

June CTAR Update

(Please note: This information is also posted to the Ministry of Finance Intranet site)

Transferring Ontario's Corporate Tax Administration – The Memorandum of Agreement and Beyond

Ontario must sign a Memorandum of Agreement (MOA) with the federal government to begin the transfer of the corporate tax program from Tax Revenue Division (TRD) to the Canada Revenue Agency (CRA). The MOA will confirm the transfer of the program, and will outline policy decisions reached between Ottawa and Ontario.

The MOA is not yet signed, but the Ontario and federal governments are working to conclude it as quickly as possible.

While the MOA will outline policy decisions, a number of more detailed agreements will outline how these decisions will be implemented. Negotiations toward these agreements will begin after the MOA is signed. As it will take a number of years to fully implement a single corporate tax administration, they will also detail a number of strategies to ensure a smooth transition of the program.

One of these agreements - the Business Transition Agreement - will be the road map for transferring the administration.

The Business-Transition Agreement

The Business-Transition Agreement will outline how and when the business of corporate tax administration will transfer. Because administering taxes is a complex business, this transfer is expected to take place gradually, over a number of years.

Currently, TRD is planning for the implementation of a single corporate tax return for 2009, with installment payments beginning in 2008. This will give the CRA the time it needs to build the systems to support the single return. Beyond the implementation of the single return, Ontario will be required to continue raising assessments and reassessments, as well as processing taxpayer returns and refunds for taxation years ending prior to 2009. Those functions will continue to be performed by TRD for three to five years, but the workload will diminish gradually over that period.

In negotiations toward this agreement, the provincial and federal governments will try to ensure that, from the beginning of the transition until the program is fully transferred, the initiative does what it was meant to do – create a more

streamlined and efficient corporate tax administration. That means making sure that:

- Businesses compliance costs are reduced,
- costs to the government are reduced and
- Ontario's corporate tax revenues are protected.

While negotiations on the Business Transition Agreement won't begin until the MOA is signed, the TRD and the CRA have established a number of working groups that will collect ideas from both organizations and incorporate them into plans for the transfer of administration to the CRA. Issues to be addressed by the groups include:

- Computer systems and technology
- Information sharing and exchange
- Business processes for things such as installments and misdirected payments
- Early Compliance Gains and
- Change management and communications.

One of the first tasks of these groups will be to develop timetables for developing and implementing transition strategies. These timetables will be acceptable to both the TRD and CRA, and will be incorporated into the Business Transition Agreement.

The April CTAR update identifies a number of job functions related to Early Compliance Gains. These 'early gains' are about delivering more efficient corporate tax administration services before the program is fully transferred to the CRA. Achieving the goals of early compliance gains means that some functions, such as audit, will be transferred to the CRA earlier, although no transfer of staff will occur before the Human Resources Agreement has been concluded.

Once the HR agreement is in place, it is anticipated that a phased transfer of Ontario audit staff, and integrated audits performed by the CRA, will help deliver early compliance gains to business.

How and when audit staff will transfer to the CRA will depend on a number of factors, including the maintenance of service levels and change management considerations related to employee transition. Joint TRD/CRA teams will work together to plan for a smooth transition of the audit function with these factors in mind. The possibility of integrating other supporting functions early, such as objections and appeals, tax interpretations and account enquiries is also being discussed with the CRA.

The Business Transition Agreement will outline the processes required to implement early compliance gains, and transfer corporate tax administration gradually to the CRA. This agreement will include timetables for transferring job functions from the early compliance gains period through to a fully implemented single corporate tax administration.

As corporate tax functions are transferred to the CRA, Ontario will start to monitor the CRA's administration and its service commitments to Ontario. This activity will be performed by a new function that will exist at TRD to manage the ongoing relationship between Ontario and the CRA, based on principles outlined in the February CTAR update.

While work is underway to determine how Ontario will manage its relationship with the CRA, no decisions have been made on the structure or the number of staff required. A relationship management function will begin once early compliance gains are implemented. This function will be fully developed and implemented once all CT functions are transferred to the CRA.

While the transfer of job functions will be included in the Business Transition Agreement, the terms and conditions of employment for all transferring staff will be dealt with in another agreement – the Human Resources Agreement.

The Human Resources Agreement

As job functions are transferred from the TRD to the CRA, the CRA will need a skilled workforce with Ontario experience to perform these duties.

In addition, the Ontario government has obligations and commitments to its employees in situations where a program is transferred from the provincial government to another organization. To meet these obligations and commitments, the Ontario government must begin negotiations with the federal government to secure jobs from the CRA for Ontario corporate tax employees as soon as the MOA is signed.

The ministry will negotiate to secure job offers for impacted corporate tax employees. The ministry's efforts in human resources negotiations will be in keeping with 'reasonable efforts' obligations outlined in OPS collective agreements, and its commitments to managers to negotiate job offers on terms and conditions similar to those agreed upon for bargaining unit employees, as applicable.

Negotiations toward a Human Resources Agreement are expected to outline terms and conditions of employees transferring to the CRA, such as:

- Wages
- Service and Seniority Recognition

- Probationary Period
- Benefits, such as Vacation and Sick Leave,
- Pension
- Working conditions - job security, lay-off, hours of work, termination pay and
- Process for resolution of Ontario-CRA disputes related to the HR Agreement

The Government of Ontario negotiating team will be led by Mr. Doug Gray, an experienced labour negotiator from the law firm Hicks Morley. Mr. Gray will be supported by a team of ministry and corporate human resources and labour relations subject matter experts and senior ministry officials will instruct Mr. Gray on how to proceed when key decisions need to be made.

Throughout the human resources negotiations, the government will consult with OPSEU and AMAPCEO, as representatives of employees and their interests within their bargaining units. While bargaining agents will not be present at the negotiations table, consultative 'reasonable efforts' working committees will be established with representation from the ministry and respective bargaining agents.

Once human resource negotiations have begun, the progress and details of the negotiations are confidential and cannot be discussed. This may create concern for corporate tax staff while the negotiations are ongoing, and TRD has planned to support employees in a number of ways.

For example, information about collective agreements and OPS human resources policies is not confidential. TRD will be providing information like this in a number of different ways to help support during the negotiations and after they are concluded.

All employees will be supported in the workplace during the negotiations by their managers. Additional support will be provided by Employee Assistance Program (EAP) counsellors and Change Management and Transition Advisors (CMTAs), who will assist managers and staff in responding to questions and concerns related to the transition process.

TRD will inform all staff about the Human Resources Agreement as soon as possible after the agreement is finalized.

Corporate Tax Program Job Description Review

TRD, in consultation with Human Resources Branch (HRB), is planning to undertake a review of TRD job descriptions that could be directly affected by the transfer of corporate tax administration to the CRA.

This review will ensure that the job descriptions are current, and reflect key duties and responsibilities.

Managers will be performing the review and forwarding information to HRB. While the purpose of this job review is not job re-classification, any job descriptions that are updated will be submitted to the Human Resources Branch for classification evaluation in the usual manner.

Ministry and Bargaining Agent Working Groups

Although the MOA has not yet been signed, the ministry and its bargaining agents have established two working groups to discuss, in advance, some of the issues and concerns that could arise as a result of the transfer of corporate tax administration to the CRA.

For more details about the Ministry-AMAPCEO Working Group, please visit [\(link\)](#).
For more information about the Ministry-OPSEU Working Group, please visit [\(link\)](#).