



Ian C.W. Russell FCSI  
President & Chief Executive Officer

March 31, 2011

The Honourable Rob Moore and Fellow Commissioners  
Red Tape Reduction Commission  
Treasury Board of Canada Secretariat  
Red Tape Reduction Commission Secretariat  
L'Esplanade Laurier, East Tower, 10<sup>th</sup> Floor  
140 O'Connor Street  
Ottawa, Ontario K1A 0R5

Dear Chair and Members:

**Re: Recommendations on Federal Red Tape Reduction Opportunities**

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The Investment Industry Association of Canada (IIAC)<sup>1</sup> and its members commend the government for establishing a Red Tape Reduction Commission to identify action to rationalize the administrative burden that federal government requirements impose on Canadian businesses and individuals. Our 189 member firms, ranging in size from small regional firms to large organizations employing thousands of Canadians across the country, serve millions of Canadian investors and issuers, and have significant experience interacting with their clients and the Canada Revenue Agency (CRA), as well as other government departments, with respect to client tax and social program delivery systems.

Our members recognize the efforts of federal government employees in the departments with which they interact and think this longstanding relationship can be made more effective. We are pleased to offer the following general and specific recommendations to help streamline regulation and government requirements of individual and business taxpayers, reducing government and business costs and frustration, and improving the ability of businesses to compete.

**1. General recommendations to avoid future unproductive administrative requirements**

Administrative requirements put in place for a valid policy reason nevertheless can be inefficient and counterproductive: they may have been introduced in haste, are overly complicated and have unintended consequences or can be met in more effective ways due

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<sup>1</sup> The IIAC advances the growth and development of the Canadian investment industry, offering a strong, proactive voice to represent the interests of our members and the investing public.

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to technological or other progress. As new priorities arise, there is often little time or few resources to devote to fixing administrative measures, making the best solution creation of an effective upfront administrative requirement development process, coupled with mandatory periodic review for possible improvements. In this regard, we think it is particularly important to understand that the financial services industry is both highly regulated – which introduces certain understandable costs – and also required to undertake public interest activities that support broad government objectives, but for which the financial institutions are not paid, for example, client tax reporting. This expense becomes part of the industry’s cost base, ultimately paid for by clients and shareholders, who are also taxpayers. Our recommendations to mitigate the cost of regulations are as follows:

1. Ensure effective consultations, including regulatory impact assessments with reasonable cost-benefit analyses, regarding not just amended, but also new regulations and administrative changes; also, require periodic reviews of existing requirements to identify ones to terminate or where better alternatives exist
2. Provide appropriate notification of amendments, the status of requests and time for reasonable implementation of changes; use industry associations to help disseminate information and, where there is considerable interaction between the private sector and a government body, recommend a “go-to” stakeholder relations official to address bottlenecks that may emerge
3. Increase electronic communication and reduce paper use to lower risk and costs
4. Promote use of industry utilities to streamline workload, improve accuracy and reduce resource requirements
5. Establish additional, and report on government adherence to, service level targets to businesses providing tax-reporting services
6. Recommend a Federal-Provincial Red Tape Reduction Commission to address administrative areas of shared jurisdiction.

**2. Specific recommendations regarding what administrative requirements and information obligations can be eliminated or simplified**

We believe that our recommendations below will have no net negative impacts on government revenues or expenses – indeed, we believe they should have positive effects from improving the integrity and efficiency of the tax and social program delivery systems. Making the recommended changes – which require legislative, regulatory or administrative amendments – will also improve service for businesses and individual Canadians while improving financial service provider and government efficiency. Our proposals are:

1. Stop the release of changes without notice or time for orderly implementation where there is no or minimal government revenue impact

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2. Bring tax-free savings account (TFSA) administrative processes in synch with those for other registered plans for simpler processing and less confusion for Canadians and address the backlog of unmatched TFSAs that may be deregistered, leading to taxation of earnings for thousands of Canadians; ensure consultation and appropriate timing for implementation of processes and procedures relative to the 2011-12-Budget-announced changes to bring RRSPs and TFSAs in synch
3. Improve the T5013 and T3 filing process by extending filing requirements of public to private income and capital trusts and limited partnerships to ensure investors are not exposed to re-assessments
4. Provide an optional solution to address complications resulting from T3 and, in future, T5013 filings in XML format
5. Delay the registered plan withholding remittance deadline by 12 days at year-end to reduce financial institution errors and costs
6. Address non-financial-institution-caused delays and errors that require tax slip re-mailing
7. Require and make available trust identification numbers or equivalents before the tax reporting season starts
8. Simplify the refund process for non-resident tax erroneously charged to Canadian residents and clarify that the issuer is responsible for non-resident withholding tax in the case of notional/in-kind trust income distributions
9. Eliminate paper requirements associated with locked-in retirement accounts (LIRAs) and registered education savings plans (RESPs)
10. Eliminate the requirement to mail registered plan declaration of trust updates, still making disclosures available while reducing paper use
11. Improve the registered retirement income fund (RRIF) transfer process
12. Confirm the tax treatment of life income fund (LIF) to registered retirement savings plan (RRSP) transfers to ensure consistent treatment of Canadians
13. Change the *Income Tax Act* to restore the previous tax treatment of broker warrants to return these financing mechanisms' capital-raising viability for small regional issuers and broker/dealers
14. Improve the likelihood that pooled registered pension plans or PRPPs can be provided cost-effectively – a recommendation that requires provincial assistance.

Our general and specific recommendations are elaborated on in more depth in, respectively, Attachments 1 and 2. In our analysis, we include unproductive or less-than-ideal administrative workload that arises not only between our members and parts of the government, but also between, in the case of our industry, different firms in the financial services sector, and

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between these entities and their individual and business clients – in some cases, due to differences between requirements of different jurisdictions.

We would be pleased to discuss any of our comments with you and Red Tape Commission Members at your convenience and look forward to seeing the results of your efforts come to fruition. If you have any questions, please contact Barbara Amsden, Director, at bamsden@iiac.ca; (416) 687-5488.

Yours sincerely,

*“Ian Russell”*

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**ATTACHMENT 1**

**General Recommendations:**

**Avoiding Future Unproductive Administrative Requirements**

Broker/dealer members of the Investment Industry Association of Canada (IIAC) are most impacted by two types of regulatory requirements: securities-related regulation, which is beyond the scope of the current review, and tax rules. Both are areas where there are regulations and administrative requirements that can be eliminated, streamlined or otherwise improved to free up resources for other more productive purposes with no or positive effects on the interests of individual Canadians – whether investors or taxpayers.

While tax rates have been dropping, the complexity and costs of tax compliance for areas outside of firms' own tax obligations have been increasing substantially. Moreover, these firms risk incurring penalties and interest if requirements are not adhered to properly, even when clear answers are not available and delays are caused by incidents outside the intermediaries' control.

Regulatory burden goes beyond the direct cost of complying with regulatory requirements – it is also the difficulty and/or delay in getting answers or changes, it is the challenge of dealing with two or more parts of government that may not be synchronized fully and it is the additional costs incurred when insufficient implementation time means systems and operational changes must be rushed, leading to overtime expense and greater likelihood of errors.

Other countries have recognized the significant costs of regulation in its broadest sense and the negative effects of regulatory expense. The United Kingdom, Australia and the Netherlands have estimated that freeing up businesses from even a small proportion of regulatory costs would have significant economic benefits:

**“Compliance burdens are substantial... Modeling work undertaken by the Productivity Commission for COAG [Council of Australian Governments] suggests that the economic gains from reducing such compliance burdens could be large. For example, if regulatory reforms lowered compliance costs by one-fifth from conservatively estimated levels, a cost saving of around \$7 billion (and a greater resultant increase in GDP) could be achievable. Red tape reduction programs overseas are also estimated to have yielded substantial benefits. The Ministry of Finance in the Netherlands, for example, estimated cumulative savings of €900 million [CAD \$1.2 billion] over 2003 and 2004 from reduced administrative burdens on business. In the United Kingdom, it is claimed that reductions to administrative burdens obtained through the use of the Standard Cost Model will potentially increase GDP by £16 billion [CAD\$25 billion].” – “Productivity Commission Research Report” (Australia), February 19, 2007**

One of the Canada Revenue Agency's (CRA's) commitments to taxpayers and small businesses – and **three-quarters** of IIAC members are small businesses by Statistics Canada's definition – is that, when implementing legislation and regulations imposing costs that are otherwise unnecessary to the firms' operations, the provisions should be as reasonable to comply with as possible. While we understand that other political priorities may intervene from time to time, we believe that six principles will help

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provide intermediaries – and the CRA and taxpayers – with more manageable and cost-effective, while equally efficient, processes. The six principles are the following:

**1. Ensure effective consultations, including regulatory impact assessments with reasonable cost-benefit analyses, regarding not just amended, but also new regulations and administrative changes; also, require periodic reviews of existing requirements to identify ones to terminate or where better alternatives exist**

Excluding matters involving budget secrecy and client confidentiality, Finance Canada and the CRA should consult on an ongoing basis with those firms and industries that bear the costs of implementing changes mandated by revisions to tax legislation or regulations, or CRA requirements. When a budget measure has significant systems and procedural implications, such as in the case of the introduction of registered disability savings plans (RDSPs)<sup>2</sup> and tax-free savings accounts (TFSA), steps must be taken to ensure workable, cost-effective arrangements are achieved.

The challenges and positives observed, respectively, in implementation of RDSPs and TFSA are instructive for developing some simple guidance that should be considered in the design of any new program to maximize the speed of implementation and minimize cost and frustration for government, industry and taxpayers/clients. These suggested design rules for administrative aspects of programs include:

1. Allow the plan/program to be based off of an existing program, e.g., RRSPs, to help government officials and financial providers from a systems development and procedural perspective – individual Canadians will also appreciate the consistency from one program to another
2. Jointly develop a checklist of issues that regularly cause problems and ensure they are addressed before the program is publicized (e.g., issues surrounding successor/designated beneficiaries, age/age of majority, ability to borrow against/margin, who bears the cost of errors, etc.)
3. As in a recent budget, rather than providing all details of change, state that administrative details will be discussed first with industry participants
4. Avoid ANY paper or make it optional (e.g., LIRA, notional RESP amounts, minimum payment obligations for RRIFs) and separate mailings; if possible, amend existing rather than starting completely new forms or, like the TFSA, go form-free; do not require physical specimens of plans to be provided, but rely on electronically submitted ones instead
5. If there are ‘bells and whistles’ (e.g., grants, bonds), have them managed by the CRA/other government entities rather than financial institutions
6. Set up planning meetings between CRA, Finance, HRSDC if appropriate, and ideally a representative from the CRA’s federal-provincial liaison area so Quebec and possibly other provinces can be effectively involved with key associations and knowledgeable parties with easy access to large constituencies
7. Manage the work as a project: provide an "organization chart" of project contacts; “process map” the process to ensure all points of contact are captured; develop a general project plan -- not all questions can be answered right away, but if CRA/HRSDC can keep the list of questions and target response times, that helps and should avoid repetitive questions to the CRA

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<sup>2</sup> The 2011-12 budget referenced consultations regarding RDSPs.

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8. Start sharing FAQs as soon as possible: assess if it is possible to have a "private page" for stakeholders (or this could be offered through an association(s) perhaps) – say immediately if anything changes (do not assume people will read an updated document entirely – highlight the changes)
9. Allow the opening of accounts of new vehicles in advance, but prevent contributions, to enable a smooth implementation
10. Allow multiple-account applications
11. Write guides and forms in plain English – operations staff would be hard put to get access to an Income Tax Act even online (for example, it is preferable to avoid saying “see subparagraph 146.2(a)(1)(iii),” and to say instead "a qualifying investment is x, y, and z (see subparagraph 146.2(a)(1)(iii) for more detail))
12. Consider work on communications jointly to accountants, lawyers, tax software preparers, the public so that everyone is saying and understanding the same thing.

The 2011 Budget referenced bringing anti-avoidance approaches for TFSAs to the RRSP product in the areas of advantage rules, prohibited investment rules and non-qualified investment rules. In principle, this is positive, however, there remain some material administrative challenges with respect to prohibited and qualified investment TFSA rules that need to be resolved before they are extended to RRSPs. Moreover, what may seem to be straightforward amendments can demand significant systems and operational changes of financial institutions from a transitional perspective, and may be more labour-intensive longer term (see Improving TFSA Procedures in Attachment 2).

2. **Provide appropriate notification of amendments, the status of requests and time for reasonable implementation of changes; use industry associations to help disseminate information and where there is considerable interaction between the private sector and a government body, recommend a “go-to” stakeholder relations official to address bottlenecks that may emerge**

#### ***Notification of amendments***

Tax legislation and regulations are becoming increasingly complex. Notification of financial institutions to help operationalize or manage tax measures – and using their associations to disseminate and channel information from and to the CRA – does not occur as easily as it could:

- Tax services can receive time-sensitive information before it is made public or available to, in our case, the broker/dealers that it affects (long-awaited HST election forms reached accounting and legal firms a day before being made public on the CRA website, a posting delay that equally frustrated CRA staff). As well, CRA rulings and technical interpretations must often be obtained under access to information requests or purchased through tax services, which can be a less timely and less cost-effective way for small businesses to obtain the information compared to their being made available in redacted form through the CRA website.
- In a very small number of cases, possibly oversights, amendments to draft legislation have not been sent using standard government notices. For example, explanatory notes to March 22, 2010 draft tax legislation were updated in April 2010 without notification. Also, notification of new forms and certain other document types does not appear to come or does not come consistently through CRA channels (see Attachment 3). It is critical that all go through the standard e-mailed government notices that organizations can sign up for if the government wants the compliance it is seeking.

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- Certain information that was on the CRA site is no longer available although would have been the guidance in effect at certain times (e.g., CRA/GST Notice 250, issued in February 2010, was removed and reposted in updated form in June 2010; neither of these versions is available now that revised Notice 250 has been replaced with Technical Information Bulletin B-105).

### ***Status of requests***

- There are some cases where industry associations or firms raise issues in an attempt simply to get clarity and standardization among industry participants. Lack of certainty and inconsistency among tax reporting firms can delay transfers and cause investor skepticism with the CRA and financial services providers. As an example of possible confusion, unlocking an excess amount from a LIF and transferring proceeds to an RRSP should not, we believe, be a taxable event. In particular, this can create problems when transferring between institutions, potentially delaying the transfer for the client and leading to a missed market opportunity.
- We imagine that the Departments of Finance and Revenue receive thousands if not hundreds of thousands of letters annually, and that managing this mass of communication may be difficult. Would there be an online way, for those organizations representing hundreds of others, to submit letters and view the status of them (e.g., assigned and active)? It could similarly be useful for Finance and CRA to monitor workload. It would also avoid concerns of correspondence lost in the mail and could eliminate repeated calls to Finance and CRA staff if there is a target date for review identified.

### ***Time for reasonable implementation of changes***

Information on changes to tax reporting requirements/forms must be finalized and conveyed to the industry associations and firms no later than August 31 each year (earlier if changes are more significant than normal) to allow for reasonable implementation by reporting firms of systems, procedural and communications changes. If this schedule cannot be met, Finance should ensure that the CRA is able to offer administrative relief if intermediaries cannot comply or provided it is evident that intermediaries have made reasonable efforts to comply. Two examples are the following:

- The 2010 T3 and T5 tax guides were not published on the CRA website until February 15 and 18, 2011 respectively, showing a new Newfoundland dividend tax credit rate changed as of July 1, 2010 from 9.75% to 11%. Under any circumstances this would be complicated as two rates apply – one for the first half of last year and one for the second – but it is particularly difficult as the financial sector needs notification of the changes by at least the end of August of the preceding year as the fall is used to make systems changes within firms, their services providers and tax slip print vendors to allow tax slips to be printed and sent in January through March in time for Canadians to complete their tax returns by April 30. It can be equally important for tax return software providers, leaving investors and providers in the untenable position of getting wrong or incomplete information due to CRA delays. As a final complexity, the instructions in the T3 and T5 guides to those relying on the guides were different, with one requiring notification by letter and the other a footnote, an asterisk beside the amount in box 50 in the recipient copy and no asterisk in the copy sent by the tax slip preparer.
- New TFSA error codes were released recently, doubling the existing number of reject reasons. This was done without any announcement or sample scenarios on how the errors are expected to be resolved.

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We are pleased to have had good working relationships with CRA officials in the past. Given the ever-increasing amount of interactions required due to the increasing number of registered plan types and tax and other variations between jurisdictions, we believe that it would be helpful for both the CRA and industry to have a CRA-designated contact who can identify the right CRA staff person and make connections to enable financial institutions to more quickly raise problems in workable ways and address bottlenecks.

**3. Increase electronic communication and reduce paper use to lower risk and costs**

Communication of tax information should increasingly be moved to an electronic and automated format to facilitate issuer, intermediary and CRA straight-through processing of tax information. This would save money and time, reduce re-keying errors, avoid the need for investors to re-file, provide better service and be more environmentally friendly.

It is also important that when changes are made due to representations of some organizations, these changes are conveyed effectively to *all* affected parties. For example, the CRA required “re-papering” of (re-mailing to) all accountholders when there is a change to the declaration of trust (DOT) associated with a registered plan. This leads to unnecessary printing and mailing of material that is, we believe, almost uniformly thrown away or filed without reading by recipients. A number of members believe that the CRA has changed the requirement, however, it is still not broadly known.

**4. Promote use of industry utilities to streamline workload, improve accuracy and reduce resource requirements**

The use of industry utilities and standard approaches streamlines workload, improves accuracy and reduces resource requirements, ultimately resulting in a better service for clients and for the CRA. For example, the largely bank- and broker/dealer-owned Canadian Depository for Securities Ltd. (CDS) worked with its participants – essentially IIAC members – to develop an online posting facility for issuers to file tax factors for use in completing T3s, T5s and T5013s. Our members work with each other to ensure issuers are aware of the facility and filing deadlines. The data from the website can be extracted and could be used by the CRA for verification purposes. Legislated open use of shared facilities such as this should be encouraged provided security and privacy issues are addressed.

**5. Establish additional, and report on government adherence to, service level targets to businesses providing tax-reporting services**

The CRA should set with, and report against service level standards to, financial intermediaries (as done now to other taxpayers in terms of responsiveness measures, only some of which are relevant to the intermediaries). New measures could include a timeline for providing the intermediaries with new tax guides, computer specs and tax forms, and for responding to financial institution questions relating to being able to meet tax reporting or registered product requirements.

**6. Recommend a Federal-Provincial Red Tape Reduction Commission to address administrative areas of shared jurisdiction**

We recognize that this is beyond the scope of the Commission, but believe it is time to address some of the worst areas of administrative burden, which relate to variations between federal and provincial and inter-provincial requirements in areas where Canadians in different parts of the

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country do not expect and would not want to be treated differently. This is an excellent opportunity for governments to show their willingness and ability to work together in the spirit of the agreement on internal trade to remove barriers for Canadians and Canadian businesses across all provinces and territories.

In particular, a good number of federal-provincial challenges relate to where the income tax and pension systems cross. With Pooled Registered Pension Plans currently bringing the federal government, provincial pension authorities and industry members together, this would be an ideal, if not critical, area that all parties could address together in the interests of Canadians.

It should be noted that a good number of provinces have rules regarding cost-benefit analyses and are making efforts to reduce red tape (e.g., B.C., Alberta, Newfoundland, Ontario, Nova Scotia). With increasing demands on governments to get more value for less spending, reducing red tape will both help government achieve cost constraint goals and financial institutions, as well as Canadians and Canadian businesses.

We appreciate the complexity of the issues that the federal government departments and agencies face in providing a very wide range of services and hope that our suggestions in Attachment 2 reduce costs and frustrations not only for our members, but also for the government and, equally important, for Canadian investors, businesses and taxpayers. A reduction in red tape also helps improve Canada's and Canadian firms' competitiveness, yielding further benefits in our economy.

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**ATTACHMENT 2**

**Specific Recommendations:**

**Addressing Existing Unproductive Administrative Requirements**

The following pages identify a range of existing concerns and proposed solutions, with what we believe is the cost-benefit equation for each.

These include a number of examples included in the general recommendations in Attachment 1, such as inconsistency in treatment of LIF-RRSP transfers, requirement for declaration of trust update mailings and release of changes without notice and implementation time.

We are working on a number of additional areas of possible concern, e.g., greater clarity regarding T5008 completion and mailing responsibilities, and may provide additional areas for improvement as identified.

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## Stop Release of Changes without Notice or Implementation Time

**Problem(s):** It has been rare in recent years that changes announced in the federal budget have led to information being provided to tax reporting firms in sufficient time for a cost-effective implementation of systems changes. Sometimes, the CRA has advised that details are late in coming to them from Finance and that there is no provision for grace.

In the past few years, final guides and sometimes specifications have not even been ready prior to the tax season for which changes apply (the T5013 guide for the 2007 tax year was made available on March 18, 2008 and the T3 and T5 guides in February 2011, as mentioned in Attachment 1). Another federal example relates to the change in T5013 forms, where members and the IIAC itself fielded hundreds of calls due to the lack of a guide or quick-enough access to CRA advice. This not only exposes tax-reporting firms to the risk of penalties for errors and late filing, but leads to significantly greater costs due to an increased volume of questions from issuers, possible need to replace interim “quick-and-dirty” processes later and a greater number of errors. It causes significant cost and frustration for taxpayers, issuers and tax reporting firms.

As well, as addressed in Attachment 1, new TFSA error codes were released without notice or discussion, doubling the existing number of reject reasons and without sample scenarios on how the errors are expected to be resolved.

### Solution(s):

1. Implement no registered program or tax reporting changes, other than in emergency or reasonable confidentiality situations, without consultation with at least the major financial industry associations that represent the majority of tax reporting firms in the country, on the changes with a reasonable timeline for implementation.
2. *Formally* provide for administrative relief in all cases in the first year of tax change implementation where it is too late to reasonably comply or it is evident a financial institution has made reasonable efforts by reflecting this principle in the business part of the Taxpayer Bill of Rights.

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"><li>• Likely minimal to no impact on government revenues</li></ul>	<ul style="list-style-type: none"><li>• Tax system integrity and efficiency are improved</li><li>• Investors will experience better outcomes due to less confusion from variance in treatment, less paper and reduced likelihood of error</li><li>• Tax reporting firms will experience reduced costs – otherwise passed to stakeholders – of data collection, potential errors and repeat tax slip mailing</li></ul>

**Conclusion:** Benefits outweigh costs.

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## Improve TFSA Procedures; Consult on Measures Syncing RRSPs with TFSAs

### Problem(s):

- **Unmatched TFSA information:** There are nearly 30,000 TFSAs where CRA and industry data are unmatched. It is not certain how the discrepancies arose (e.g., clients may change their surname to their married name with a financial institution for cheque purposes, but not know they should change the name for tax purposes). We understand that changes to personal information in the CRA database is a very lengthy process that causes rejects to be outstanding for a long time, particularly in the case of changes in date of birth and surname, for which procedures are outlined on the CRA site (<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/tfsa-celi/flng/ftryfl/rjctdrtrn/chng-eng.html>). As well, a client could correct information with the CRA but the financial institution would not know what correction had been made, leading to the same error in future years. Whatsoever the cause, there is a risk of a tax cost to the client if the discrepancy is not corrected and the financial institution must deregister the TFSA; there is equally an image issue for the CRA and financial institution. The CRA has advised that the TFSAs should be deregistered and that tax slips should be issued but have not advised these TFSA holders of this; tax reporting firms would have to manage manually the process of changing from registered to non-registered in addition to producing and mailing tax slips for income in two years.
- **Impending changes:** As noted in Appendix 1, the 2011 Budget referenced bringing anti-avoidance approaches for TFSAs to the RRSP product in the areas of advantage rules, prohibited investment rules and non-qualified investment rules. In principle, this is positive, however, there remain some material administrative challenges with respect to TFSA prohibited and qualified investment rules that need to be resolved before they are extended to RRSPs. Moreover, what may seem to be straightforward amendments can demand significant systems and operational changes of financial institutions from a transitional perspective, and may be more labour-intensive longer term.
- **Estates:** There are differences between the treatment, in the case of estates, between TFSAs vs. RRSPs and RRIFs. As only one example, there is no administrative relief with respect to TFSAs.

### Solution(s):

1. As no easy matching solution has been identified as of yet for the unmatched TFSA reconciliation process (and financial institutions have repeatedly tried unsuccessfully to address the issue), CRA should deal with TFSA holders directly and/or advise unmatched TFSA holders of a deadline by which TFSAs must be registered with correct data or deemed to be non-registered.
2. Set uniform administrative procedures for managing all registered products to reduce taxpayer frustration while providing cost efficiencies and reducing the risk of errors for financial institutions.
3. Initiate consultations immediately regarding TFSA/RRSP harmonization changes.
4. Provide administrative relief for financial institutions if situations warrant (similar to RRSPs, RRIFs).

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"><li>• <b>Minimal to no impact on government revenues</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Improvement in tax system efficiency</b></li><li>• CRA will benefit from a reduced need to address complaints or manage re-filings</li><li>• Intermediaries will make fewer errors and have less of a need to re-file/duplicate efforts</li></ul>

**Conclusion:** Benefits outweigh costs.

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## Improve T5013 and T3 Filing Process (MRQ Relevé 15 and 16)

**Problem(s):** Federal legislative and regulatory changes, which were introduced in 2007, required issuers of publicly listed income and capital trusts and limited partnerships (LPs) to file information centrally and electronically, however, this did not extend to *privately* issued investment vehicles due to an oversight in industry representations. Private income trusts and capital trusts, as well as private limited partnerships, need only file their tax breakdowns by the end of March whereas IIAC members and other intermediaries need to report these breakdowns to holders, also by the end of March – often a logistical impossibility as some publicly listed income and capital trusts and LPs hold private trusts and LPs in their portfolio and must wait for tax information from these private entities before filing. Also, as one member reported hearing from an issuer when the member followed up to obtain the information that still had not been filed at March 31, “the CRA will never charge a penalty.” The overlapping deadlines (and attitudes of some filers) means clients receive their tax slips late, slips may be inaccurate in the first instance, broker/dealers must send new slips and investors may experience delays filing their tax returns or receiving their refunds, or they may need to refile and/or pay interest and penalties.

### Solution(s):

1. Mandate the filing on the CDS website by 60 or 67 days after year-end of income from *private* income and capital trusts/limited partnerships that issuers must provide to investors and the CRA as publicly listed investments are now mandated to do.
2. Eliminate any remaining requirement of issuers also to file with the CRA
3. Use the filing dates as a basis to apply late filing penalties to any issuers that are more than two weeks past due as an incentive for more timely filing by issuers.
4. Encourage the CRA and Ministère du revenu du Québec (MRQ) to standardize federal and Quebec tax reporting.

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"><li>• <b>No net impact on government revenues</b></li><li>• Some potential, although transitional, impact on private income and capital trusts and LPs as they arrange for earlier audits to allow them to complete their tax filings although this puts them on a more level playing field with public ones</li><li>• Legislative change required, but should be minor with minor related cost</li></ul>	<ul style="list-style-type: none"><li>• <b>Tax system integrity is unaffected; efficiency is improved</b></li><li>• Investors should receive tax slips earlier and they should be more accurate, reducing the need to re-file</li><li>• Private issuers should, after a transition period, receive fewer calls and questions from tax reporting firms and benefit from no longer having to file with the CRA on top of on the website</li><li>• CRA should have a reduced need to input corrections and pursue client re-filings and should have a more independent easily verifiable way to ensure that filing deadlines are adhered to</li><li>• Tax reporting firms will experience reduced costs of data collection and repeat tax slip mailing</li></ul>

**Conclusion:** Benefits clearly outweigh costs.

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## **Provide Optional Solution to XML Filing Challenges for T3s and T5013s**

**Problem(s):** The CRA is working on plans to require T5013 filing via XML as is currently the case for T3s. While a filing improvement in principle, this will be problematic for a material number of firms as it is done on a security-by-security basis, while a good number of broker/dealers, due to strong client preference, provide consolidated reporting of all securities held by the client with the firm. XML filing impedes a one-to-one matching of tax slips sent to clients with what is filed with the CRA, and matching is complicated when T3s have been cancelled or amended. This leads to the CRA sending out reassessments to clients asking where their income declaration is for securities x, y and z when the client has received a consolidated T3 blending income on the three securities together for the client's convenience. Addressing this issue is particularly important as financial products and tax credit vehicles are becoming more complex.

**Solution(s):** Establish a joint group to expedite an optional workable solution to the XML filing issue that meets requirements of clients, CRA and financial institutions.

### **Cost-benefit analysis:**

<b>Costs</b>	<b>Benefits</b>
<ul style="list-style-type: none"><li>• <b>No material impact on government revenues</b></li></ul>	<ul style="list-style-type: none"><li>• <b>If solved, tax system integrity would be unaffected and its efficiency would be improved</b></li><li>• CRA and financial institution providers should have a reduced need to input corrections and pursue client re-filings</li></ul>

**Conclusion:** Benefits outweigh costs.

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

## Improve Withholding Remittance Process

**Problem(s):** The CRA requires receipt of the withholding tax on registered plan withdrawals by the third business day of the New Year. With many branch staff on holiday before the end of the year, it is very difficult to get everything correct by the third business day given year-end is December 31 and January 1 is a holiday. In this low interest-rate environment, the time value of money is relatively small on the delayed remittance.

**Solution(s):** Provide intermediaries with the option only to remit withholding tax on registered plan withdrawals by the middle of January on the previous year's transactions and remittances.

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"><li>• <b>Minimal impact on government revenues</b> (timing difference only or government was collecting tax that it should not have been)</li></ul>	<ul style="list-style-type: none"><li>• <b>Improvement in tax system integrity and efficiency due to reduced risk of error through rushing, less need to re-file</b></li><li>• CRA will benefit from a reduced need to manage re-filings</li><li>• Intermediaries will make fewer errors and have less of a need to re-file/duplicate efforts</li></ul>

**Conclusion:** Benefits outweigh costs.

The Honourable James Moore  
 Re: Red Tape Reduction Commission  
 March 31, 2011

**Address Issuer Tax Reporting Errors and Tax Slip Preparation/Re-mailing**

**Problem(s):** Current tax requirements result in tax reporting firms bearing all costs of issuer filing errors or CRA delays. Based on a review of the data on the CDS Tax Breakdown Posting website, it is estimated that one third of T3s and T5013s are filed with errors, some requiring tax slip amendment and re-mailing. As an example, an issuer that filed tax factors on March 29, 2008 submitted a revision on April 29, 2008, well after tax slips had been mailed. While this leads to the costs of re-mailings for financial institution providers – problematic in itself – it is all the more difficult and costly for tax-reporting firms when the errors are from previous tax years (in April **2008**, a number of revisions from issuers relating to the **2006** tax year were received) and it will be hugely frustrating for investors, most of whom direct their dissatisfaction towards the messenger – the tax-reporting firms – rather than towards the issuers that made the mistakes. The CRA advised that there is no *Income Tax Act* or *Regulations* option to address this ongoing problem.

Similarly, we are concerned by the CRA nullifying tax allowances to flow-through partnerships several years after the fact, thereby requiring tax-reporting firms to amend client reporting.

**Solution(s):** Implement a “user-pay” principle to govern the tax slip re-issuance process – either the CRA or the issuer are “using” the services of the tax-reporting firms and should bear the related costs, especially for re-issuance of slips from preceding years, which requires even more work. There are a number of options that Finance Canada, the CRA and issuers should discuss, predominantly the following:

- Where the amount to be collected from individual investors/taxpayers due to an issuer or intermediary error is below a *de minimis* amount in aggregate or per slip, waive the need for investors to re-file and for intermediaries to re-mail (there is a \$100 limit before a requirement to re-mail T3s at the federal level, but no similar limit for T5013s and T5008s).
- For amounts above the threshold, where an error is issuer-caused, require the issuer to absorb the costs, that is, pay the tax or re-imburse tax reporting firms for the related costs (for example, possibly on a flat-recovery-per-xx-slips basis to be determined by the CRA, MRQ and intermediaries, according to an agreed-upon process, which will include a letter from the issuer explaining the reason for the tax slip re-issuance).
- Work on a communications strategy with the law societies, accountant and law firms, Canadian Investor Relations Institute (CIRI), Canadian Society of Corporate Secretaries (CSCS), transfer agents, other groups and the CRA to discuss/promote better, more timely, more accurate reporting.
- Change legislation as required to charge penalties to seriously and/or repeatedly late filers.

**Cost-benefit analysis:**

Costs	Benefits
<ul style="list-style-type: none"> <li>• Slightly positive impact on government revenues</li> <li>• Minimal time required for small legislative and/or regulatory change</li> <li>• Some issuers will pay more, however, this is the appropriate outcome from a user-pay basis</li> </ul>	<ul style="list-style-type: none"> <li>• Tax system integrity and efficiency are improved – the user-pay approach applies the correct incentives/disincentives to ensure accuracy the first time</li> <li>• Investors will avoid the need to re-file due to no fault of their own</li> <li>• Credibility of the CRA is enhanced</li> <li>• Tax reporting firms avoid costs for work correcting errors and better client relations</li> </ul>

**Conclusion:** Benefits clearly outweigh costs.

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

## Require/Make Available Trust Identification Numbers (TINs) Before Tax Season

**Problem(s):** The lack of easy access to TINs for CRA filing purposes has regularly caused filing problems and additional administrative costs. Unlike Business Numbers (BNs) that are easily available in at most a few business days, the TINs are only being assigned *after* income statements are filed. While a work-around is to file a nil income tax return, the process for this is not well-known or understood and is cause for concern for issuers who have been advised to do this. The interim measure used to date within the CRA has led to the creation of a TIN or temporary TIN for each trust *per tax reporting firm*, that is, each trust ends up with multiple reference numbers.

Moreover, issuers believe that because they do not issue in Quebec, they do not require a MRQ TIN, although they do require such a TIN if holders of their instruments are Quebec residents.

**Solution(s):** Clearly address how the 'next year delay' problem should be treated by tax reporting firms, either by requiring receipt of a tax number by trusts and partnerships before they file or allow them to use their BNs as an interim ID; encourage use of the same number for MRQ purposes as well; alternatively, jointly work on a common or simple numbering system.

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"><li>• <b>No impact on government revenues</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Tax system integrity and efficiency are improved</b></li><li>• Would provide significantly greater value to issuers and tax reporting firms, as well as expedite filing</li><li>• Would reduce the need for investors to re-file due to errors, with a consequential reduction in costs for the CRA</li></ul>

**Conclusion:** Benefits outweigh costs.

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

## Improve Non-resident Tax Process

**Problem(s):** Many residents of Canada are charged non-resident tax (NRT) when they should not be because clients forget to tell their broker/dealers about a change in residency in a timely fashion or due to system limitations that tie residency codes to physical addresses, which may lead to, for example, “snowbirds” being subject to NRT when they should be subject only to Canadian tax. As or more important, there are issues around specified investment flow-through (SIFT) distributions that are fully taxed at the time of payment, but are re-classified as non-taxable/reportable for NRT purposes when issuers finalize the details of their financials *after* year-end. Asking clients and broker/dealers to fill out NR7-Rs to request a refund is very time-consuming and inconvenient for all concerned, and the government is not in the business of wanting to over-tax Canadians.

As well, a notional income distribution is paid to unitholders by the issuance of additional trust units. The outstanding trust units will then be consolidated with the additional trust units so that afterwards, each holder will have the same number of trust units as the holder had before the distribution. A notional distribution to a non-resident unitholder is subject to Canadian withholding tax of up to 25%, unless the rate is reduced under an applicable income tax treaty between Canada and the non-resident unitholder’s jurisdiction of residence. Broker/dealers may not know all the details at the time of distributions and when they do know, it could be after the remittance due date and they could be charged penalties and interest.

### Solution(s):

1. Develop and implement mutually acceptable simplified process(es) for non-resident tax refunds
2. Clarify that the issuer is the one who should be responsible for non-resident withholding tax on notional/in-kind trust income distributions made to non-resident unitholders

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"><li>• <b>Minimal impact on government revenues</b> (timing only or government was collecting tax that it should not have been)</li></ul>	<ul style="list-style-type: none"><li>• <b>Improvement in tax system efficiency</b></li><li>• Investors treated more fairly</li><li>• CRA benefits from a reduced need to manage refunds</li><li>• Financial institutions incur no unnecessary costs</li></ul>

**Conclusion:** Benefits outweigh costs.

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

## Eliminate Paper Requirements of LIRAs

**Problem(s):** There is a requirement for locked-in agreement documentation to be physically passed between institutions in the case of transfers between registered pension plans (RPPs) and locked-in plans. Information and attestations associated with such transfers could be included on a standardized transfer form that financial institutions jointly adopt – based on CRA T2151 – to facilitate such transfers (e.g., in the manner of the Transfer Authorization for Registered Investments Form (<https://www.ific.ca/Content/Document.aspx?id=2498>)). A number of institutions are wary of adopting this approach as it has not been sanctioned formally by the tax or other appropriate authorities and as there may be a perception that vehicles covered by T2151 fall into provincial jurisdiction.

**Solution(s):** To save clients' time and intermediaries time and money, work with provincial pension authorities as necessary and industry members to clarify that the transfer of required locking-in information and attestations via industry-established forms or systems is permitted or by having the authorities accept or non-disapprove industry forms/screengrabs on a timely basis.

**Note:** Such a system is Account Transfer Online Notification (ATON), a securities-industry-developed secure electronic account transfer utility, operating since 1999 under the auspices of the Canadian Depository for Securities Limited (CDS). While ATON use is required under broker/dealer member rules of the Investment Industry Regulatory Organization of Canada (IIROC), it has expanded to other financial institutions meeting prudent criteria and its use continues to grow. ATON now processes over half of Canadian securities and mutual fund account transfers, enabling transfers to be completed within 10 days down from 26 days or more due to the use of automation to transfer and confirm information. CDS, as the entity through which substantially all issuers' securities are distributed, is subject to the legislation and regulations of the Bank of Canada under the *Payment Clearing and Settlement Act*, the Ontario Securities Commission under the *Ontario Securities Act* and the Autorité des marchés financiers under the *Quebec Securities Act*. CDS also works with the Alberta and British Columbia securities commissions, reports as required to the Canadian Securities Administrators (CSA) and co-operates with federal and provincial financial institution regulators that oversee CDS participants. The government itself has recognized the significant benefits of processing tax information centrally through CDS by inclusion of a requirement to file in CDS Innovations Inc. (a subsidiary of CDS) the tax factors for publicly traded partnerships and trusts.

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"><li>• <b>No impact on government revenues</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Tax system integrity and efficiency are improved</b></li><li>• Investor transfers will proceed more quickly as ATON enables transfers to be completed within 10 days – transactions involving paper regularly take a month to process fully</li><li>• ATON will provide an excellent systems-generated audit trail for any necessary CRA verification related to these products</li><li>• Environmentally friendly – paper use is reduced</li><li>• Intermediary efficiency is improved and intermediary costs are reduced in the long run due to reduced paper handling, filing, etc.</li></ul>

**Conclusion:** Benefits significantly outweigh net costs, although implementation may take some time due to the requirement for some systems development.

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

## Eliminate Paper Associated with Registered Education Savings Plans (RESPs)

**Problem(s):** The transfer of notional information for RESPs must be made by paper. While RESP transfers are currently processed through ATON (see page 20), the notional information must be exchanged manually *prior* to initiating the transfer on ATON, which can add about 10 business days to the cycle time of an RESP transfer because the notional information must be faxed or otherwise sent to the receiving institution, then matched, and only then processed through ATON. For this reason, RESP transfers take approximately 20 business days to complete, double the time of other investment accounts and registered plans administered by broker/dealers, severely disadvantaging RESP planholders, increasing financial institution and government costs due to manual information transfer and related errors. There are a substantive number of unresolved RESP transfers that are damaging government and financial institution relations with, respectively, their taxpayer and investor clients.

### Solution(s):

1. To link numerical and notional RESP data in one electronic transmission and ensure that the whole transaction is completed without a break in communication and with an audit trail, identify members for and assign a task force of Human Resources and Skills Development Canada (HRSDC) and appropriate industry persons to develop processes for the electronic exchange of RESP and other information through ATON
2. Work with Human Resources and Skills Development Canada (HRSDC) on a systems solution, at RESP offerors' option, to address the problem of "unmatched" entries
3. Provide administrative relief if situations warrant (similar to RRSPs and RRIFs) as this product is very complex and prone to admin errors
4. Allow for financial institutions to apply for basic Canada education savings grants (CESGs) without the need for an application (like the MRQ does for Québec education savings incentive (QESI) – while understood from HRSDC to relate to disclosure and privacy issues, these are covered in financial institution regulatorily-prescribed application forms and the same type of disclosure is not required for TFSAs
5. Accelerate efforts to combine HRSDC and MRQ RESP transfer forms into one

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"><li>• <b>No impact on government revenues</b></li><li>• Cost of HRSDC systems changes, however, this should be offset by HRSDC staff time savings over time</li></ul>	<ul style="list-style-type: none"><li>• <b>Tax system integrity and efficiency are improved</b></li><li>• Investor transfers will proceed more quickly as ATON enables transfers to be completed within 10 days and provides a systems-generated audit trail for any necessary CRA verification related to these products</li><li>• Environmentally friendly – paper use is reduced</li><li>• Intermediary efficiency is improved and intermediary costs are reduced in the long run due to reduced paper handling, filing, etc.</li></ul>

**Conclusion:** Benefits significantly outweigh net costs, although implementation may take some time due to the requirement for some systems development.

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

## **Eliminate Paper Associated with Declaration of Trust Remailings**

**Problem(s):** The CRA required re-papering of/re-mailing to all accountholders when there is a change to the Declaration of Trust (DOT) associated with a registered plan. This leads to unnecessary printing and mailing of material that, we believe, is largely thrown away or filed without reading by recipients.

**Solution(s):** Publicize a written policy that allows tax reporting entities to direct investors to a website where the updated DOTs can be found or permit inclusion of a notation on the annuitant's statement of the change or advice by letter; require a new copy only at the client's specific request.

### **Cost-benefit analysis:**

<b>Costs</b>	<b>Benefits</b>
<ul style="list-style-type: none"><li>• <b>No material impact on government revenues</b></li><li>• Legislative change(s) may be required, but should be minor with minor related cost</li></ul>	<ul style="list-style-type: none"><li>• <b>Tax system integrity is unaffected and its efficiency is improved</b></li><li>• Investors will receive less paper (firms receive many client complaints regarding the need to sign and receive too much paper required by regulation)</li><li>• Tax reporting firms will experience reduced costs of mailing</li></ul>

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

## Improve Registered Retirement Income Fund (RRIF) Transfer Process

**Problem(s):** The *Income Tax Act* requires intermediaries transferring client RRIFs to another institution to withhold a residual amount – the minimum amount that must be withdrawn each year after RRIF set-up based on the RRIF-holder’s age and the RRIF’s fair market value at the beginning of the year. This can cause cash flow difficulties for seniors and may require these investors to liquidate securities at an inopportune time or be unable to trade for a period.

**Solution(s):** Allow intermediaries the *option* of transmitting the necessary minimum amount information between transferring and receiving institutions; for the broker/dealers that process over half of the account transfers in this country, this means the ability to transfer information, including the minimum payment obligation, to the receiving institution electronically through ATON, a system funded by the investment broker/dealer community to transfer accounts electronically as a way to speed transfers and better serve clients.

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"><li>• <b>No impact on government revenues as there is no tax withheld on the residual payment</b></li><li>• Legislative change required, but should be minor with minor related cost</li><li>• No costs for any intermediary that chooses not to transmit information if they do not want to incur systems changes</li></ul>	<ul style="list-style-type: none"><li>• <b>Improved fairness and perceived fairness of tax system; no change to efficiency and integrity of the tax system</b></li><li>• Seniors:<ul style="list-style-type: none"><li>• Can manage their cash flow better, important for those on a fixed income</li><li>• Do not risk having to cash in investments when markets are down</li><li>• Are not shut out of the market while investments are redeemed before transfer</li><li>• Can transfer their account assets more quickly through ATON</li></ul></li><li>• Improved intermediary transfer efficiency through unified use of ATON</li></ul>

**Conclusion:** Benefits of greater fairness clearly outweigh costs (some time will be needed for a system implementation for firms choosing to transmit electronically).

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

## Clarify LIF-to-RRIF Transfer Treatment

**Problem(s):** Unlocking an excess amount from a LIF and transferring proceeds to an RRSP should not, we believe, be a taxable event, consistent with the same logic found in a CRA letter dated May 2, 2006 for RRIF-to-RRIF direct transfers for the same annuitant. It should be clarified that no tax reporting should be required for such LIF-to-RRSP transfers.

**Solution(s):** Clarify treatment.

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"><li>• No material impact on government revenues</li><li>• Some time required to clarify and publicize procedures</li></ul>	<ul style="list-style-type: none"><li>• Tax system integrity is unaffected and its efficiency is improved</li><li>• Investors will experience better outcomes due to less confusion from variance in treatment</li><li>• Tax reporting firms will experience fewer problems</li></ul>

**Conclusion:** Benefits outweigh costs.

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

## Correct Change in Tax Treatment of Broker Warrants

**Problem(s):** On November 7, 2007, a change to the *Income Tax Act* was announced that we believe had an unintentional negative impact on a financing mechanism – broker warrants – for regional small issuers as mark-to-market gains on traditional warrants became taxable – we believe appropriately. Unlike in the case of traditional warrants that are sold as part of bonds and preferred shares to investors, broker warrants are issued to underwriters only by issuers that are almost exclusively in the junior capital market. Such issuers include small resource firms looking for mineral, metal or energy deposits or research and innovation firms, both representing key sectors of the Canadian economy that, lacking issuers’ traditional credit track record or assets, are areas of high risk for capital providers.

As a result of the tax change, underwriter interest in such issuers declined. The support of the small and largely regional underwriters is critical to junior issuers as these issuers have fewer financing options that are often essential for their survival, as a minimum in these issuers’ early years of operation. Issuers, if they can get financing, face a higher cash financing cost in the absence of broker warrants with selling commissions increasing by as much as 25%. The underwriter accepting the broker warrants in lieu of traditional compensation encourages a more active following of the issuers’ stock and market-making, helpful to the future growth of the issuer. This change is contrary not only to the interests of these issuers, their investors and the intermediaries, but also to the Canadian economy, which relies on such businesses to generate economic activity and growth, leading to jobs.

**Solution(s):** Describe broker warrants as a “prescribed property” under paragraph 142.2(1)(e) of “excluded property” in the *Income Tax Act* (Canada) (ITA) and therefore not a “tracking property” that is a “fair value property” of the taxpayer for the taxation year.

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"><li>• Time and effort to amend the legislation</li><li>• At worst, cost would be the time value of money for one year</li></ul>	<ul style="list-style-type: none"><li>• Provides stimulus essentially without incurring a tax expenditure</li><li>• Likely renewed issuance opportunities and reduced issuing cash cost expected to contribute to job and tax revenue growth</li><li>• Enhance competitiveness of small regional issuers and small and medium-sized investment broker/dealers</li></ul>

**Conclusion:** Benefits significantly outweigh costs

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

## Ensure Pooled Registered Pension Plan (PRPP) Cost Efficiency

**Problem(s):** While there has been some progress from the employer sponsors’ standpoint on the challenges of multi-jurisdictional pension plans, inter-jurisdictional inconsistencies cause delay and confusion for individual Canadians and unnecessary costs and risks for financial service providers. Challenges are further complicated as different aspects of different provinces’ pension policy are under the ambits of different ministries (e.g., finance, justice and labour), which have different constituencies, priorities and expertise. Despite the 1974 creation of the federal-provincial Canadian Association of Pension Supervisory Authorities (CAPSA), there appears never to have been agreement on those little administrative details that affect financial service providers’ day-to-day ability to manage pension administrative impacts. We understand that even efforts to standardize rules regarding conversion of lump-sum pension balances to life income funds failed. Representatives of two different provinces’ pension regulators – prior to announcement of PRPPs in December 2010 as a solution to the decline in pension coverage – said addressing administrative issues was not a priority ... not surprising as they do not daily experience the problems of dealing with the challenges of two or more jurisdictions.

The many yet sometimes seemingly trivial differences mean employers and financial service providers spend more money than necessary for in-house and external resources including pension consultants, legal advisors, accountants, HR staff and information technology. As an example, the forms alone pose difficulty as some provinces require approval of the documents by a pension commission, while others do not even have prescribed forms and financial service providers must create their own. A pension expert estimates there are more than 25 forms that financial service providers with clients across the country must keep track of and update (one per LIF and RIF type per jurisdiction, plus certain jurisdictions have other prescribed plan variations). A decade-old estimate assessed costs of multi-jurisdictional complexity at as much as \$1 billion annually ([http://www.cdhowe.org/pdf/commentary\\_294.pdf](http://www.cdhowe.org/pdf/commentary_294.pdf)) and costs would only have increased since then. As well, the variability between provinces creates confusion and perceptions of inequity among employees, as well as negative employer perceptions that one expert believes is an important factor behind the decline in registered plan participation among private-sector workers in Canada. With so many differences, the industry is struggling to keep up with all the changes leading to differences in interpretation of regulations across providers. This can be very frustrating for investors who may have a plan with more than one institution or who transfer their plans between institutions and provinces.

**Solution(s):** Recommend creation of a new financial sector/inter-provincial/federal government task force, bringing together people with vision and logistical experience, from finance, industry/consumer affairs, pension and justice, to work together formally to standardize/rationalize pension-plan-related administrative transfer and withdrawal workload/documentation requirements.

### Cost-benefit analysis:

Costs	Benefits
<ul style="list-style-type: none"> <li>• Time and effort to negotiate a significant reduction in administrative overlap</li> </ul>	<ul style="list-style-type: none"> <li>• Improved fairness and perceived fairness of pension system; improved efficiency, integrity and cost of the pension system</li> <li>• Lower provider costs of offering, at the very least, PRPPs, to increase likelihood of success of PRPPs and lower actual demands on social safety net as Canadians retire</li> </ul>

**Conclusion:** Benefits outweigh costs; will allow significant streamlining of procedures, processes and forms at no tax cost to the federal government.

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

ATTACHMENT 3

## Variations in CRA Provision of New Information

The three screen grabs that follow, taken from the CRA website, suggest some of the challenges in a financial institution's ability to get easily information on administrative changes. The first – What's New – is easy to find and can be signed up for to obtain by e-mail, however, the significant majority of items are not material to tax reporting. For example, the GST494 form, for which financial institutions had been pressing for a year – and which, for some financial institutions, must be filed by March 31, 2011 was not received as a "push" e-mail.

The "Recently Added Forms and Publications" on the next page lists forms, however, additions to this page do not seem to be available via a 'what's-new'-style e-mail.

The final page is an RSS feed, however, it does not seem to be updated regularly as the screen grab, taken March 31, 2011, does not appear to have been updated since.

### What's New

The screenshot shows a Windows Internet Explorer browser window displaying the 'What's new' page of the Canada Revenue Agency (CRA). The browser's address bar shows the URL <http://www.cra-arc.gc.ca/whatsnw/menu-eng.html>. The page header includes the CRA logo and the text 'Canada Revenue Agency' and 'Agence du revenu du Canada'. Below the header is a navigation menu with links for 'Français', 'Home', 'Contact Us', 'Help', 'Search', and 'canada.gc.ca'. The main content area is titled 'What's new' and contains a sub-section for 'March 2011'. This section lists several news items with dates and tax tips, such as '2011-03-29 Tax tip: Get the benefits of filing and paying on time, and online' and '2011-03-17 Tax tip: The Canada Revenue Agency can make filing your taxes easier'. A left-hand sidebar contains a list of links for 'Forms and publications', 'What's new', 'Events and seminars', and other categories.

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

### Recently Added Forms and Publications

The screenshot shows a Windows Internet Explorer browser window displaying the Canada Revenue Agency website. The address bar shows the URL <http://www.cra-arc.gc.ca/menu/NEW-e.html>. The page title is "Recently added forms and publications". The website header includes the CRA logo and navigation links: Français, Home, Contact Us, Help, Search, and canada.gc.ca. The main content area is titled "Recently added forms and publications" and lists items added within the last 30 days. A sidebar on the left provides filters for listing forms and publications.

Form number	Publication number	Document type	Topic	Client group	Frequently requested	Recently added	Previous years
						2011-03-31	
						2011-03-25	
						2011-03-24	
						2011-03-22	
						2011-03-18	

**Forms and publications**

Listed by ...

Getting forms and publications

Forms available only in paper format

HTML

PDF

Fillable forms

Customized forms

Multiple formats

Related Web sites

Provincial and territorial

**Recently added forms and publications**

Listed below are forms and publications added to our Web site **within the last 30 days**.

Some documents **may not yet be available in all possible file formats**. For example, a new document may be available only in .pdf at this time and not yet in HTML or other formats.

You can also subscribe to the [RSS feed](#) for recently added forms and publications.

- [RC4407 GIVING TO CHARITY: Information for Donors](#)
- [GST494 Goods and Services Tax/Harmonized Sales Tax Final Return for Selected Listed Financial Institutions](#)
- [RC193 Service-Related Complaints](#)
- [RC4022 General Information for GST/HST Registrants](#)
- [CST518 GST/HST Specially Equipped Motor Vehicle Rebate Application](#)

The Honourable James Moore  
Re: Red Tape Reduction Commission  
March 31, 2011

## RSS Feed Page

Recently added forms and publications - Windows Internet Explorer

http://www.cra-arc.gc.ca/esrvc-srvce/rss/tp-eng.xml

File Edit View Favorites Tools Help

Parents' Homepage Ability ... Citrix Gmail Dir. BC Dir. Finance Alta. Fin. Ontario CRA KPMG Tax Reg IIAC IFIC

Recently added forms and publications

**Recently added forms and publications**

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**March 1, 2011**

Tuesday, March 01, 2011, 1:00:00 AM | [comments@mail100.cra-arc.gc.ca](mailto:comments@mail100.cra-arc.gc.ca) (Government of Canada, Canada Revenue Agency) →

- [EDN28 Becoming a Prescribed Person under the New Tobacco Stamping Regime](#)
- [EDN29 Tobacco Stamping Regime - Excise Stamp Order Process](#)
- [T4115 T5007 Guide - Return of Benefits](#)

**February 28, 2011**

Monday, February 28, 2011, 1:00:00 AM | [comments@mail100.cra-arc.gc.ca](mailto:comments@mail100.cra-arc.gc.ca) (Government of Canada, Canada Revenue Agency) →

- [NEWS79 Excise and GST/HST News - No. 79 \(Winter 2011\)](#)
- [SWLN36 Surge Charge - Alberta Region \(January?2011\)](#)

**February 25, 2011**

Friday, February 25, 2011, 1:00:00 AM | [comments@mail100.cra-arc.gc.ca](mailto:comments@mail100.cra-arc.gc.ca) (Government of Canada, Canada Revenue Agency) →

- [T3MJ T3 Provincial and Territorial Taxes for 2009 - Multiple Jurisdictions](#)

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• All 18

Sort by:

▼ Date  
Title  
Author