

May 30, 2014

Registration of Tax Preparers Consultations
Canada Revenue Agency
Place de Ville
806-8th Floor, Tower B
112 Kent Street
Ottawa ON K1A 0L5

Dear Sir or Madam,

We are writing to provide our comments on the proposed Registration of Tax Preparers Program (RTPP). We are grateful for the opportunity to provide feedback on this program and we draw on our extensive experience in the area of tax return preparation and our national and global perspectives in offering our views.

We consider our comments at this stage to be preliminary in nature due to the fact that the information available on the proposed RTPP is relatively general. We look forward to making a further contribution to the development of this program once additional details are proposed. We anticipate that the details will be critical in ensuring the success of the program, in terms of its efficacy, efficiency and fairness. We offer herein recommendations to assist in the development of those details under four general categories:

- Registration requirements
- Errors that should be considered by the Canada Revenue Agency (CRA) under this program
- The strategic compliance approach and sanction process
- Administrative burden

In developing our recommendations, we considered our firm's commitment to excellence in tax compliance which is demonstrated by our extensive investment in quality assurance and training, and our implementation of risk management procedures both in terms of tax return preparation/review and decisions with respect to positions taken in the returns.

Registration requirements

In a large firm such as Deloitte, the methodology for tax return preparation typically requires the involvement of a number of individuals in the preparation of a tax return. The registration requirements should reflect this reality and should clearly indicate who is required to register. We recommend that the

appropriate registrant should be the person who has responsibility to approve the return as final or their delegate as determined in accordance with the tax return preparation firm's procedures.

Business realities raise certain challenges for the registration process which should be addressed in order to ensure its usefulness:

- A published list of names of registered preparers may create a false sense of security to the public which may regard it as a list of government approved preparers. The list should therefore not be published.
- We agree that both the employee and the employer should be linked (through identification numbers) in the list of registered tax preparers. We recommend that the most efficient approach in the case of large firms would be to allow the firm to register all of its tax preparers rather than having each preparer register separately. This approach would reduce the administrative burden and would likely result in more timely registration. It would also enhance the accuracy of the list, particularly in cases where tax preparers retire or otherwise leave a firm. This issue becomes even more important if the list is published.
- It is not clear what would happen if an individual preparer is found to have errors requiring attention – would that individual's name be removed from a published list? Would it be flagged as being under review? It would be important to understand the full registration/publication program and sanctions process in order to consider its fairness vis a vis the preparer's and the firm's reputation, especially where the firm has internal risk management programs aimed at addressing quality issues as they arise.

Before deciding to publish a list of registrants, the foregoing challenges should be addressed. Otherwise, unnecessary burdens could be placed on both firms and individual registrants. In our view, publishing the list of registered tax preparers would provide no benefit to the public.

Errors that should be considered by the CRA

It is very important for the CRA to carefully consider and clearly identify what would be determined to be an error for purposes of follow up and any sanctions under the RTPP.

An important concern regarding what should be considered an error relates to information provided by clients. Tax preparers rely on information provided by clients, and are not engaged or required to audit the information. If a client omits certain information or provides the preparer with inaccurate information, tax return errors resulting from the use of this information should not be considered tax preparer errors.

In our experience, many situations result in a tax return not being assessed as filed for a variety of reasons. We would be very concerned if every such occurrence were considered to give rise to an error. A significant portion of tax work – both planning and compliance – involves analysis and interpretation. If the CRA disagrees with a considered position that a taxpayer has taken, the position should not necessarily be identified as a preparer error.

Other circumstances in which there are discrepancies between the tax return as filed and the tax return as assessed that should not automatically be considered errors include what can be labeled as system or process errors as opposed to substantive errors:

- If a corporate tax return is flagged because the e-filing technology does not accommodate the taxpayer's circumstances –where there are two year ends, for example – this should not be considered an error for RTPP purposes.
- Similarly, an individual tax return reporting investment income that is attributed from a spouse may result in the return being assessed differently than as filed due to the T5 or T3 slip identifying a different income earner - this should not be considered an error for RTPP purposes.

Ultimately, these situations will be cleared. However, in the interim, the returns will appear to contain errors. This initial flagging of errors could cause a significant administrative burden – not only would the taxpayer and the tax return preparer be required to address the challenge to the tax return in order to obtain a reassessment, but the preparer would also be required to take steps to ensure that the error does not remain on the record under the RTPP regime.

The foregoing would indicate that it could be very difficult to develop reasonable parameters for what should be considered an error. In developing such parameters, at a minimum, the CRA should consider de minimus standards, either in terms of absolute dollar values or in terms of a percentage of income or tax.

We also encourage the CRA to publish specific examples of the tax preparer errors that this program is intended to prevent.

The strategic compliance approach and sanction process

While we acknowledge that it is not always the case, many tax return preparers are accountants or work in accounting firms. As such, they are working in an environment that is regulated by a professional regulatory body, with requirements to stay current in knowledge and with sanctions for not adhering to professional standards. In addition, many firms – like Deloitte – have invested heavily in tax training and risk management.

In addition, there are established tax preparation firms that have developed significant internal control and training processes which operate to ensure that quality returns are prepared. Such firms generally also invest heavily in training and risk management.

Thus, a heavy quality assurance burden has already been self-imposed by a significant portion of the tax return preparation community. We question whether an additional regime is necessary or reasonable under these circumstances.

It should also be acknowledged that the Income Tax Act has already in place tax preparer and advisor penalty provisions that can be invoked in appropriate cases.

We recognize that not all tax return preparers provide their services under such conditions. We recommend that the CRA's strategic compliance approach and sanctions focus on this less monitored population, rather than tax preparers working in accounting firms or established tax return preparation

firms. The CRA should recognize programs already in place and should not create another layer of administration. In this regard, we believe that where a specific preparer has been identified as having made errors requiring remediation, both the individual and the associated firm (a designated representative for each firm should be identified for this purpose) should be made aware of the situation.

An appropriate and independent appeals process will also be required to be established to protect the rights of tax preparers.

Administrative burden

As noted above, the RTPP could impose a significant administrative burden on tax preparers and their firms if what is considered an error for the purposes of this program is not clearly delineated.

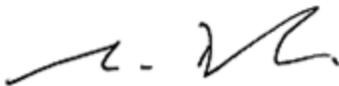
The RTPP can be seen to be creating a new regime that will exist alongside the current tax compliance administration regime. As such, an issue relating to a tax return could potentially create an issue under the RTPP. This could result in, essentially, two objection and appeals processes – one for the taxpayer and one for the preparer. Rather than reducing red tape, the RTPP could significantly increase it. This causes us grave concern. We question whether this is the best use of the resources of both the CRA and the tax practitioner community.

At a time when market conditions are demanding quality and efficiency, it is imperative that the important goals of accurate tax compliance be achieved in the most efficient and fair manner possible. Recognizing programs already in place to ensure quality (such as professional sanctions) in the design of an RTPP would help to reduce unnecessary administrative costs.

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We look forward to the opportunity to continue to provide our feedback on the design of the RTPP as the details of the program are developed. We would be happy to meet with you to discuss our views at a mutually convenient time.

Yours truly,
Deloitte LLP



Albert Baker, FCA
Tax Policy Leader