

REGISTRATION OF TAX PREPARERS PROGRAM

As part of the federal government's new three-point plan to support small and medium-sized business tax compliance, the proposed registration of tax preparers program (RTPP) requires a tax preparer to register with the CRA. On January 17, 2014, the CRA released a consultation paper, *Proposal—Registration of Tax Preparers Program*, that outlines the following questions: (1) Who must register and what is the registration process? (2) How should recurring errors be addressed? (3) What is the strategic compliance approach? (4) How are enhanced services provided to tax preparers? (5) How is red tape reduced? Items 1 and 2 were addressed in an earlier article ("Small Business Compliance," [redacted]); this article addresses items 3 to 5.

What is the strategic compliance approach? The CRA will tailor its compliance approach to help tax preparers improve the reporting compliance of their clients. The CRA will use information gathered through the RTPP and past audit history to determine the reasons for the errors and to develop a strategic compliance approach that may include educational and followup visits, the development of action plans, and audits of the tax preparer's clients. The CRA may impose sanctions if a tax preparer fails to take reasonable care and to exercise proper due diligence to correct errors, or if the preparer was deliberately non-compliant. A redress process will be available if a tax preparer disagrees with the CRA's decision to impose a sanction; redress is expected to be first to the CRA and then to the courts.

How are enhanced services provided to tax preparers? The CRA would like to design services to better support tax preparers by reducing red tape and ensuring that tax preparers have the necessary information to prepare high-quality returns. Information obtained from the RTPP on tax preparers would allow the CRA to design these services. The CRA's current services are not designed exclusively for a tax preparer, but only for a third party (including a tax preparer) who acts on behalf of a taxpayer. Services that the CRA currently offers to a third party include "Represent a Client," EFILE, and the income tax technical advisory services.

How is red tape reduced? The proposed RTPP supports the goals of the CRA's red tape reduction action plan by (1) improving service to taxpayers and tax preparers to help them get their tax returns right the first time; (2) reducing compliance costs for taxpayers and tax preparers (because fewer errors mean fewer examinations, reviews, requests for information, and audits); and (3) enhancing the integrity of the tax system by enabling the CRA to encourage voluntary compliance. (For more information on the red tape reduction action plan, see "Red Tape Reduced for Small Business," [redacted])

Feedback requested by the CRA. The CRA invited tax preparers to provide comments on the consultation paper by May 31, 2014. Specifically, the CRA had requested feedback on (1) "the reasons why errors are found in income tax returns that are prepared by tax preparers"; (2) the registration process, who must register, and the challenges posed for the tax preparation industry; (3) the need for both a personal and an entity identification number, and whether there is an associated burden for the tax preparation industry; (4) the publication of a list of registered tax preparers; (5) the strategic compliance approach, the sanctions that may be imposed on the tax preparer, and the redress process if a tax preparer disagrees with the CRA's decision to impose a sanction; (6) the types of services that will benefit a tax preparer; and (7) the compliance burden imposed on the tax preparer by the proposed registration program.

The CRA wants to implement the RTPP in order to reduce CRA interactions with taxpayers after tax returns are filed and in order to work with the tax preparer industry, which the CRA realizes plays a crucial role in Canada's self-assessment tax system. We expect that the CRA will incorporate the feedback received from the tax preparer industry before it implements the program in 2016.

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