Expanding the Voluntary Disclosure Program to Increase Tax Compliance

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1. Introduction

In early 2015, an anonymous leaker going by the name of "John Doe" began releasing what has now grown to approximately 11.5 million documents providing detailed information on approximately 214,000 offshore companies created by the Panama law firm and corporate services provider Mossack Fonseca[1] to the German newspaper Süddeutsche Zeitung and its coalition of researchers and investigative reporters.[2] The leak has exposed the private financial arrangements of wealthy, famous (and infamous) people from all around the world and has brought the issue of aggressive international tax planning into the media and public consciousness. While news reports of Canadian involvement in entities exposed by the leaks have to date been limited,[3] Minister of National Revenue Diane Lebouthillierhas has nevertheless responded with an announcement that "[t]he Canada Revenue Agency (CRA) is committed to combating the abusive use of offshore jurisdictions and protecting the integrity of the Canadian tax system"[4] and that an additional $444 million will be allocated for increased detection, investigation and prosecution in the upcoming March 2016 budget.[5] Because of the secretive nature of offshore banking and entities and the general challenges in identifying instances of non-compliance in a self-reporting tax system, the CRA relies largely on third party reporting. This can come from leaks like the Panama Papers, or more commonly using the CRA's Informant Leads Program as well as through taxpayer disclosure of non-compliance, including through the CRA's Voluntary Disclosure Program. This paper provides an overview of the existing Voluntary Disclosure Program, analyses the programs current use and argues in favour of amendments to the program

that will expand its appeal to taxpayers resulting in increased compliance and government revenue.

2. Legislative History

The Voluntary Disclosure Program was first formalized on May 8, 1987 with the publication of CRA Information Circular 85-1. Replacement CRA Information Circular 85-1R2 of October 23, 1992 characterized the Program's purpose in the following way: "[t]o promote voluntary compliance with Canada's tax laws, the Department encourages taxpayers, both individuals and corporations, to come forward and correct deficiencies in their past tax affairs" without being subject to penalties.[6]

From its creation until 1999, the CRA's Investigations Directorate of the Verification, Enforcement and Compliance Research Branch oversaw the Voluntary Disclosure Program. At that time, as part of broader restructuring, the program was transferred to the CRA Appeals Branch. The reforms to the Voluntary Disclosure Program started in early 1999 with the tabling of Auditor General Denis Desautels' report recommending steps for improved tax administration and compliance. This led to the Twenty-ninth Report of the Standing Committee on Public Accounts, which recommended that "Revenue Canada develop initiatives to improve the promotion and enhance the public profile of its Voluntary Disclosure Program as a means of further encouraging disclosure of unreported income and insuring compliance to Canadian tax laws."[7]

In light of these considerations, then Minister of National Revenue Herb Dhaliwahl announced a newly developed policy including the change of administrative oversight to the Appeals Branch and a promise to consult with stakeholders moving forward. The rationale for the transfer to Appeals was to address public concerns about fairness and transparency, to allow for Appeals to review the current policy, and for Appeals to develop program expertise prior to commencing stakeholder consultations. The substance of the amendments were to promote voluntary disclosure by otherwise reluctant parties by permitting the Minister to assess individuals' returns to reduce the amount payable,[8] waive interest or penalties owing notwithstanding that the tax year is statute barred,[9] and to extend the time permitted for making Regulation 600 elections, which, for example, characterize the nature of a transaction for tax purposes. Additional amendments made in 2005 implemented the ten year rule, limiting the Minister's ability to re-assess,[10] and created a ninety day time limit on full and final disclosure for the "no-name" Voluntary Disclosure Program, i.e. where the taxpayer is not initially required to provide their name when contemplating making an application.[11] More recently, in March 2013, the CRA amended the Voluntary Disclosure Program policies with the release of CRA Information Circular IC00-1R3 centralizing the processing of applications.[12]

3. Taxpayer Relief

3.1 Taxpayer Relief Provisions

The legislative authority for the waiver of taxpayer penalties and interest is contained in several different pieces of legislation. This broad authority allows the Minister to

provide taxpayer relief. It forms the basis of the CRA's Voluntary Disclosure Program as well as other taxpayer relief CRA provisions outside of the scope of the Voluntary Disclosure Program. *Income Tax Act*[13] ("ITA") section 220(3.1) permits the Minister to waive or cancel penalties and interest otherwise payable under the ITA on or before a day that is ten calendar years after the end of the taxation year of the taxpayer notwithstanding the time periods set out in ITA sections 152(4)-152(5). The wording of this section means that the Minister cannot waive penalties and interest assessed outside of the ten-year period. This acts as a disincentive to potential participants in the Voluntary Disclosure Program that may have liabilities beyond the ten year period, especially given the requirement that all disclosures be complete.[14] ITA section 164(1.5)(a) authorizes the Minister to refund an individual or testamentary trust an overpayment of tax for a tax year if the return was filed after three years from the end of the tax year (but within the ten year rule which still applies).[15] The *Excise Tax Act* ("ETA") also includes provisions on waiving penalties and interest.[16] Specifically, ETA section 281.1 allows the Minister to waive penalties and interest under section 280 and failure-to-file penalties under section 280.1.[17] Hence, there are a variety of mechanisms at the Minister's disposal to provide relief taxpayer relief.

3.2 Taxpayer Relief CRA Policy

Income Tax Information Circular IC07-1[18] is, at the date of writing, the current CRA policy on taxpayer relief provisions. Of relevance to voluntary disclosure, Circular IC07-1 provides information on the Minister's discretionary authority to grant taxpayer relief under the ITA and the CRA's guidelines for making such decisions.[19] In Circular IC07-1,

the CRA outlines its guidelines for cancellation of penalty or interest and, as a broad principle, asserts that: "[t]he ability of the CRA to waive or cancel penalties and interest is not to be used by taxpayers as a way to arbitrarily reduce or settle their tax debt."[20] Specifically, four circumstances where relief may be granted are listed as follows:

(a) Extraordinary circumstances beyond the taxpayer's control such as disaster or serious illness;

(b) Actions of the CRA resulting in delays, errors or the provision of incorrect information;

(c) Inability to pay or financial hardship where an extended payment plan is required and adhered to or exceptional circumstances where enforcement of penalties and interest would jeopardize business operations, jobs and community welfare; and,

(d) As otherwise determined by the Minister.

Circular IC07-1 also elaborates on the factors used to determine when relief is granted or denied, which include:

(a) The taxpayer's history of compliance;

(b) Whether the taxpayer knowingly allowed the amount owing on which the penalties and interest are assessed to accumulate;

(c) Whether or not the taxpayer has been negligent or careless in conducting their affairs; and,

(d) Whether the taxpayer has acted promptly to resolve the matter.[21]

Clearly there is a great deal of discretion built into the CRA policy on taxpayer relief. This degree of discretion adds to uncertainty for the taxpayer, creating possible disincentives for coming forward under the Voluntary Disclosure Program.

4. Voluntary Disclosure Program

The Voluntary Disclosure Program is the CRA's policy on how it will apply the legislative taxpayer relief provisions granting Ministerial authority to, among other things, waive penalties and interest, in certain circumstances. At the date of writing, Income Tax Information Circular IC00-1R4[22] is the current CRA policy on the Voluntary Disclosure Program. The current CRA policy reiterates the core purpose of previous versions, namely, that the Voluntary Disclosure Program "…promotes compliance with Canada's tax laws by encouraging taxpayers to voluntarily come forward and correct previous omissions in their dealings with the CRA" and that it "is not intended to serve as a vehicle for taxpayers to intentionally avoid their legal obligations under the acts administered by the CRA." The Voluntary Disclosure Program applies to the ITA, the ETA and other legislation administered by the CRA.[23] Circular IC00-1R4 states that when the CRA accepts a voluntary disclosure as valid, the taxpayer will not be charged penalties or be prosecuted with respect to the disclosure and partial interest relief may also be granted.[24] While such relief is subject to the ten year rule, the CRA additionally asserts that it will not apply non-mandatory discretionary penalties, such as the ITA

section 163(2) gross negligence penalty, when relief is granted under the Voluntary Disclosure Program.[25]

In sum, the Voluntary Disclosure Program is an effective CRA policy to encourage non-compliant taxpayers to disclose unreported income. This is despite the fact that it contains an inherent tension. On the one hand, there is a laudable public policy objective, namely, to provide a non-punitive opportunity for taxpayers to correct their non-compliance and for the government to recoup monies otherwise uncollected. On the other hand, there is the potential of creating a problematic incentive, namely, to encourage short-term non-compliance in the knowledge that penalties may be avoided through the amnesty that the program may later provide.

4.1 Relief Eligibility

Relief under the Voluntary Disclosure Program (as opposed to other taxpayer relief provisions that may be available) may be considered by the CRA when a taxpayer:

(a) Does not fulfill their obligations under applicable legislation;

(b) Fails to report received taxable income;

(c) Claims ineligible expenses;

(d) Fails to remit employee source deductions;

(e) Fails to report sales tax owing;

(f) Fails to file information returns; and,

(g) Fails to report Canadian taxable foreign sourced income.[26]

This list of instances where the taxpayer may rely on the Voluntary Disclosure Program distinguishes the program from other CRA policies that may be applied in other circumstances such as when the taxpayer:

(a) Owes no taxes or expects a refund;

(b) Is relying on an election provision as to the specific treatment of a tax transaction;

(c) Has entered into an advanced pricing arrangement with respect to the matter;

(d) Is relying on a rollover provision with respect to the matter;

(e) Is filing required returns as part of a bankruptcy;

(f) Is seeking a remedy post-assessment.[27]

The fact that the Voluntary Disclosure Program does not apply to the above situations demonstrates that the program is not intended to act as a replacement for other existing administrative procedures, rather it is meant to provide for disclosures that are not otherwise contemplated in the ITA and CRA policy. The Voluntary Disclosure Program fills a niche allowing taxpayers to seek results that would not otherwise be available.

4.2 Named & No-Name Disclosures

Taxpayers applying to the Voluntary Disclosure Program have the option to apply using either the named disclosure method or the no-name disclosure method. The named disclosure method is quite simply when a taxpayer lists their name on the initial application. Frequently, however, a taxpayer will be reluctant to provide their name to the

CRA without some assurance that the CRA will find their application to be valid and provide relief. The no-name method permits for the applicant to provide information about their matter on a no-name basis to get a response from the CRA on whether or not any of the information and particulars provided would disqualify the application and what the tax implications of the disclosure might be. While the CRA asserts that all representations made by it are on a without prejudice basis, as will be discussed below, the Federal Court of Appeal has found that, in some instances, CRA representations at this stage will estop the CRA from reversing its position after the applicant taxpayer's name is disclosed. In any event, the CRA will only provide a determinative decision after the identity of the taxpayer is revealed, which must be done within ninety days of the CRA's receipt of the no-name application[28] with no extensions offered.[29] The refusal of the CRA to provide a binding decision, the tight timeline and the rigidity of no extensions create uncertainty and act as a significant disincentive for taxpayers to commence a no-name voluntary disclosure. These polices, no doubt, have a material impact on the use and frequency of the program by non-compliant taxpayers.

4.3 Conditions of a Valid Disclosure

In order for a Voluntary Disclosure application to be found valid, four criteria must be met. The application must be voluntary, complete, a penalty must apply and the disclosure must be at least one year past due. Additionally, only the first valid application made by a taxpayer will generally be accepted. I will discuss each of the four requirements in turn in order to provide context for understanding and evaluating the program.

4.3.1 Voluntary

A disclosure must be voluntary in order to be valid. A disclosure is *not* voluntary if the taxpayer:

(a) Had knowledge of an audit, investigation or other enforcement action related to the information disclosed; or,

(b) An enforcement action has been taken against a sufficiently related third party and the action is likely to uncover the information disclosed.

Notably, an audit unrelated to the disclosed information (e.g. an audit of payroll when the disclosure is for sales tax) will generally not disqualify a disclosure.[30] This requirement is important because it guards against misuse of the Voluntary Disclosure Program to act as a shield against impending CRA enforcement that would likely happen without the disclosure.

4.3.2 Complete

A disclosure must be complete in order to be valid. A disclosure is complete when full and accurate facts relating to all previous reporting years containing incorrect, incomplete or missing information, including all information necessary to verify the facts, are provided. Compliance with additional requests for information from the CRA is also required. The CRA, at its discretion, may overlook minor errors or omissions when the disclosure is otherwise satisfactory.[31] This requirement guards against a taxpayer

misusing the Voluntary Disclosure Program by correcting only those areas of non-compliance that the taxpayer fears will be reported by a third party or uncovered by CRA investigation, while remaining non-compliant in other areas.

4.3.3 Application of Penalty

For a disclosure to be valid under the Voluntary Disclosure Program there must be a penalty or the potential of a penalty. This includes penalties for late filing, failure to remit payment or a discretionary penalty such as gross negligence.[32] This requirement is necessary, since without the existence of a penalty there would be nothing for the Minister to waive upon the submission of a valid application.

4.3.4 Past One Year Due

Finally, in order for a disclosure to be valid, it must include information that is at least one year past due. This means that a disclosure can include information from the most recent tax year but only if it is part of a larger disclosure that includes information from other previous years.[33] This requirement ensures that the Voluntary Disclosure Program is not used as a replacement for regular procedures for correcting an inaccurate tax filing.

4.3.5 First Disclosure

In addition to the four requirements listed above, the CRA will grant no more than a single voluntary disclosure application from a given taxpayer unless the subsequent application involves non-compliance that occurred due to circumstances outside of the

control of the taxpayer. The CRA monitors for this by requiring that the taxpayer provide their name and disclose if they have previously applied to the program in their application.[34] This restriction, which guards against the use of the program by those who are repeatedly non-compliant, is unduly restrictive. This is especially true for corporations with complicated tax obligations where repeat non-abusive noncompliance is perfectly within the realm of possibility. Once a taxpayer has made a voluntary disclosure under the Voluntary Disclosure Program, there is little incentive to correct additional instances of non-compliance that may not otherwise be discovered by the CRA.

These requirements for a valid voluntary disclosure outline CRA policy on how the broad Ministerial discretion granted under the applicable legislation will be applied in certain circumstances. When taxpayers apply to the program they are relying upon CRA representations that if a valid application is made, all penalties will be waived. However, as discussed below, *Canada (National Revenue) v. Sifto Canada Corp*.[35] indicates that this may not always be the case.[36]

4.4 Judicial Review

4.4.1 *Canada (National Revenue) v. Sifto Canada Corp.*

In 2007, Sifto Canada Corp. ("Sifto") submitted an application under the Voluntary Disclosure Program to the CRA to correct the transfer price of rock salt sold to a related US corporation for the 2004-2006 tax years. The Minister accepted the

Application. Sifto, the CRA, and the tax authorities in the United States all agreed on an appropriate transfer price and that the agreement was final, binding and without penalty. Notwithstanding the voluntary disclosure and the agreement, the Minister then reassessed Sifto with a $60 million penalty for its failure to use a reasonable transfer price. In response, Sifto sought a judicial review of the Minister's action from the Federal Court. The Minister responded with an application to strike out Sifto's request for judicial review relying on contemporaneous case law that appeared to restrict the scope of such recourse.[37] The Court decided for Sifto in the application. The case is significant because it upholds taxpayer recourse to the Federal Court for judicial review.[38]

4.4.2 Scope of Judicial Review

Section 18.5 of the *Federal Courts Act*[39] states that where there is a right of appeal of a decision or order of a tribunal (such as the Tax Court of Canada), commission or Federal board, such decisions are not subject to judicial review to the extent that they may be appealed. Because decisions of the Minister under the ITA taxpayer relief provisions do not have a right to appeal, however, restrictions on judicial review do not apply. Consequently, judicial review is the primary recourse available to taxpayers seeking to challenge a CRA decision under the taxpayer relief provisions and Voluntary Disclosure Program.[40] Unlike an appeals process, however, a judicial review will only assess whether the decision was lawfully made and, in the event that it is not, will return the matter back to the appropriate authority for reconsideration.[41] Likely for this reason, the CRA recommends requesting a second administrative review of a matter prior to

requesting a judicial review from the Federal Court.[42] Case law provides guidance on when the Federal Court will find for the taxpayer, as the following case illustrates.

4.5 *Karia v. the Minister of National Revenue*

Karia v. the Minister of National Revenue[43] is an important case with respect to the Voluntary Disclosure Program because it "…serves notice to the CRA that the court will supervise the CRA's conduct of its voluntary disclosure program (VDP) via judicial review proceedings." Specifically, the case limits unfettered Ministerial discretion, finding that if the CRA suggests that a no-name disclosure is valid, it cannot change its position after the taxpayer has provided their name.[44] The case involved a taxpayer and his affiliate corporation making a no-name voluntary disclosure to the CRA under the Voluntary Disclosure Program. The no-name disclosure was made after police executed a search warrant at the taxpayer's office to investigate a fraud, during which an officer mentioned that the CRA might be notified. At the time of CRA disclosure, however, to the taxpayer's knowledge, no police notification had been made. The CRA responded to the no-name disclosure stating that the application was valid as presented. After the taxpayers released his name, the CRA then reversed its position, finding the disclosure invalid because it was not voluntary due to the police investigation and the officer's comments. Despite the existence of other case law suggesting that there is no promissory estoppel against the crown, the Court found for the taxpayer and sent the matter back to the CRA for the Minister to assess in accordance with the Voluntary Disclosure Program.[45] This case demonstrates that despite the numerous disclaimers made by the CRA, the Minister may be held accountable for statements made during the no-name

voluntary disclosure process. This is significant because it helps to reduce taxpayer uncertainty when making a voluntary disclosure, acting as an incentive to participate in the program and ensuring an avenue for review from an independent body when the taxpayer feels the CRA has acted improperly. Increased certainty and accountability can be expected to make the Voluntary Disclosure Program more appealing to taxpayers and to increase the number of applications.

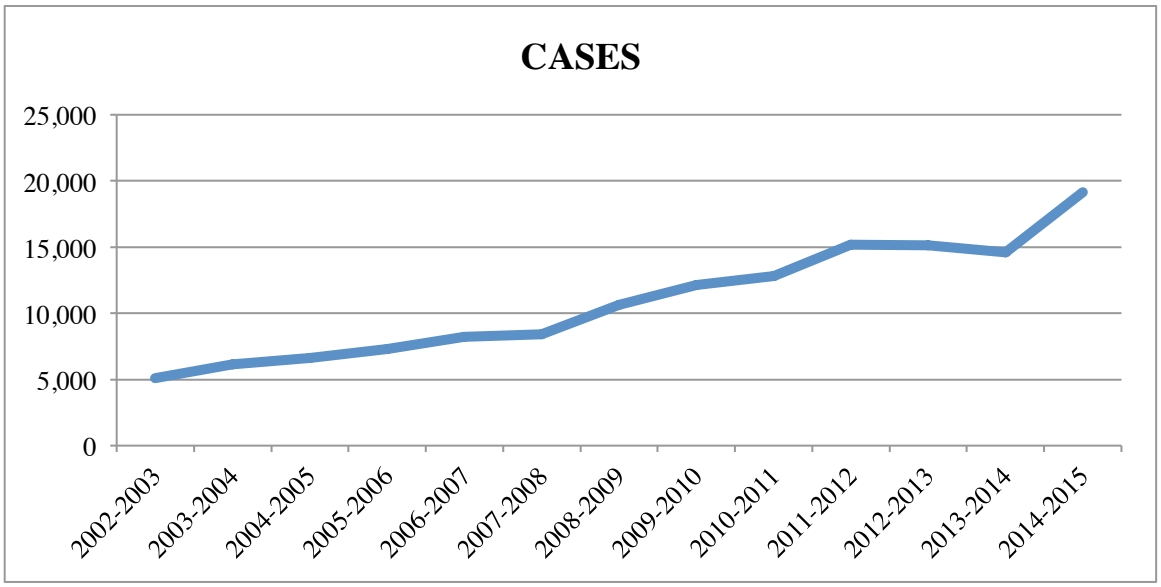
4.6 Program Use & Potential

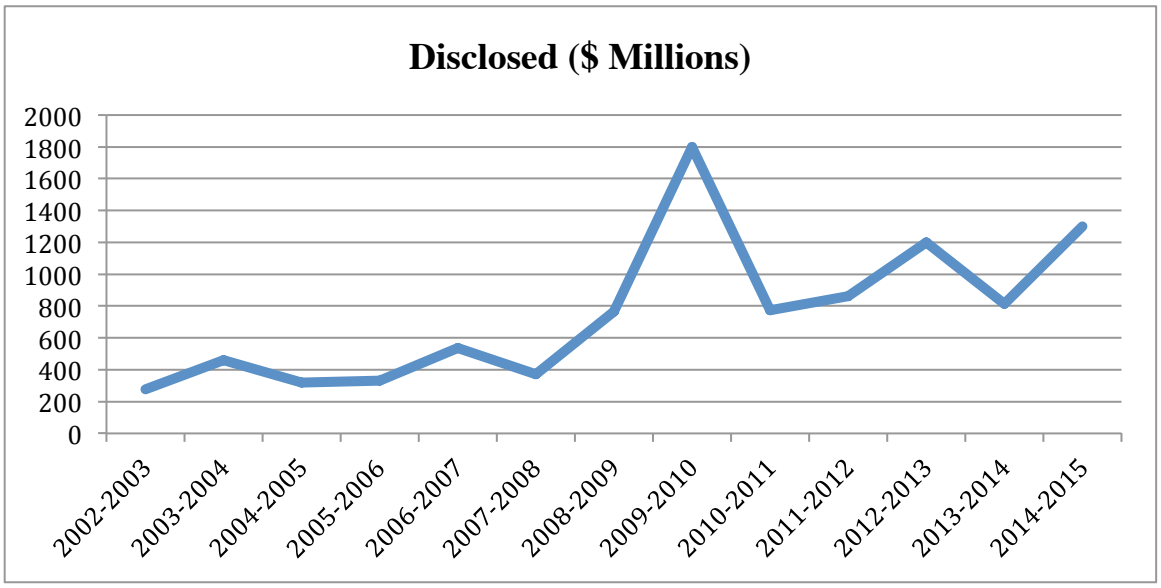
4.6.1 Voluntary Disclosure Program Use

According to CRA reports, and as displayed below as a chart and in graph form, there has been a steady increase in both the number of voluntary disclosures and the amount of disclosed unreported income under the Voluntary Disclosure Program in past years. The CRA credits educational initiatives and increased and successful enforcement actions for the increased popularity of the program, though does not substantiate these claims.[46]

Period	Cases	Disclosed ($Millions)
2002-2003	5,097	277
2003-2004	6,164	459
2004-2005	6,600	320
2005-2006	7,300	330
2006-2007	8,200	535
2007-2008	8,400	373
2008-2009	10,634	766
2009-2010	12,128	1,800
2010-2011	12,811	773
2011-2012	15,167	863
2012-2013	15,133	1,200
2013-2014	14,624	813
2014-2015	19,134	1,300

Displayed in graph form a correlation between the number of disclosures and the amount of undeclared income disclosed (save for unusually reported undeclared amounts for 2009-2010) is evident:





Notably, in the 2014-2015 fiscal year, the Voluntary Disclosure Program with a staff of 77 full time equivalent positions incurring $5,325,721 in costs generated the reporting

of an additional $1.3 Billion of reported income.[47] While presumably a portion of that amount would have been otherwise discovered by the CRA and taxed with associated penalties and interest, the 'voluntary' requirement of the Voluntary Disclosure Program suggests that the vast majority of this amount would have otherwise gone untaxed by the CRA. From a monetary perspective, the Voluntary Disclosure Program is effective at materially increasing government tax revenues at minimal expense. An expansion of the Voluntary Disclosure Program could, therefore, additionally increase collected revenues while promoting increased taxpayer compliance.

4.6.2 Voluntary Disclosure Program Potential

Though inherently difficult to measure, a review of estimates of tax revenues lost due to evasion, error and non-compliance (referred to collectively as the "Tax Gap") can provide a sense of the total amount that goes untaxed that the Voluntary Disclosure Program, along with other related CRA initiatives, could in theory identify and tax. An attempt to understand this number provides context to the possible potential for the expansion of the Voluntary Disclosure Program. Unfortunately, the CRA, despite pressure from the Parliamentary Budget Officer to do so, does not attempt to measure the Tax Gap. The CRA asserts that doing so would be difficult, costly and potentially inaccurate,[48] though a reluctance to quantify the Ministry's failings and a potential negative impact on taxpayer morale are likely contributing factors. Without CRA data the Tax Gap is impossible to estimate in a meaningful way. Consequently, the potential of the expansion of the Voluntary Disclosure Program is currently unknown.

5. Program Expansion will Increase Revenues & Compliance

Notwithstanding limitations on available empirical data, the CRA's numbers on the steady growth of the use of the Voluntary Disclosure Program clearly demonstrate (as might be expected) that an increase in the number of disclosures corresponds to an increase in the unreported tax revenue identified and taxed. While the Voluntary Disclosure Program has been steadily growing, certain elements of the program make taxpayer participation less appealing and no doubt reduce the number of applications and identified unreported taxable income. Comments from government suggest that moral judgments regarding taxpayer non-compliance have resulted in restrictions on an otherwise successful and growing program. In contrast, a pragmatic and administrative approach to the Voluntary Disclosure Program and taxpayer compliance coupled with corresponding program changes can be expected to expand the program, reduce the Tax Gap, increase government revenues and promote taxpayer compliance.

5.1 Revenue Maximization Driven Policy

During the 2015 Canadian Federal election campaign, now Prime Minister Justin Treadau vowed to increase taxes for the richest one percent[49] and expressed his Party's position on small business and tax planning asserting that "a large percentage of small businesses are actually just ways for wealthier Canadians to save on their taxes."[50] In the house of Commons on March 8, 2016 the Prime Minister remarked that "[i]t is a concern to us that all Canadians pay their *fair* share of taxes, and we will ensure that continues to be the case in the future" (emphasis added).[51] In the Prime Minister's mandate letter to

Minister of National Revenue Diane Lebouthillier, Mr. Treadau directs the Minister to "[i]nvest additional resources to help the CRA *crack down* on tax evaders and work with international partners to adopt strategies to combat tax avoidance"[52] (emphasis added). Characterizing tax compliance in moralistic terms, as Mr. Treadau does in these statements, is not unique to the current Liberal government. Engaging in rhetoric that casts simplistic moral aspersions on a subset of the population (in this case business people or the wealthy) to appeal to the general voting public is as old as democracy itself. What is troubling in this instance, however, is the application of simplistic moral judgments on an administrative system that is tasked with enforcing a complex legislative framework with the function of collecting revenues for government. While one could make the argument that a business owner underreporting business income and hiding the funds offshore while benefiting from government services at home raises moral issues, it is much harder to make a moral case when the point at issue is technical in nature, such as whether or not the appropriate transfer price has been used when selling goods to a related US company as was contemplated in *Canada (National Revenue) v. Sifto Canada Corp*. discussed above. Attempting to adopt a moral framework in the administration of the ITA not only creates additional complexity and subjective uncertainty, it comes at the expense of a primary role of the CRA – to collect tax revenues for the government. The Voluntary Disclosure Program is a prime example of a successful CRA program with a proven record demonstrating a high return on investment. Pragmatic amendments to the Voluntary Disclosure Program will increase government revenues and taxpayer compliance by encouraging greater participation in the program.

5.2 Voluntary Disclosure Program Recommendations

There are four primary areas where the Voluntary Disclosure Program can be improved to increase taxpayer appeal and use to further expand the program.

5.2.1 Increased No-Name Disclosure Time

The CRA should expand the ninety day time period on no-name disclosure and/or grant discretionary extensions when more time is needed to provide the required information and the CRA is of the view that the disclosure and/or request for extension is not being made for an improper purpose like causing undue delay.

5.2.2 Binding CRA No-Name Rulings

The CRA should provide no-name Voluntary Disclosure Program applicants with binding tax determinations prior to the release of the taxpayer's name when sufficient information has been provided. This will provide taxpayers with additional certainty and assurance that the CRA will not act contrary to its representations that it will provide amnesty under the program.

5.2.3 Additional Use of Voluntary Disclosure Program

The CRA should allow taxpayers to use the Voluntary Disclosure Program more than once where circumstances are not wholly outside of the control of the taxpayer in circumstances where the CRA is of the view that the additional application(s) do not constitute an abuse of the program. This particularly encourages self-reporting of non-

compliance for large corporations, with complicated tax obligations and no natural lifespan, to correct additional instances of non-compliance that may not otherwise be identified by the CRA.

5.2.4 Elimination of the Ten Year Rule

The ITA should be amended to remove the ten year rule to give the CRA additional flexibility in waiving penalties and interest and to provide for additional assurance and flexibility for taxpayers with obligations dating back to tax years outside of the current ten year window.

The implementation of the above listed recommendations will increase certainty, reduce risk and provide additional incentives for non-compliant taxpayers to self-report. It can be expected that these amendments will result in an increase in tax revenues collected and increased taxpayer compliance and participation.

6. Conclusion

Increased public interest in tax evasion and the Tax Gap resulting from the release of the Panama Papers creates an opportunity for public discussion on CRA programs to identify and tax otherwise unreported income. Voluntary disclosure and the Voluntary Disclosure Program play a key role in facilitating self-reporting of tax non-compliance. The program is inexpensive to operate compared to the significant amount of tax revenue that it identifies, and program data demonstrates that increased participation in the

program results in increased tax revenues. A moralistic approach that seeks to characterize non-compliant taxpayers as bad and deserving of punishment resulting in limitations on inducements for corrective action inappropriately moralizes what should be a primarily administrative system. By implementing the reforms to the Voluntary Disclosure Program identified in this paper, the CRA can increase tax revenues while increasing ongoing compliance. While such a pragmatic approach may not be consistent with popular political positions that seek to cast dispersions on business owners and those engaged in tax planning to gain support from the general public, it will be for the benefit of the administration of the tax system and government revenues.

7. End Notes

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[29] *Ibid*. Page 3-4.

[30] *Ibid*. Page 4.

[31] *Ibid*.

[32] *Ibid*. Page 4-5.

[33] *Ibid*. Page 5.

[34] *Ibid*.

[35] *Canada (National Revenue) v. Sifto Canada Corp*. (2014 FCA 140).

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