

# NUMBER OF VOLUNTARY DISCLOSURES CONTINUES TO INCREASE

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Last week, the Canada Revenue Agency (the "**CRA**") issued its annual report to Parliament. Among other matters, the CRA reported on the performance of its Voluntary Disclosures Program (the "**VDP**").

The VDP permits taxpayers to voluntarily disclose historical non-compliance, and correct tax reporting and payment deficiencies, in exchange for penalty (and possible interest) relief. (For a detailed summary of the VDP, please see our article on the program [here](#).) The CRA stated in its annual report that there has been a significant increase in the number of voluntary disclosures made under the VDP. In particular, the CRA reported that over the past year:

- More than \$1.3 billion of unreported income was voluntarily disclosed under the VDP – a 65% year-over-year increase in the amount of unreported income disclosed under the program.
- \$780 million of the unreported income disclosed under the VDP was attributable to offshore holdings – a 157% increase in such disclosures over the previous year.
- 19,134 voluntary disclosures were made under the VDP, representing a 21% increase in disclosures over the prior year.

While the CRA did not provide detailed figures on the penalties and interest waived under the VDP, it did report that it levied gross interest and penalties under the Income Tax Act (Canada) of almost \$4.8 billion over the past year. Of that amount, the CRA reported that it waived federal interest and penalties of almost \$275 million under various statutory programs, including the VDP.

The CRA attributes the ongoing increase in the number of voluntary disclosures to several factors, including the heightened efforts of the CRA to share data with foreign tax administrators, the agency's enhanced audit activities, and the use of advanced risk profiling algorithms.

The CRA also expressly referenced its new Offshore Tax Informant Program (the "**OTIP**"). The OTIP offers financial awards to individuals who provide information relating to certain types of major international tax non-compliance. The CRA indicated that, over the past year, it received 1,920 separate contacts from potential informants under the OTIP, which led to over 200 written submissions and 110 cases that are currently being

reviewed.

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The VDP (and the equivalent programs offered under provincial legislation) continue to represent functional and pragmatic avenues for taxpayers to address past tax reporting and payment deficiencies.

If you require more details on the VDP, or would like to discuss whether making a voluntary disclosure would be prudent under your circumstances, we invite you to contact a member of the McMillan [Tax Group](#).

by Michael Friedman and Andrew Stirling

### **A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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