

Canada's new Registration of Tax Preparers Program

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On January 17, 2014, the Canada Revenue Agency (“CRA”) finally announced its intention to introduce a registration system for tax preparers who prepare tax returns for a fee. The new registration system, entitled Registration of Tax Preparers Program (“RTPP”), if implemented, will require tax preparers to register with the CRA during its 2016-2017 fiscal year. The CRA released information on its website regarding the new [RTPP](#) and announced that it will be consulting with stakeholders until the end of May 2014. The CRA also released a [Consultation Paper](#) where it explains its position on the new RTPP. It also discusses some brief examples of other countries (United States, Australia and the UK) that have introduced tax registration programs.

When announcing its objective with the new RTPP, the CRA released a number of [FAQs](#) relating to this new initiative and stated the following when describing the purpose of the new program:

[The new RTPP] will allow the CRA to assess individual tax preparer compliance, identify and assess risks, and evaluate where recurring errors occur. As a result, taxpayers and their representatives will have a better understanding of their tax obligations and responsibilities and it is expected that the need for traditional, “after the fact” interventions with taxpayers, such as auditing a taxpayer’s tax return, will decrease.

A well-informed and competent tax preparer community can prevent recurring errors, possibly saving taxpayers from costly problems later on and reducing red tape for business.

As part of the RTPP, the CRA will implement a strategic compliance approach to help tax preparers improve the accuracy and completeness of returns. Where errors are found in returns prepared by a tax preparer, the CRA will visit the tax preparer and discuss the errors. Where errors continue, possible interventions include follow up visits, action plans, or auditing of the tax preparer’s clients.

CRA had been openly musing for over a year that it was considering introducing such a system. Some commentators, including our firm, have been very supportive of the CRA exploring this and we’ve written about this many times [before](#). Our December 23, 2013 [blog](#) predicted that Canada would introduce a tax preparer registration system. Others, however, argue there is no upside to a registration system and ultimately people should be free to exercise their freedom to do business in Canada. Some great tax professionals argue that forced registration of tax preparers may ultimately lead to the regulation of the tax profession. All of those points of view are interesting and good. Hopefully a healthy debate of such views can be had during the consultation period that the CRA will engage in.

Some quick summaries and observations from the CRA material:

1. To start, it is proposed that only tax preparers who prepare personal (T1s) and corporate returns (T2s) will be required to register with the CRA. Accordingly, tax preparers who only prepare, say, trust returns (T3s), partnership returns (T5013s), certain slips like T4s, T5s, GST returns or election forms (such as T2057s for section 85 rollovers) will not be required to register. It appears, though, that the registration requirement will expand over time.
2. Registration will be required at an individual level whereby such individuals will be required to obtain a personal identification number ("PIN") through an online registration system. Accordingly, registration will not be limited to just businesses or firms that prepare tax returns for a fee. This makes sense from our point of view since the objectives of the registration system could be frustrated if individuals working for a firm could avoid registration if it was only the business that was required to be registered. The US follows this model as well.
3. However, business entities that prepare a tax return for a fee will also need to apply for an entity identification number ("EIN"). When submitting returns, both a PIN and EIN will need to be disclosed.
4. Both resident and non-resident preparers will be required to register. Again, this is not surprising given the fact that the US follows a similar model.
5. Such a registration program would be useless if it did not have any "teeth". This will be one of the matters that the CRA will be consulting stakeholders on but the material released states that sanctions for preparers who continue to make errors, were deliberately non-compliant, failed to take reasonable care or exercise proper diligence could be sanctioned. Such sanctions could be reporting to the preparer's professional body (if applicable), assessing a penalty, imposing a period of monitoring or loss of registration.
6. No fee will be charged to become registered under the RTPP. This is unlike the US where fees must be paid.
7. Volunteer tax preparers who do not prepare returns for a fee will not need to be registered.
8. The CRA has stated it is considering the merits of publishing a list of registered tax preparers. Such lists are published by the US for their registered tax preparers. In our view, this would be good... the public should be able to easily verify if their tax preparer is registered with the CRA and in good standing.
9. Unlike the United States, it does not appear that the new RTPP contemplates any minimum standards for registrants. In other words, everyone is welcome to register. In fact, the material published by the CRA says that no one will be refused. In addition, there appears to be no ongoing professional development or education requirements. The new RTPP will also not be a certification program. This approach is interesting and, as mentioned, certainly very different than the US tax registration program. Whereas the US program is "tough to enter" and "easy to exit" (because of sanctions or lack of ongoing professional development), the Canadian approach appears to be "easy to enter" and "easy to exit" (if sanctions are imposed).
10. Is the new RTPP the beginning of a "slippery slope" where the objective of the Government of Canada is to ultimately regulate the entire tax profession? Well, perhaps it might be but we don't think so. Let's hope not since we believe that the legal and accounting professions do a phenomenal job of regulating its members. Time will obviously tell.
11. It will be interesting to see the reaction of the insurance industry that insures tax preparers / professionals. How will such insurers treat this new registration process? Will it make the registration of preparers and firms a mandatory condition of eligibility for insurance? If an individual is sanctioned, will it cancel such person's insurance?
12. Will the definition of tax preparation include the amendment of a tax return or the dispute of an assessed tax return, which could result in an amendment to a previously filed return? This could be relevant for firms who do not engage in the preparation of tax returns but simply assist taxpayers with dispute resolution matters involving their tax returns.

In our view, the introduction of the RTPP is a watershed moment for tax administration and compliance in Canada. Even if you're a tax professional that does not do any tax compliance, like our firm, you should be interested and participate in this development. Our firm will certainly participate. Kudos to the CRA for introducing this initiative and inviting debate.