result, an unprecedented number of employees that would normally work in an office environment are now working from home. This has led to significant interest on the topic of claiming work-space-in-the-home expenses (line 22900 of the T1 Individual Income Tax and Benefit Return).

The CRA is reviewing the application of work-space-in-the-home regulations. While there are currently no changes to the existing rules, the CRA is looking to clarify and clearly communicate how individuals can claim work-space-in-the-home expenses next tax filing season, including possible changes to the T2200 Declaration of Conditions of Employment form for employees who worked from their home in 2020 due to COVID-19.

At this time we are currently in the decision making process using feedback received from various key stakeholder organizations.

Once the CRA's analysis is complete, the CRA will provide an update to Canadians, including employers, on the process and rules to claim work-space-in-the-home expenses. We are committed to communicate information on this item with you as it becomes available.

Update:

On December 15, 2020 the CRA announced that it has made the home office expenses deduction available to more Canadians, and simplified the way employees can claim these expenses on their personal income tax return for the 2020 tax year.

- A new temporary flat rate method will allow eligible employees to claim a deduction of $2 for each day they worked at home in that period, plus any other days they worked from home in 2020 due to COVID-19 up to a maximum of $400. Under this new method, employees will not have to get Form T2200 or Form T2200S completed and signed by their employer.
- Employees with larger claims for home office expenses can still choose to use the existing detailed method to calculate their home office expenses deduction. To simplify the process for employees choosing the detailed method, the CRA also launched simplified forms (Form T2200S and Form T777S) and a calculator designed specifically to assist with the calculation of eligible home office expenses.

For more information on working from home expenses go to Canada.ca/cra-home-workspace-expenses.

D1. FORM T2200 GUIDANCE

TEI members commend the CRA on its initiative to reduce employers' income tax compliance and reporting burdens in respect of their employees who are working from home during the COVID-19 pandemic. As part of this initiative, the CRA sought and received broad-based feedback from TEI members on its draft of a new, simplified version of Form T2200, Declaration of Conditions of Employment for Working at Home During COVID-19 ("Form T2200 Short"). TEI members welcomed a number of the draft form's refinements, including the confirmations in Part B that a formal contract is not required and that a verbal agreement between the employer and employee will be accepted. At the same time, however, our members were troubled to see that the draft Form T2200 Short would require many employers to compile and report additional information beyond what is required by the existing form, which would have the counterproductive effect of increasing the compliance burden on those employers. It was also unclear to many of our members why an employer would be required to report information on Form T2200 Short that is not required by the Income Tax Act.

Given the unprecedented number of employees working from home during the COVID-19 pandemic, TEI members urged the CRA to take a number of specific, additional steps to streamline and clarify the information that employers would be required to report on Form T2200 Short, consistent with the requirements of the Income Tax Act. TEI invites the CRA to provide an update regarding the status of its initiative and, in particular, what changes to the draft form are being considered in view of the concerns raised by TEI members.

The CRA conducted a number of stakeholder consultations on this topic in the early fall. Stakeholders called for a simplified approach to claiming the deduction for home office expenses. On December 15, 2020, the Honourable Diane Lebouthillier, Minister of National Revenue, provided details on how the CRA made the home office expenses deduction available to more Canadians, and simplified the way employees can claim these expenses on their personal income tax return for the 2020 tax year.

The CRA took a number of steps to make claiming working at home costs easier for employees and to reduce the compliance burden for those employers who provide T2200 forms to their employees.

These steps included:

- new temporary flat rate method for employees to claim home office expenses
- removal of the requirement on employers to provide Form T2200 should the employee use the temporary flat rate method to calculate employment expenses
- simplified Form T2200s to ease the burden on employers for those employees planning to use the detailed method

The only questions that remain on the final version of Form T2200s are the following:

- Did your employee work from home due to COVID-19?
- Did you reimburse your employee for any expenses?
- Was this amount included on a T4?

The final version of Form T2200s was further streamlined from the version shared during the consultations as follows:

- onus shifted to the employee to determine if they met the eligibility requirements in regards to working 50% of the time at home for a period of at least 4 weeks
- clear instructions that the employee needs to complete Form T777s in order to claim home office expenses on their tax return
- administrative requirement to include the employee's address and social insurance number was moved to the bottom of the form so that the employee completes this portion only if the CRA asks for the form.

D2. FORM T5013 DIGIT LIMITATION

There is a limitation in commercial tax preparation software, such as *Taxprep Forms*, whereby boxes cannot exceed 11 digits—including decimals and cents—on Form T5013, *Partnership Information Return*, and the T5013 slip, *Statement of Partnership Income*. There are currently two alternatives available to partnerships affected by this limitation. First, the partnership can file a T5013 slip in extensible markup language ("XML") format by electronically filing a T5013 slip with no more than 11 digits and then filing a manual amendment to that slip using the CRA Web Forms application. This option is obviously less than ideal because it involves amending a return and doing so outside of the taxpayer's commercial tax preparation software, thereby complicating historical tracking for comparatives. The second option involves XML filing multiple T5013 slips for the same recipient, with the box amounts split to ensure that the amount in each box does not exceed 11 digits. This option can confuse the recipient of the T5013 slips, to whom it may be unclear whether all slips should be added together for all boxes or not. TEI invites the CRA to comment on whether it would consider addressing this issue by enabling taxpayers to generate an electronic information return in XML format for filing via Internet file transfer with more than 11 digits, or by providing guidance on how to split the slips appropriately.

The CRA will be examining this issue through its system modernization project. While significant updates are planned over the next few years, no T5013-specific information can be shared at this point until the detailed planning phase is completed.

Until then, splitting the fields that require more than 11 digits is the only option for those few affected.

We currently provide assistance and guidance on this issue on a case-by-case basis through our electronic processing support line, at 1-800-665-5164.

D3. CLOSING CRA PROGRAM ACCOUNT FOR CORPORATE INCOME TAX FOR NON-RESIDENTS

A non-resident corporation is required to file Form T2, *Corporation Income Tax Return*, with the CRA if the corporation carried on business in Canada, had a taxable capital gain, or disposed of taxable Canadian property at any time in the taxation year. This requirement applies even if the non-resident

corporation claims that any profits or gains realized are exempt from Canadian income tax due to the provisions of a tax treaty.

A non-resident corporation that does not have a business number must apply for one by completing Form RC1, *Request for a Business Number and Certain Program Accounts*. Once a CRA program account has been opened, however, the CRA requires a Form T2 to be filed for each taxation year—even where no business is carried on in Canada at any time in the year. If the non-resident corporation later determines that it will not be carrying on business in Canada, closing its CRA program account for corporate income tax can be problematic. According to the CRA's website, the corporation must not only file a final return but also send the CRA a copy of its articles of dissolution. If the non-resident corporation fails to satisfy either requirement, the CRA will "consider that the corporation still exists, and it will have to file a return even if there is no tax payable."

The administrative burden of having to file a NIL Form T2 return with the CRA for each taxation year in perpetuity is a hindrance to doing business in Canada. Accordingly, TEI invites the CRA to consider either:

a) allowing a non-resident corporation to close its CRA program account for corporate income tax without requiring the corporation to permanently dissolve; or
b) eliminating the requirement of a non-resident corporation to file a Form T2 return for a taxation year in which the corporation carried on no business in Canada at any time.

Would the CRA be amenable to adopting either of these alternatives?

The CRA will consider these options presented by TEI. As you state in your question, CRA policy requires that all corporations must have a corporate program account if they are registering for a payroll or GST/HST program account, and in order to close the T2 corporation account, they must file a final T2 return and provide a copy of its articles of dissolution. The CRA will review this policy to identify possible changes in order to reduce the administrative burden for non-resident corporations.

D4. FORM T106 RED TAPE REDUCTION

TEI members have identified opportunities for the CRA to increase Canada's competitiveness via red-tape reduction initiatives.

Part A

A prime candidate for red-tape reduction is Form T106, *Information Return of Non-Arm's Length Transactions with Non-Residents*, especially in light of the introduction of Form RC4649*, Country-by-Country Report*. Many TEI members report spending roughly the same amount of time collecting the information required to be reported on Form T106 as it takes to complete the Form T2 return. This is often due to information technology systems, which are not set up to track the granular details required by Form T106. There is currently a $25,000 administrative threshold for the reporting of non-arm's length transactions with each non-resident person; taxpayers do not need to report detailed information where their total transactions with a particular non-resident are below the $25,000 threshold. Would the CRA consider increasing this amount to $100,000?

The CRA is always open to suggestions for red-tape reduction, and we welcome your suggestion to increase the $25,000 threshold per T106 slip to $100,000. We recognize that the filing burden can be cumbersome, and in light of your suggestion have initiated a review of the impact such an increase would have on the various program areas within the CRA that rely on the information the T106 form provides. Once completed, we will be happy to follow up with the results of our review.

Part B

Would the CRA support initiatives with TEI and the Department of Finance to consider the introduction of safe harbours for intercompany interest rates in certain cases, thereby reducing audit burdens for the CRA and reducing transfer pricing documentation and compliance costs for taxpayers? For instance, the U.S. transfer pricing rules provide for safe harbour interest rates on certain intercompany loans and advances (referred to as a "safe haven interest rates" in Treasury regulations section 1.482-2(a)(2)(iii)). Would the CRA support initiatives to consider the adoption of similar safe harbor intercompany interest rates, at least on the interest expense side for Canadian companies (i.e., where there would be no risk of revenue loss from a tax policy perspective)?

We consider that interest payments on inter-company loans are a frequent source of base erosion. At arm's length, borrowing conditions vary extensively and the arm's length rate will consequently also vary based on facts and circumstances. We would therefore be reluctant to endorse a particular interest rate (or range of interest rates, which in practice would default to the highest possible outbound rate and the lowest possible inbound rate) as being always acceptable. Among other things, fixing a rate would encourage taxpayers to instead adjust the principal of the loan to achieve the desired deduction level. Generally, the CRA doesn't support safe harbours in relation to inter-company loans, as it could lead to revenue loss and aggressive tax planning opportunities. In your question, you seem to have identified situations where there would be no risk of revenue loss from a tax policy perspective.

Part C

Is the CRA working on any other red-tape reduction initiatives for large corporate taxpayers?

In the coming year, ILBD will be examining the possibility of re-introducing a real-time audit concept as part of our Approach to Large Business Compliance (ALBC). A real-time audit occurs when CRA conducts an audit of specific issues before the taxpayer files the corporate tax return but after the specific transactions are undertaken. Historically, this was done at the request of the taxpayer. Going forward, the CRA will identify potential candidates for a real-time and contact the taxpayer through the International and Large Business Case Manager. A real-time audit would require full disclosure of all transactions and related information on the part of the taxpayer, including disclosure of uncertain tax positions that would be contained in the taxpayer's tax accrual working papers. A real-time audit would provide the taxpayer with immediate tax certainty on certain transactions and structures. The CRA is using the results of the CEWS Post Payment Phase 1 initiative, which in effect are real-time audits, to adapt best practices for our regular Large Business Audit program.

D5. SUBSECTION 100(1) CAPITAL GAIN GUIDANCE

Subsection 100(1) requires that the taxable portion of the capital gain resulting from a disposition of certain partnership interests be increased from 50 percent, as calculated under section 38, to 100 percent. Schedule 6, *Summary of Dispositions of Capital Property*, to Form T2 does not indicate how the gain calculated pursuant to subsection 100(1) is to be reported. In Box W of Schedule 6, only an inclusion rate of 50 percent can be used to calculate the taxable capital gain amount. TEI invites the CRA comment on how this form should be completed if more than 50 percent of a capital gain is taxable.

Schedule 4, *Corporation Loss Continuity and Application*, to Form T2 does not address the carryback of capital losses against capital gains that were 100-percent taxable. Capital losses are carried back to capital gains on Schedule 4 without regard to what portion was taxable or deductible. TEI invites the CRA to comment on how the form should be completed in this situation.

- We will be introducing a line to properly capture dispositions where more than 50% of the capital gain is taxable.
- This line will be in Part 9 of T2 Schedule 6, and will be implemented in the October 2021 release of the form.
- In the interim, taxpayers can artificially inflate the amounts by multiplying them by 2 in order to accurately report them in Part 4 of T2 Schedule 6.
- Taxpayers reporting this artificially inflated amount should identify by reporting “100(1)(b)” in the corresponding field at Line 400 of T2 Schedule 6.
- This will allow the amounts to be accurately reported on T2 Schedule 4 where applicable.
- In the interim, as well as when moving forward with a new line on T2 Schedule 6, the capital loss will show as an inflated amount on the T2 Schedule 4. Capital losses are normally applied at 50%, and as such an inflated amount must move to Schedule 4. The inflated amount will be reduced by 50% when it is applied to a prior or subsequent year.

E1. CRA COMMUNICATION AND AUDIT MANAGEMENT IN COVID-19 AND A POST-COVID WORLD

The COVID-19 pandemic has made a remote workforce commonplace and necessary across Canada—for the CRA and taxpayers alike. Many taxpayers expect to maintain a remote workforce, either in whole or in part, even after the pandemic subsides, which may present a number of new challenges.

Part A

Many TEI members and their colleagues will primarily work remotely and will not have permanent office space. As such, on-site audits may not be possible. We are interested in the CRA’s comments on how they will approach audits in this scenario.

The pandemic has highlighted new areas where CRA needs to adapt its audit practices but it has also accelerated strategies that had previously been instituted to respond to both workforce availability and

file allocation (across regions). CRA's traditional approach for large business audit, to allocate resources based on geographic proximity, will continue to be a factor, but we will now also need to respond to the virtual nature of businesses.

In the near term as the pandemic continues and in its immediate aftermath, most audits will continue virtually to the extent possible to ensure the safety of CRA's employees and the public. The CRA continues to look at different tools, equipment, and support for auditors that will better facilitate the interaction required during the course of an audit. For example, improvements and clarity around the use of video for meetings, secure transmission of large sets of taxpayer data, common file formats for providing CRA with electronic books and records, and supporting records will continue to be very important to resolve. These challenges are not unique to CRA or to Canada and we hope that international best practices will be adopted to achieve mutually better outcomes for both tax administrations and multinational enterprises.

Following the pandemic, the Large Business Audit program will continue to strive for fully electronic audits using current and future developed business processes, systems and protocols for taxpayer information data capture, analysis, transmission and communication. The CRA understands that the on-site element is an important component in an efficient and effective audit process, however, it is anticipated that after COVID-19 the amount of in-person time at the taxpayer's premises will remain limited with the majority of the audit work conducted virtually. Conducting the necessary audit work virtually with full cooperation of the taxpayer will improve the audit efficiency and reduce compliance burden wherever possible.

Part B

Given the current remote working environment for both CRA and taxpayers, TEI recommends that the CRA permit alternative forms of communication beyond telephone and fax, such as e-mail. While the CRA's My Business Account portal allows taxpayers to upload specifically requested information, it does not replace e-mail for agile two-way communication. Does the CRA have any plans to allow for more two-way e-mail communication with taxpayers in the future?

CRA guidelines have been amended to allow the taxpayer or their legal representative to authorize the CRA to communicate via email when the request is urgent in nature and no practical alternatives exist.

Part C

The CRA routinely contacts taxpayers by telephone on many matters. With many CRA employees working remotely during the COVID-19 pandemic, however, TEI members have reported receiving calls from unusual numbers, which makes it difficult to verify whether the caller is a CRA employee. Apart from contacting the taxpayer's CRA representative (e.g., the Large Case File Manager), is there a reliable way for taxpayers to verify that a putative call from the CRA is legitimate? What protocols might the CRA implement to ensure taxpayers know when they're talking to a genuine CRA employee?

The CRA reacted quickly to procure and ship government-issued cellphones to our compliance officers across the country. Unfortunately, these phones are not equipped with a programmable caller-ID which

has resulted in some numbers displaying with areas codes that do not correspond with their geographical location or as "blocked", the CRA is exploring options to have this rectified. In the meantime, employees can validate the caller by retrieving their User-ID and calling the general enquiries / business enquiries line to confirm their identity, though we do understand that this process can be lengthy.

Other options include setting up phone calls using the government teleconferencing system or WebEx. WebEx can also be used to meet with consenting taxpayers via videoconference ("face-to-face"). The CRA has a detailed process on how these meetings can take place securely. WebEx is currently the only videoconferencing option that may be used to discuss protected information, however, this functionality will be added to the MS Teams tool in the near future. Presently, MS Teams may be used for non-protected discussions.

Part D

Please outline the CRA's privacy and security measures taken in light of CRA staff having to work from home during the COVID-19 pandemic.

The CRA employees working remotely must follow the working from home security requirements as well as the security best practices and working remotely requirements which were updated at the beginning of the pandemic and continue to be maintained. They include instructions on telephone, email and videoconferencing communication as well as protecting taxpayer information and documentation.

Part E

Has the CRA established any "best practices" for how to manage audits and other large-scale taxpayer interactions in a remote-working environment? If so, will those standards be shared with taxpayers?

Responded to this question in Part A above.

E2. TRANSFER PRICING REVIEW COMMITTEE ("TPRC")

Part A

Transfer Pricing Memorandum TPM-13, *Referrals to the Transfer Pricing Review Committee*, provides general information about the guidelines for referrals to the CRA's TPRC regarding possible transfer pricing assessments under paragraphs 247(2)(b) and (d) and penalties under subsection 247(3). Can the CRA provide an overview of the internal processes followed by the TPRC once a file has been referred thereto? For example, what role, if any, does the TSO play in making recommendations to the TPRC? In addition, certain TEI members have heard anecdotes that the TPRC relies on "screeners" to prepare file notes and make recommendations to TPRC members. Is this a new role

within the TPRC process? We invite the CRA to comment any further on process changes at the TPRC.

Once a file has been referred to the International Tax Division (ITD), each member of the Transfer Pricing Review Committee (TPRC) is provided with the following documentation for review 2 weeks prior to the meeting:

- For penalty referrals, a copy of the referral (that was previously provided to the taxpayer) and the taxpayer's representations to the penalty proposed to be assessed.
- For 247(2)(b) and (d) referrals, there are 3 stages:
  - Initial Consideration: a copy of the referral.
  - Consideration for a Formal Referral: a copy of the referral, draft proposal letter, draft economic report (if applicable), and taxpayer's comments to the statement of facts.
  - Formal Consideration: a copy of the referral, proposal letter, economic report (if applicable), and taxpayer's representations to the proposal.
- The TSO has no role in making recommendations to the TPRC. They are expected to provide a referral that does not contain any opinions, but only the facts of the file, and they are not allowed to attend the TPRC meetings.

In some cases, after a referral is assigned to a specific section in the ITD, an analyst from that section will prepare a short summary of the referral for the manager's review, which can then be used when presenting the referral to the TPRC. This summary does not contain any opinions or recommendations, but is a summary of what is provided in the TSO's referral.

Part B

During our November 2016 liaison meeting, the CRA provided an overview of the responses provided by the TPRC when penalties are applied under subsection 247(3). It was the CRA's view that the level of details provided enabled taxpayers to improve their transfer pricing documentation going forward. Due to the subjective aspect of such documentation, however, several TEI members are finding it difficult to identify the specific areas and expectations where TPRC would have expected further documentation. Accordingly, we invite the CRA to elaborate further on the TPRC's processes and expectations.

Transfer pricing documentation should provide a description of a transaction that is complete and accurate in all material respects of the six conditions outlined in subparagraphs 247(4)(a)(i) to (vi). Transfer pricing penalties are applied under subsection 247(3) where a taxpayer has failed to made reasonable efforts to both determine and to use arm's length transfer prices or arm's length allocations in respect of a transaction. For example, where the data and methods considered and used is inconsistent with the functions, performed assets employed and risks assumed, and the inconsistency lead to a transfer pricing adjustment over the threshold for penalty consideration, a transfer pricing penalty will be applied. Penalties would be applied, not because additional documentation was expected, but rather because the documentation did not accurately reflect the transaction.

E3. OBTAINING INFORMATION ON AUDIT

In its communiqué AD-19-02R, *Obtaining Information for Audit Purposes*, the CRA makes a number of constructive comments about reducing the compliance burden on taxpayers under audit, including these:

- Notwithstanding their broad powers to obtain information for purposes of administering and enforcing the Income Tax Act, CRA officials will exercise judgment and take reasonable steps to limit the compliance burden based on the facts and circumstances.

- CRA will rely predominantly on source information.

- CRA officials will exercise judgment, ensuring that requests or requirements for information are reasonable in the circumstances.

- CRA officials should where possible avoid requesting voluminous, duplicative material where a smaller subset of information could serve to explain the taxpayer's filing position.

- CRA needs to consider audit scope, relevancy and reasonableness, and transparency in requesting information.

- Every effort should be made to properly focus information requests to avoid burdening taxpayers and third parties with voluminous and expansive requests in situations where it is highly unlikely that such information will prove relevant to validating or establishing tax liability.

Despite these laudable comments, some of our members continue to be asked for very large volumes of data during the course of their audits, and some audit teams have communicated that they do not believe sampling is appropriate in a large corporate audit. With respect to a large multinational corporation, requesting source- or transaction-level data without sampling can result in taxpayers having to provide millions of lines of data to the CRA, which would involve significant taxpayer resources to compile. Having to review millions of lines of data presumably requires significant CRA resources as well. We invite the CRA to comment on the communiqué's application to large corporate taxpayers, and to expand on its position of when sampling is appropriate in the context of a large corporate audit.

The guidance provided in communiqué AD-19-02R, Obtaining Information for Audit Purposes, is fairly clear that auditors should adhere to certain guiding principles and exercise professional judgement when requesting information from taxpayers, their advisors and from third parties. For Large Business Audit, audit teams must obtain sufficient appropriate audit evidence to validate whether the taxpayer is in fact low risk or whether there is significant non-compliance that must be addressed. The audit team is conducting substantive audit testing to cover off the identified risk indicators and audit issues. The audit team will consider inherent and behavioural risk factors but is not conducting a control risk review that you would undertake as part of a statutory financial statement audit.

In order to conduct meaningful audit sampling and to give the appropriate sample selection to the taxpayer, the auditor would need to know the structure of the data, the integrity of the data, and the effectiveness the controls in place governing the data. This could be a time consuming process. In many cases, it is more efficient to obtain access to the complete data set, and have our CAS Specialist retrieve the data. The audit team can then conduct their own testing/sampling from this data set. This allows the audit team to better focus on the significant compliance risks and limit their queries to those particular risks that remain outstanding. If the taxpayer were to pick the sample size/selection themselves with full knowledge of the data set, then there is a risk that the results will be skewed in the taxpayer's favour. Again, the appropriate audit techniques to be used and the reliance to be placed on audit sampling will depend on the particular case. The audit team is expected to use professional judgement to obtain sufficient appropriate audit evidence in conducting their audit without unduly burdening the taxpayer.

E4. MEASURING RESULTS OF AUDIT ACTIVITY AND INCORRECT ASSESSMENTS

TEI members continue to express concerns about the low level of knowledge and training possessed by some frontline CRA auditors, and about a lack of consistent quality control in assessments. Some of these concerns relate to overly broad readings of broadly worded legislation. Others relate to proposals not grounded in the rules or established CRA positions.

We recognize that these are concerns for the CRA as well as for taxpayers. Our members fear that these types of assessments will become more common as auditors strive to meet revenue-raising targets and achieve good scores on various metrics.

We would welcome the CRA's perspective on the foregoing observations.

In addition, and more specifically, in December 2019 we raised a number of specific questions tied to the Auditor General's report on how the CRA measures audit results.6 Many of the CRA's answers to those questions were to the effect that the work had yet to be completed but was expected to be completed by March 2020. We respectfully request the CRA to provide updated answers to those questions.

ILBD remains committed to building and maintaining technical capacity, and implementing effective succession planning strategies within the program both in HQ and in Regions, through a comprehensive Training and Learning Strategy. Now more than ever with the COVID-19 crisis situation, ILBD is leveraging various technologies to deliver just-in-time online training solutions such as eLearning, online virtual classrooms, webinars, etc. to further develop the technical skills of the International and Large Business (ILB) audit community. This is part an overall branch level transformation away from traditional in-classroom instruction to online learning. ILBD is taking steps working with the Regions to implement innovative and effective recruitment and development strategies, succession planning, and eLearning solutions to ensure that ILBD has the required skilled employees now and in the future. Work is underway at the branch level to develop a Compliance Academy to bring all Compliance Programs Branch learning into one location and look at the potential for online learning.

ILBD continues to focus on audit quality, integrity and control to ensure that its cases meet the required standards for audit quality throughout the compliance process from risk assessment and validation to audit finalization which includes engagement of subject matter experts, and, if needed, counsel at audit stage, thereby ensuring the sustainability of our compliance results. The ILBD is in the process of updating its quality standards and will continue to conduct quality reviews at the Tier III risk assessment

and validation stage (beginning of the audit stage) in support of the Validated Risk measure, and, at the closed audit stage, by the Continuous Program Integrity Review program.

In addition to quality assurance review, there are a number of referral processes in place, prior to reassessment, to ensure supportable technical positions. These include the technical support provided by Regional & National Technical Advisors and Industry Specialists, the mandatory referral process to HQ on the application of the General Anti-Avoidance Rule and Transfer Pricing Penalties, the National Early Warning System (NEWS) to notify HQ of significant audit issues, and the oversight provided by the Audit File Resolution Committee in regard to significant formal offers of settlement at the audit stage. All of these are designed mechanisms to promote audit quality and sustainability of reassessments with respect to the Large Business Audit program.

In regard to the Auditor General's recommendation on measuring audit results and the reliance placed on Tax Earned by Audit (TEBA), a traditional audit yield measure, the CRA has met its commitments to the Auditor General's report. For ILBD, we have developed a bottom-up approach for setting budget levels for TEBA at the regional level. This approach takes into consideration the risks identified, detailed workplan analysis, and prior year audit results in setting budgeted TEBA. It also takes into consideration macro level factors in setting these amounts. Obviously, with the impact of COVID-19 and the economic recession, ILBD will need to take into consideration these factors going forward.

As communicated in the past, ILBD is in the process of implementing a Validated Risk performance measure (outcome measure) to complement TEBA (audit yield measure) as part of a Compliance Measurement Framework. Validated Risk represents the amount of income tax for which the CRA has a certain level of assurance that the correct amount was reported and paid. Validated Risk allows the audit function to take recognition for a quality risk validation even if it may result in a no change case from a TEBA or Fiscal Impact perspective. This contributes to more timely case closure, earlier tax certainty, and lower compliance burden for low-risk cooperative taxpayers.

Finally, in response to the other recommendations from the Auditor General on revenue generation initiatives, the Branch is considering other performance measures in support of incremental funding initiatives that are beyond the tradition return on investment type of performance measures.

E5. GROSS NEGLIGENCE PENALTIES

As a follow up to our November 2016 question regarding the application of gross negligence penalties, some TEI members have continued to experience an increase in field auditors proposing to levy gross negligence penalties as well as an increase in the application of penalties in tax reassessments. It appears that these penalties are being applied by field auditors in circumstances that do not reach the threshold established by case law or the guidance issued by the CRA in its audit manual for the application of such penalties. To provide some context to our members' concerns, we offer the following example: one of our members experienced a situation where a field auditor proposed to levy a gross negligence penalty in excess of $100 million because Form T1134 information returns were not filed; the forms were duplicative and the taxpayer had reasonably interpreted the CRA's administrative guidance in a manner that did not require a duplicate filing of information returns in respect of the same foreign affiliates. It is important to note that no taxes were owed as a result of not filing the information

returns, and the CRA had received the information regarding the relevant foreign affiliates in other information returns filed by the taxpayer.

In general, TEI members have observed situations where:
field auditors are not conducting sufficient audit procedures to make a comprehensive assessment of whether or not gross negligence applies;

- the instructions/guidance with respect to the application of gross negligence penalties provided to field auditors by the CRA are either not being followed or additional training is required; and

- there appears to be no substantive review or scrutiny of the penalty proposals within the CRA once they prepared by the field auditors. We understand that there should be a review by the Assistant Director of Audit of each TSO, or his or her delegate.

Our members have allocated significant resources and incurred material costs to defend against the proposed or actual application of these penalties. Presumably the CRA is also dedicating significant internal resources in attempting to apply these penalties, which may be more productively directed to other priorities. TEI members take their compliance obligations very seriously and are committed to ensuring proper compliance with tax laws. Therefore, the proposed application of gross negligence penalties is a serious allegation against a taxpayer and should be carefully and thoroughly considered by the CRA. In that regard, we have the following questions:

a) What actions are taken by the CRA to ensure consistency in the approach between different audit teams and TSOs around the country?

b) Does the CRA have internal targets or general expectations with respect to the application of gross negligence penalties each year?

c) Will the CRA consider forming a centralized “Penalty Review Committee” for purposes of ensuring the proper and consistent application of gross negligence penalties?

d) Does the CRA track the number of cases of gross negligence penalties proposed by field auditors that are approved versus denied by the Assistant Director of a TSO?

e) Does the CRA track the success rate of tax reassessments that include the application of gross negligence penalties? If so, can the results be shared with TEI?

The CRA is in agreement that the application of gross negligence penalties is a serious allegation against a taxpayer, and in the context of a Large Business taxpayer, there is an implied breakdown along the way in the effectiveness of the taxpayer’s governance model or Tax Control Framework. The application of a gross negligence penalty should only be considered in the most egregious situations where there has been a serious disregard for the law which may involve a lack of documentation at audit stage.

CRA auditors are required to follow audit polices, procedures and manuals when applying penalties, and must prepare a Penalty Application Report which is signed off by the Section Manager, Large File Coordinator or Assistant Director of Audit in the case of Large Business Audit. In the vast majority of cases within ILB programs, where the application of a gross negligence penalty is being considered, the

audit team will refer the matter to HQ for technical review. In addition, these cases along with a draft proposal letter are reviewed by the HQ function as part of the NEWS referral process especially involving a publicly traded company where the penalty application may be subject to public disclosure. Finally, the CRA conducts a quality assurance review function which includes penalty application and this can lead to the identification of potential training needs.

The CRA is of the view that there are enough checks and balances in the system to ensure technical review and national consistency such that a separate review committee is not considered necessary at this time. The CRA is not tracking stats on local decisions taken on the acceptance/rejection of penalty application. With respect to success rates on gross negligence penalties, much of the rate would depend on the success of the underlying audit adjustment issue such that tracking gross negligence penalty application success rates separately would may have limited value. The Large Business Audit program does not set targets for the application of gross negligence penalties.

E6. COVID-19 IMPACT ON CRA APPEALS BRANCH

During the COVID-19 pandemic, offices across the country had to be closed in order to help flatten the curve. At the outset of the pandemic, the CRA Audit branch announced that they were suspending most audit activity, except in exceptional circumstances (which included certain large corporate audits). We understand that as of September, most large corporate audit activity is up and running.

In contrast, the CRA Appeals branch suspended all activity for large corporate taxpayers, and as of September, some Appeals Officers still do not have access to paper files at their offices and therefore cannot work on those appeals.

Prior to the pandemic, there was already a significant backlog of large corporate files at the Appeals branch, and the suspension of services during the pandemic has exacerbated this. We invite the CRA to comment on what will be done to reduce the backlog of large corporate files at the Appeals branch?

Throughout the Covid-19 pandemic, objections related to Canadians' entitlement to benefits and credits were identified as a critical service, and continued to be delivered. In addition during this time, objections and referrals to specialized teams, continued to be reviewed.

From June 29, 2020 onward, the objections program resumed the delivery of its operations. Given that provincial restrictions varied and continue to do so, access to offices also varied in each of our sites. However, there are no objections being held due to paper documents not being accessible. Some delay may be seen, but nothing that would warrant us to hold large corporation files.

As you may recall from the December 2019 conference, we spoke about a pilot to centralize the intake and screening of specific workloads. The pilot commenced in August 2020 and we continue to explore opportunities to identify and refer issues that need to be reviewed by specialized teams.

In 2018, the CRA added resources to address the workload of high-complexity objections and added further resources in 2019 and 2020.