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CRA to cut managers, fold tax-evasion units, memo shows

By BILL CURRY

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A CRA report obtained by The Globe and Mail suggests that at the end of the shakeup, 50 senior managers responsible for international files and "Aggressive Tax Planning" will lose their jobs.

The documents appear to contradict the government's claims – repeated Friday in the House of Commons by Conservative MP Gerald Keddy, who is parliamentary secretary to the revenue minister – that "the CRA is not reducing the number of auditors, nor the number of tax evasion and tax avoidance experts."

While the documents confirm that no staff in auditor positions are being laid off, 50 managers and "team leaders" are losing their jobs. Their union – the Professional Institute of the Public Service of Canada – said all of those senior managers are trained auditors who are considered to be among the most highly skilled experts in the agency.

The Sept. 10 report states that the changes are "a result of the freeze on all departmental and agency operating budgets outlined in Budget 2014..."

The report suggests that auditors who had specialized on international files will be moved to new "Integrated Large Business" audit teams that will include domestically-focused auditors in an effort to cut back on management positions at the agency.

The shakeup is raising concern both inside and outside the agency that the government is backing away from its promised crackdown on offshore tax cheats. Both the 2013 and 2014 federal budgets contained extensive pledges to increase enforcement in this area. There is also concern that veteran staff who know the ins and outs of offshore tax schemes will lose their jobs, leading some to take jobs in the private sector using that same knowledge to help clients reduce their tax bill.

"They are losing highly-qualified individuals, individuals that in many cases can make much more money working for private companies advising clients how to work around the Revenue Agency," said Liberal Senator Percy Downe, who

focuses his research on the CRA's offshore tax evasion efforts. Mr. Downe said his sources in the department are very concerned that highly qualified experts will end up working "on the other side" because of these changes.

Mr. Downe – a former chief of staff to Liberal prime minister Jean Chrétien – has long argued that evidence from a 2005 experiment showed spending more on the CRA's offshore expertise paid off tremendously in terms of increased government revenue.

"They're cutting back the department... when the record clearly shows that overseas tax evasion is a growing problem in Canada," he said.

The internal documents indicate "there will be a reduction in the number of MG-05 and [Aggressive Tax Planning] Team Leaders." An MG-05 classification refers to a senior manager who would be paid¹ between \$78,324 and \$105,567.

The CRA confirmed Thursday that "affected" notices were sent out to 219 staff represented by the Professional Institute of the Public Service of Canada and to a further 141 staff represented by the Public Service Alliance of Canada. Generally speaking, the PIPSC union tends to represent public servants who are in more senior positions than PSAC members.

"Announced reductions are limited to administrative and managerial functions, and ensure the programs are being delivered as efficiently and effectively as possible," said CRA spokesperson Phillippe Brideau in an email Thursday. "This workforce adjustment process will not result in any auditor positions being cut. In fact, as a result of this realignment, the number of auditor positions will actually increase."

The use of affected notices is part of a process agreed to between government and labour to manage staff reductions in the public service. Most people who receive affected notices tend not to lose their jobs. Those who do lose their job are given several options, including other work in the department if positions are available.

The 2014 budget announced a two-year freeze on the operating budgets of federal departments, meaning inflationary costs and any negotiated pay increases would need to be paid for by spending cuts in other areas.

NDP MP and revenue critic Murray Rankin said Canada appears to be out of step with international efforts via the Organization for Economic Development and Co-operation to increase enforcement of international tax evasion.

"If we're going to be seriously part of that exercise, how can we be at home, doing what appears to be happening?" he asked. "It's just so ludicrous."

References

1. www.cra-arc.gc.ca/crrs/wrknng/pyrts/mg-eng.html

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