



May 1, 2013

Mr. Michael Ferguson, FCA  
Auditor General of Canada  
Office of the Auditor General of Canada  
240 Sparks Street  
Ottawa  
K1A 0G6

**Re: Request for investigation of the Canada Revenue Agency**

Dear Mr. Ferguson,

We are writing to request that you conduct an investigation into the ability of the Canada Revenue Agency to fulfill its legislated mandate in the context of drastic cuts to the Agency's operating budget and personnel.

As your office has identified in previous audits, uncollected tax debts now total billions of dollars and reports indicate that this figure has increased drastically since 2004-05. In addition to this known tax debt, it is not known how much revenue is lost to tax evasion through the use of international tax havens. Independent estimates have suggested it could be as much as \$5.3 billion to \$7.8 billion annually.

Lost revenue of this scope threatens the very integrity of our taxation system and lessens the wellbeing of the millions of Canadians who pay their taxes. This represents a failure by the Agency to fulfill its legislated duty to administer and enforce the provisions of the Income Tax Act.

By way of this letter, we are requesting that the Office of the Auditor General of Canada launch an investigation of the Canada Revenue Agency to address the impact of budget cuts, including those outlined in the 2013-14 Report on Plans and Priorities, on the ability of the agency to meet its mandate.

In particular, we are concerned by the \$120 million annual cut and elimination of 245 full-time equivalent positions by 2015-16 from the 'Reporting Compliance Program.' We are concerned that such deep cuts will undermine the Agency's ability to fulfill its responsibility to pursue tax cheats and recover lost tax revenue. It would be particularly valuable to determine the marginal revenue of hiring additional staff in this and other relevant programs.

Directly related to this problem is the effectiveness of the Canada Revenue Agency in recovering revenue lost to tax evasion through the use of international tax havens. We would ask that your office extend their uncollected tax debt analysis to include an estimate of the revenue lost to tax evasion through the use of international tax havens. This figure could then be included in the performance audit of the agency.

Ultimately, these issues point to the greater question of whether the Canada Revenue Agency will have the capacity and ability to fulfill its legislative mandate.

New Democrats strongly believe that the federal government has an obligation to protect the tax base of our country. We are deeply concerned that the proposed cuts present a risk to the collection of tax revenues totalling billions of dollars.

Our hope is that the Office of the Auditor General will vigorously investigate the aforementioned issues and that the investigation's results will help to restore the integrity of our tax system.

Sincerely,

Murray Rankin, Member of Parliament for Victoria  
Official Opposition Critic for National Revenue



Alain Giguère, Member of Parliament for Marc-Aurèle-Fortin  
Member of the House of Commons Standing Committee on Public Accounts

