



Provincial Auditor's 2022 Report–Volume 2: Ministry of Finance Needs Improved Analysis to Help Increase PST Compliance and to Focus Enforcement Activities

Finance must analyze key trends of non-compliance to help it select and prioritize its enforcement activities

REGINA—December 6, 2022: In her *2022 Report – Volume 2*, Chapter 9, Provincial Auditor Tara Clemett examined the Ministry of Finance's processes to enforce compliance with Provincial Sales Tax (PST) legislation. She made six recommendations.

Taxes collected, such as PST, help pay for critical services such as education, infrastructure, social services and healthcare in Saskatchewan. PST accounts for around 30%—over \$2 billion annually—of total provincial tax revenue. Finance undertakes enforcement activities like audits, education/outreach, and collection activities to promote compliance with PST legislation and to collect taxes owing timely. Unpaid taxes (e.g., due to tax evasion or taxpayer error) are more difficult and more expensive to collect the longer amounts are outstanding.

PST audits in 2021–22 identified \$10 million in PST collected by vendors, but not reported and paid to Finance (compared to \$3 million in 2020–21). Finance does not analyze why this amount is changing, and whether it requires changes in enforcement activities to increase compliance with PST legislation.

Finance needs to:

- Analyze key trends in non-compliance with PST legislation to help prioritize enforcement activities
- Enhance its reporting to senior management to better analyze PST enforcement results
- Document key judgments when selecting taxpayers (vendors) for PST audits
- Set out timeframes for reviewing audits and enforcement activities, and communicating results to taxpayers

- \$283 million unpaid PST at March 31, 2022
- Over 70,000 PST vendors (taxpayers) collecting PST in 2022
- \$77 million in PST revenue collected from collection activities in 2021–22
- In 2021–22, more than 1,200 PST audits generated \$47 million in PST revenue

Finance also needs to clearly support the level of risk assigned to PST collection cases. The risk level determines the collection actions taken. Not appropriately assigning risk to collection cases and pursuing tax owing may result in Finance collecting less tax.

"Understanding where and how tax is potentially lost is key to making sure the Government collects the PST it is owed," said Tara Clemett. "Also, timely communication of tax enforcement results can help promote improved compliance by taxpayers and earlier payment of amounts owing."

Prioritizing tax enforcement activities helps focus resources on key risk areas and instances where the revenue earned from those activities is greater than their cost.

The full Provincial Auditor's *2022 Report – Volume 2* available online at auditor.sk.ca.

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