

Part I: Published Results-Based Plan 2008-09

Ministry of Revenue

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MINISTRY OVERVIEW

The Ministry of Revenue supports the government's agenda by strengthening Ontario businesses through an efficient tax system and making voluntary compliance as easy as possible, being responsive to the needs of small business, modernizing government through an integrated approach to customer service, and supporting low-income and working families.

Vision and Mission

The vision of the Ministry of Revenue is to be a leader in tax administration. The Ministry is a highly respected and responsive organization that encourages voluntary tax compliance. The Ministry's activities are enablers that directly support the Strong People, Strong Economy government priority and contribute to a competitive business environment. The Ministry serves the vital public interest by supporting a strong economic, fiscal and investment climate for Ontario. This vision is founded on an Ontario that:

- provides leadership in fostering jobs, income and investment;
- promotes accountability in public sector organizations to ensure the effective management and efficient use of taxpayer dollars;
- spends taxpayers' money on priority programs and public infrastructure investment with increasing economy, efficiency and effectiveness;
- has the financial capacity to sustain these government programs and infrastructure; and
- invests in a better future for the people of Ontario.

The mission of the Ministry is to continuously improve to become a modern, effective and efficient organization that delivers customer-focused services.

Mandate

The Ministry administers most of the province's tax statutes, tax credit and benefit programs. The tax revenues collected provide the fiscal foundation upon which many of the government programs are based.

The integrity of the province's self-assessment system is maintained by encouraging compliance through taxpayer education and customer service, while discouraging non-compliance through enforcement activities.

Programs

The Ministry's operations have two major components: tax administration programs, and tax incentive and benefit programs.

- Administration of the major tax statutes of Ontario which include the *Retail Sales Tax Act*, the *Corporations Tax Act*, the *Employer Health Tax Act*, and the *Tobacco Tax Act*.

Benefit programs include the Guaranteed Annual Income System and the Ontario Child Care Supplement for Working Families. The Ministry is also a service provider for the Rental Opportunity for Ontario Families program. Tax incentives include Community Small Business Investment Funds and Ontario Research Employee Stock Option.

Tax Administration

The mandate of the Tax Administration is to maximize taxpayer compliance with tax laws through a balance of service and enforcement programs. Overall compliance is improved by maximizing voluntary compliance and minimizing non-compliance. Voluntary compliance is maximized through taxpayer education and quality services. Non-compliance is minimized through fair and progressive enforcement programs.

An effective tax administration ensures that the objectives of the government's tax policies are achieved, while ensuring the province receives the appropriate amount of revenue that is due. The tax administration is crucial to the government's ability to fund priority programs and services for the province of Ontario.

A balanced approach to tax administration is used by encouraging voluntary compliance and discouraging non-compliance. This approach maintains the integrity and fairness of the tax system, which is founded on the principle of self-assessment by taxpayers.

Tax Administration performs several functions, including:

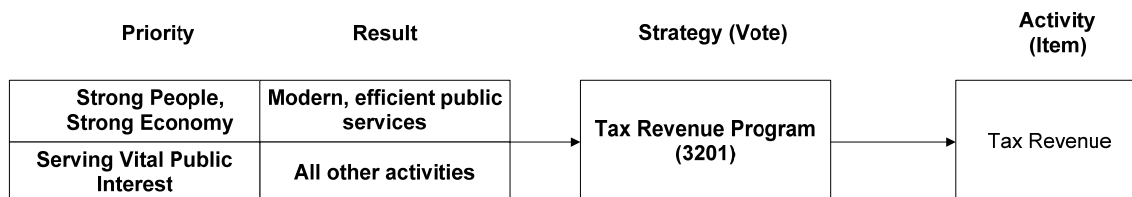
- taxpayer education and outreach,
- taxpayer/vendor registration,
- taxpayer/client enquiries,
- account maintenance,
- tax advisory services,
- processing of returns and tax payments, and
- collections, audit, investigations and resolution of objections.

Tax Incentive and Benefit Programs Administration

The Ministry of Revenue administers some tax incentive and benefit programs directly. Programs administered directly by the Ministry of Revenue include the:

- Guaranteed Annual Income System which ensures a guaranteed minimum income for Ontario senior citizens by providing monthly payments to qualifying pensioners
- Ontario Child Care Supplement for Working Families providing a tax-free monthly payment to help with the costs of raising children under the age of seven years
- Community Small Business Investment Funds
- Ontario Research Employee Stock Option, and
- The Ministry also serves as a service provider to the Ministry of Municipal Affairs and Housing in the delivery of the Rental Opportunity for Ontario Families program.

Ministry Contribution to Key Priorities and Results



MINISTRY ACTIVITIES

The Ministry of Revenue is supporting the Government's agenda by:

- **Strengthening Ontario business through a simpler tax system** – Beginning in April 2008, the Canada Revenue Agency began administering Ontario's corporate income tax program, which will result in a single tax form, a single tax collector and one set of income tax rules. Transferring the administration of Ontario corporate taxes to the federal government will save Ontario businesses up to \$100 million a year in administrative costs. Businesses will save a further \$90 million in Ontario corporate income tax from a harmonized corporate income tax base.
- **Responding to the needs of small business** – Small business in Ontario is a major contributor to job creation and economic growth. To support a strong economy and a vibrant small business community, the Ministry of Revenue assists taxpayers to understand their tax obligations by offering Tax Information Forums, joint PST/GST seminars, and field visits to new vendors under its Customer Service Education Program (CSEP) initiative. The Ministry also provides up-to-date information bulletins, notices, tax guides and details of the various tax programs on its website to make it easier for taxpayers to comply.
- **Providing income support to low-income seniors and families with children** The Guaranteed Annual Income System (GAINS) program ensures a guaranteed minimum income for Ontario senior citizens by providing monthly payments to qualifying pensioners. The Ontario Child Care Supplement for Working Families (OCCS) is a tax-free payment to help low- and middle-income families raising children under the age of seven years. The OCCS program is being phased out and replaced by the Ontario Child Benefit program that will provide an additional \$2.1 billion over its first five years to help low income families with children under age eighteen.
- **Modernizing Government** – The Modernizing Ontario's Systems for Tax administration (MOST) Project is a multi-year modernization initiative that will replace the ministry's current information systems. ONT-TAXS (Ontario's Tax Services) is our modern, integrated approach to customer service and is our new way of doing business.
- **ONT-TAXS** encompasses the following Ministry of Revenue modernization initiatives:
 - o One toll-free number, replacing 39
 - o One Business Number for convenient access to multiple tax accounts
 - o New services on our Internet. Easy to read and easy to use forms
 - o "My Account", new self service options to file returns, make payments and view accounts online
 - o One integrated tax administration computer system to support "one window" service delivery

HIGHLIGHTS OF 2007-08 ACHIEVEMENTS

Corporate Tax Administration Redesign Project

A Human Resources Agreement with the Canada Revenue Agency (CRA) was announced on July 31, 2007, and outlined federal employment opportunities for the Ontario Ministry of Revenue corporate tax professionals. Job offers were made to 100% of Ontario's eligible corporate tax professionals with 94% of them accepting a CRA job offer. On April 3, 2008, the Ontario Ministry of Revenue transferred all corporate tax related audit, appeals, objections and advisory functions to the Canada Revenue Agency. This provides early compliance gains that businesses will benefit from prior to the introduction to the harmonized corporate tax return after December 31, 2008.

Modernize Ontario's Systems for Tax administration Project

The first phase of the MOST project was completed on December 10, 2007 with the implementation of Retail Sales Tax on the new tax administration system called ONT-TAXS. The ONT-TAXS system will gradually replace our legacy systems with one integrated system that employs the latest technology. This will allow dramatic improvements in service to tax clients and facilitate greater voluntary compliance.

Established a new branch, the Relationship Management & Business Development Branch

The Relationship Management & Business Development Branch is responsible for managing relationships with intra- and inter-jurisdictional partners and stakeholders, and to expand Ontario's leadership role in the context of federal/provincial/territorial matters such as inter-provincial tax avoidance schemes and provincial income allocation issues. With the transfer of the administration of Ontario's corporate tax program to the CRA, the branch's function will be to monitor CRA's obligations and commitments to Ontario under the Tax Collection Agreement and various supplemental agreements.

Tobacco Tax Enforcement

The Ministry operated a province-wide inspection program which inspected tobacco inventories and business records of retail dealers. MOR staff also partnered with the Ministry of Health Promotion and the Municipal Health Units to conduct joint inspections. MOR used a task-force approach to Tobacco Tax enforcement activities, in partnership with other law enforcement agencies. The Tobacco Retailer Inspection Program was expanded by adding additional staff and establishing working units in Hamilton, London and Windsor.

PERFORMANCE MEASURES:

Promoting Electronic Payments

To increase the level of performance, MOR is promoting the increased use of online payments through improved technology and a communications campaign that includes:

1. sending information to 320,000 Retail Sales Tax (RST) vendors to notify them of online-payment facilities through internet banking services;
2. providing information to taxpayers who call the Ministry Information Centre for general business information about online payment options;
3. educating and informing taxpayers who attend MOR sponsored seminars (joint PST/GST seminars, Tax Information Forums) about the ease and convenience of using online payments; and
4. providing awareness training to MOR staff to actively promote online options to tax clients who visit or call MOR tax offices.

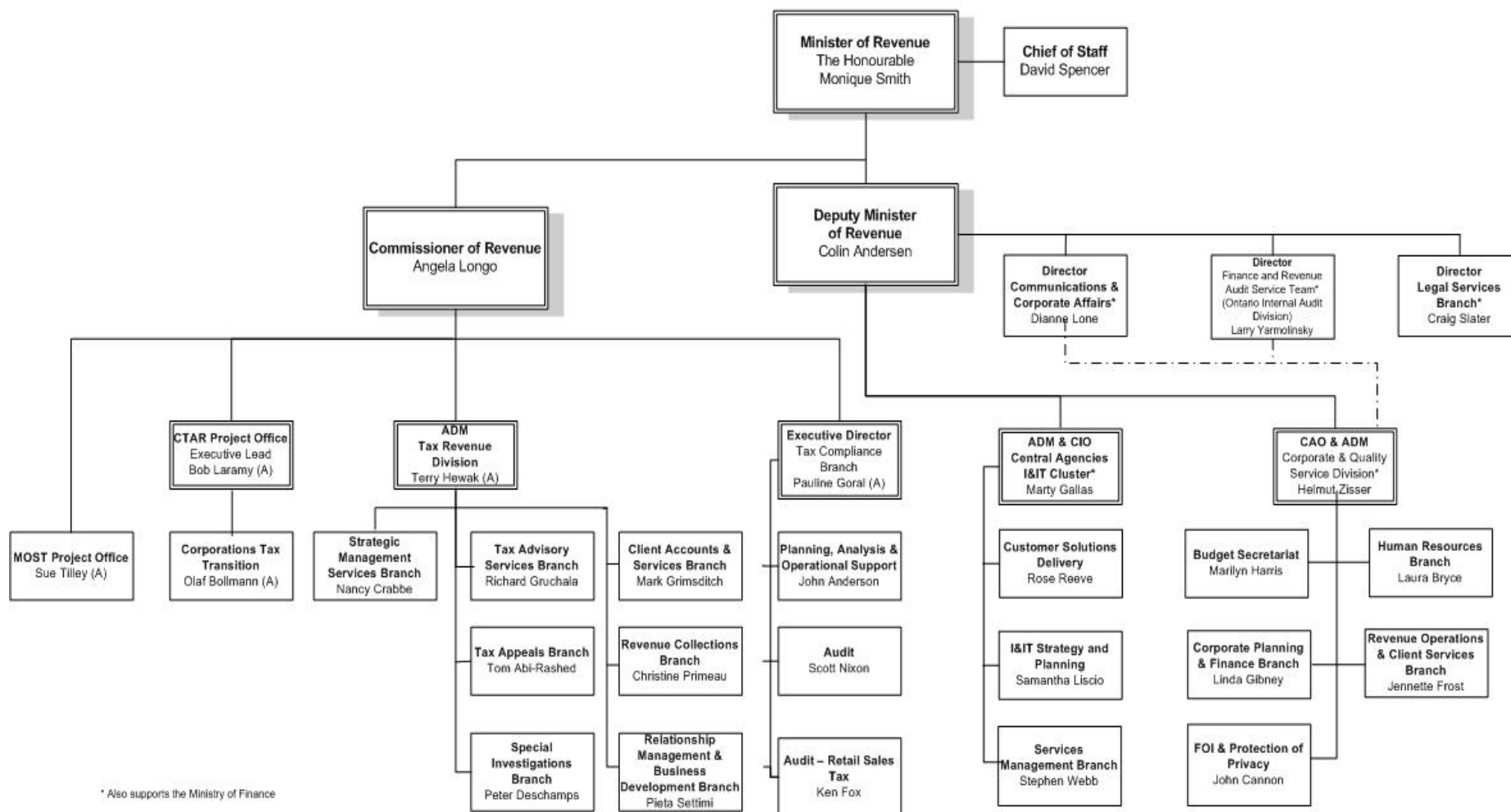
The new tax administration computer system, ONT-TAXS, will facilitate an increase in the percentage of payments received electronically by providing Ontario RST tax clients with the capability to remit via the Internet later in 2008. E-service enhancements will continue through 2008 and 2009. External communications will advise businesses of new e-services as they become available.

Activity	Result Statement/ Measure	Baseline	Actual Results			Target	Planned Results			
			04-05	05-06	06-07		08-09	09-10	10-11	11-12
Tax Administration	% of payments remitted electronically	14.78%	14.78%	14.96%	16.77%	20%	22% *	30%	40%	40%

*Note: Effective April 3, 2008, the federal government assumed responsibility for the administration of the Corporations Tax (CT) program for tax years ending after December 31, 2008. Prior year results have therefore been restated without CT.

Ministry of Revenue

April 2008



LEGISLATION

The following is a list of the legislation for which the Ministry of Revenue has primary legislative or administrative responsibility.

Tax Revenue Operations

Vote 32: Ministry of Revenue

Ministry of Revenue Act

Item 3201-1: Tax Revenue

Tax Administration (Sub- Item 2)

Commercial Concentration Tax Act*

Community Small Business Investment Funds Act

Corporations Tax Act (administration to be transferred to CRA effective April 3, 2008)

Electricity Act, 1998 (specific sections)

Employer Health Tax Act

Estate Administration Tax Act, 1998 (joint with the Ministry of the Attorney General)

Fuel Tax Act

Gasoline Tax Act

Highway Traffic Act (only specific provisions)

Land Transfer Tax Act

Mining Tax Act

Provincial Land Tax Act (in force until December 31, 2008)

Provincial Land Tax Act, 2006 (joint; in force on January 1, 2009)

Race Tracks Tax Act

Retail Sales Tax Act

Small Business Development Corporations Act

Succession Duty Act Supplementary Provisions Act, 1980

Taxation Act, 2007

Tobacco Tax Act

Tax Benefit Programs (Sub-Item 3)

Ontario Guaranteed Annual Income Act

Ontario Home Ownership Savings Plan Act *

Income Tax Act (Ontario)

* *being phased out*

AGENCIES, BOARDS AND COMMISSIONS

The Ministry has no Agencies, Boards, or Commissions.

MINISTRY FINANCIAL INFORMATION

The following tables depict the ministry's investment in 2008-09 to achieve its key priorities and results.

Ministry Planned Expenditures 2008/09

	Ministry Planned Expenditures (\$M) 2008/09
Operating	611
Capital	-

Operating and Capital Summary by Vote

Vote	Estimates 2008/09 \$	Change from 2007/08 Estimates \$ %	Estimates 2007/08 \$	Interim Actuals 2007/08 \$	Actuals 2006/07 \$
OPERATING					
Tax Revenue	470,346,900	(49,484,500) (9.5)	519,831,400	519,331,500	484,266,466
Total Including Special Warrants	470,346,900	(49,484,500) (9.5)	519,831,400	519,331,500	484,266,466
Less: Special Warrants	-	(196,000,000) (100.0)	196,000,000	-	
Total to be Voted	470,346,900	146,515,500 45.2	323,831,400	519,331,500	484,266,466
Special Warrants	-	(196,000,000) (100.0)	196,000,000	-	
Statutory Appropriations					
Minister's Salary	47,841	983 2.1	46,858	46,858	-
Bad Debt	140,200,100	82,200,000 141.7	58,000,100	58,000,100	78,516,501
Ministry Total Operating and Capital	610,594,841	32,716,483 5.7	577,878,358	577,378,458	562,782,967
ASSETS					
Operating	4,025,000	(1,250,000) (23.7)	5,275,000	5,275,000	2,869,556
Total Assets to be Voted	4,025,000	(1,250,000) (23.7)	5,275,000	5,275,000	2,869,556

Note: The Ministry of Revenue does not make capital expenditures.

Appendix I: 2007-08 Annual Report

Ministry of Revenue

ANNUAL REPORT 2007-08

In support of a strong economic, fiscal and investment climate for Ontario and to ensure accountability in the use of public funds, the ministry recorded a number of significant achievements during 2007/08.

Corporate Tax Administration Redesign (CTAR) Project

On April 3, 2008, the Ontario Ministry of Revenue (MOR) transferred all corporate tax related audit, appeals, objections and advisory functions to the Canada Revenue Agency (CRA). This provides early compliance gains that businesses will benefit from prior to the introduction to the harmonized corporate tax return after December 31, 2008.

- A Human Resources Agreement with the CRA was announced on July 31, 2007, and outlined federal employment opportunities for MOR's corporate tax professionals and described the arrangements for the transition of Ontario staff to the CRA beginning on April 3, 2008. Job offers were made to 100% of Ontario's eligible corporate tax professionals with 94% of them accepting a CRA job offer.
- Support for the development of Bill 174, the *Strengthening Business Through a Simpler Tax System Act, 2007*. The Act, which received royal assent on June 4, 2007, harmonized Ontario rules with federal rules, created the *Taxation Act, 2007*, and allowed the delegation to the federal government, the administration of certain Ontario corporate taxes for taxation years ending after December 31, 2008.
- Development of a Transition Agreement (TA), Delegation Agreement (DA) and amendment of the Tax Collection Agreement (TCA).
 - o The TA, signed by the federal and Ontario Commissioner of Revenue on March 5, 2008, formalized the transition plans, business commitments and cost recovery principles established by MOR and the CRA.
 - o The DA, has been signed by the federal Minister of National Revenue and Ontario Minister of Revenue, delegates the administration and enforcement of the provisions of the Corporations Tax Act (CTA) and regulations prescribed under section 98.1 of the Act to CRA with respect to taxation years ending before 2009. New CTA regulations specifying delegated provisions are also awaiting approval of the Ontario Minister of Finance.
 - o The TCA, an administration agreement made under the *Federal-Provincial Fiscal Arrangements Act* between the Governments of Canada and Ontario, provides for Canada to administer Ontario's corporate taxes and for Canada to make payments to the province in respect of the taxes collected. The agreement has been amended to include Ontario's corporate taxes and is awaiting signature by the federal and Ontario Ministers of Finance. A Service Management Framework Agreement and Service Level Agreements, pursuant

to the TCA, are being negotiated with CRA. These agreements will outline the management and accountability framework for the governance of the relationship between Ontario and the CRA according to agreed principles.

Modernize Ontario's Systems for Tax administration (MOST) Project

- Completed Phase 1 of the MOST Project with the implementation of the Retail Sales Tax (RST) program on the new Commercial Off-the-Shelf (COTS) system in December 2007.
- Client Accounts & Service Branch (CASB) provided support to the MOST Project for the implementation of the ONT-TAXS system, including data clean-up, backlog resolution and input to design and other related initiatives. This has resulted in increased revenues being obtained by the Revenue Collections Branch (RCB).

Established a new branch, the Relationship Management & Business Development Branch (RMBDB).

- As the CRA became responsible for the administration of Ontario's corporate tax program commencing in April, 2008, RMBDB will work closely with MOR partners to perform TCA oversight activities. The branch will also have responsibility for managing relationships with intra and inter-jurisdictional partners and stakeholders, and to expand Ontario's leadership role in the context of federal/provincial/territorial matters such as inter-provincial tax avoidance schemes and provincial income allocation issues. Through its Business Development section, the branch will develop a strategic approach to new business opportunities in line with MOR core businesses and the OPS modernization agenda. It will, for example:
 - seek opportunities to partner with other jurisdictions,
 - identify potential opportunities for insourcing and outsourcing business, and
 - promote and conduct outreach on MOR's areas of expertise.

Continued the organizational redesign

- The new CASB organizational structure was implemented. The design and implementation of the new sections/units in CASB (Phase One) was completed.
- The new SMSB organizational structure was implemented. The design and implementation of the new sections/units to the manager level was completed.
- Work began on designing the "Strategic Services" section of Strategic Management Services Branch

- The Tax Compliance and Regional Operations Branch (TCROB) implemented a new organizational structure.

Tobacco Tax Enforcement

- TCROB used a task-force approach to Tobacco Tax enforcement activities, in partnership with other law enforcement agencies, demonstrating that blitzes of this nature double MOR's results as compared to routine enforcement action.
- The Motor Fuels & Tobacco Tax (MF&TT) section expanded the Tobacco Retailer Inspection Program by adding additional staff and establishing working units in Hamilton, London and Windsor.
- MOR operated a province-wide inspection program which inspected tobacco inventories and business records of retail dealers. The Ministry of Health Promotion (MHP) provided funding to Municipal Health Units to carry out the enforcement of the *Smoke-Free Ontario Act*. MOR staff worked with MHP and the Health Units to conduct joint inspections. This allowed both parties to spread resources over a broader area and capitalize on the intelligence that the Local Health Unit gathered.
- MOR strengthened Ontario's tobacco-related enforcement activities, including implementing enhancements to allow greater information sharing among provincial, municipal and federal counterparts.
- The Special Investigations Branch (SIB) negotiated a partnership with Cornwall-area O.P.P. to refer tobacco-related issues resulting from routine traffic stops to SIB.
- SIB was heavily involved with the Cornwall Integrated Border Enforcement Task force, conducting joint investigations into tobacco tax offences, and laying charges accordingly. Joint forces operations resulted in highly effective border "blitz" programs.
- SIB partnered with Canada Border Services Agency (CBSA) to investigate tobacco-related issues, resulting in strengthened tobacco tax enforcement at border crossings.

Ministry Expenditures 2007-08

	Ministry Interim Actual Expenditures 2007/08 (\$M)
Operating*	577.5
Capital	Nil
Staff Strength (as of March 31, 2008)	2846

* The number may be rounded

GLOSSARY OF TERMS

Canada Border Services Agency	CBSA
Canada Revenue Agency	CRA
Client Accounts & Services Branch	CASB
Commercial Off-the-Shelf	COTS
Corporate Tax Administration Redesign Project	CTAR
Guaranteed Annual Income System	GAINS
Human Resources Agreement	HRA
Ministry of Health Promotion	MHP
Ministry of Revenue	MOR
Modernizing Ontario's Systems for Tax administration	MOST
Motor Fuels & Tobacco Tax	MF&TT
Other Direct Operating Expense	ODOE
Ontario Provincial Police	O.P.P.
Ontario Child Benefit program	OCB
Ontario Child Care Supplement for Working Families	OCCS
Ontario's Tax Services	ONT-TAXS
Retail SalesTax	RST
Revenue Collections Branch	RCB
Service Management Framework Agreement	SMFA
Special Investigations Branch	SIB
Strategic Management Services Branch	SMSB
Tax Advisory Services Branch	TASB
Tax Collection Agreement	TCA
Tax Compliance and Regional Operations Branch	TCROB
Transition Agreement	TA
Tax Revenue Division	TRD