Chapter 9
Finance—Enforcing Provincial Sales Tax Legislation

1.0 Main Points

The Ministry of Finance is responsible for assessing and collecting provincial sales tax (PST) of over $2 billion annually. It uses key enforcement strategies such as audits, taxpayer education/outreach, and collection activities to promote compliance with PST legislation and to collect taxes owing timely. Taxes collected, such as PST, help pay for critical services like healthcare and education.

We found Finance had, for the period ended December 31, 2021, effective processes to enforce compliance with PST legislation other than the areas of our six recommendations.

Finance proactively communicated clear expectations and guidance to taxpayers (e.g., PST vendors). It identified key areas of risk of taxpayers not complying with PST legislation (e.g., increase in online purchases) and planned enforcement activities to respond to those areas of risk. Finance has qualified staff undertake enforcement activities. Staff conducted enforcement activities consistent with guidance and reported on those activities to senior management and the public.

However, Finance needs to:

- Analyze key trends of non-compliance over time. While Finance had plans to complete such analysis, it had not yet done so. Having robust analysis can help focus resources on key risk areas and instances where the revenue earned from enforcement activities is greater than their cost.

- Set expected timeframes for supervisory review and approval of key enforcement activities (e.g., audits, education/outreach activities) and communication of results. Not setting out clear expectations for timely completion of key activities may result in delays in receiving payments of taxes owing. Unpaid taxes are more difficult and more expensive to collect the longer an account is outstanding.

- Clearly document its judgments when selecting taxpayers for PST audits, and support for risk levels assigned to PST collection cases. Without documenting its key audit selection judgments, Finance may be unable to demonstrate why it selected certain taxpayers for audit over others. Without sufficient support for risk levels assigned to collection cases, staff may not be taking appropriate collection actions at the right time which may result in Finance collecting less tax.

- Analyze and report to senior management differences between planned and actual enforcement results. Without adequate analysis of results, it is difficult for Finance to determine why it did not achieve expected results, whether it is focusing its resources on the right areas, and how it should adapt its enforcement strategies.

2.0 Introduction

This chapter reports the results of our audit of the Ministry of Finance's processes to enforce compliance with Provincial Sales Tax (PST) legislation.

Enforcement activities include:

- Determining risks of PST not assessed and not collected
- Registering businesses (vendors) required to collect and submit PST to Finance
- Educating consumers and vendors (taxpayers) about tax laws
- Conducting audits
- Pursuing taxes assessed until they are collected or are written off/forgiven
- Monitoring and reporting on enforcement

2.1 Enforcing PST Compliance

Under *The Revenue and Financial Services Act*, the Ministry of Finance is responsible to assess and collect taxes, including levying fines, penalties, and interest where necessary in accordance with the Act.[1]

The Provincial Sales Tax Act sets out the framework for imposing and collecting PST from taxpayers (e.g., for the purchase of specific goods such as vehicles and clothing), users of tangible personal property (e.g., leasing of property) and certain services (e.g., construction services, legal services, real estate services). As noted in **Figure 1**, PST is applied to certain goods and services at the point of sale.

The Act requires all vendors operating in Saskatchewan to be registered with a PST number (licensed to collect PST), other than businesses qualifying as small traders.[2] Registered vendors must collect and remit PST to Finance by specific due dates as set out in PST returns.[3] Failure to comply can result in suspension of vendor licences or penalties and interest charges.[4]

[1] *The Revenue and Financial Services Act*, sections 10(2), 49, and 50.
[2] Small traders include individuals who operate and sell goods and services from their home with annual sales less than $10,000 sold to other individuals on a small scale or non-commercial basis and PST is paid or self-assessed on the purchase price of equipment and supplies used in the production of those goods. Saskatchewan. *Information Bulletin PST-5 – General Information*. (May 2021).
[3] Tax returns are required on a monthly, quarterly or annual basis depending on the amount of tax collected or payable. A tax return is sent to the tax vendor at the end of each reporting period with instructions for completing the return. Tax returns must be filed by the due date along with payment of the balance owing. The due date for PST returns and payments is the 20th of the month following the end of the reporting period. Saskatchewan. *Information Bulletin PST-5 – General Information* (May 2021).
[4] Suspension of a vendor licence means the vendor cannot purchase goods and services for resale exempt from PST (i.e., vendor will have to pay PST when they purchase the goods and services they sell to others). Saskatchewan. *Information Bulletin PST-5 – General Information*. (May 2021).

Figure 1—General Description of PST in Saskatchewan

PST is a 6% sales tax that applies to taxable goods and services consumed or used in Saskatchewan. It applies to goods and services purchased in the province, as well as goods and services imported for consumption or use in Saskatchewan. New and used goods are subject to PST.

When consumers purchase or rent taxable goods or services from a vendor licensed to collect PST, they pay PST to the vendor. When consumers purchase or rent taxable goods or services from a vendor who did not collect the tax, such as an unlicensed vendor located outside Saskatchewan, consumers must self-assess and pay the PST directly to the Revenue Division of the Ministry of Finance.

Vendors operating in Saskatchewan must register to obtain a PST number.

Source: Adapted from www.saskatchewan.ca/business/taxes-licensing-and-reporting/provincial-taxes-policies-and-bulletins/provincial-sales-tax (12 September 2022).

Saskatchewan's Provincial Budget 2022–23 estimates $8.1 billion in tax revenue, including $2.4 billion related to PST (approximately 30% of total tax revenue).[5]

As shown in **Figure 2**, the amount of PST revenue has grown significantly over the last six years, with the amount of PST owed at March 31 also increasing each year, and amounting to between 10% and 13% of total PST revenue. Over the same period, the amount of PST revenue that Finance decided it cannot collect (i.e., writes off) has generally increased, in both dollar amount and as a percentage of total PST revenue.

Figure 2—PST Revenue Information from 2017 to 2022

Fiscal Year	Provincial Sales Tax Revenue [A] (in millions)	Gross Unpaid PST at March 31 (Accounts Receivable)[B] (in millions)	Accounts Receivable as a % of Revenue	Amounts Written-Off [B] (in millions)	Write-Offs as a % of Revenue
2021–22	$ 2,383.0	$ 283.9	11.9%	$ 2.6	0.11%
2020–21	2,138.2	275.8	12.9%	3.9	0.18%
2019–20	2,205.8	231.0	10.5%	1.2	0.05%
2018–19	2,224.8	239.2	10.8%	1.5	0.07%
2017–18	2,013.1	215.8	10.8%	0.1	0.01%
2016–17	1,205.5	119.8	9.9%	0.8	0.07%

Source: [A] Government of Saskatchewan *Summary Financial Statements*, Schedule 13 Revenue.
[B] Adapted from the Ministry of Finance's financial records.

In 2017–18, the Government expanded the PST base (i.e., the goods and services that PST must be paid on) by removing tax exemptions for restaurant meals, and contracts for the repair, renovation or improvement of real property. The Government estimated these exemptions previously resulted in reduced tax revenues of $84.2 million and $486.6 million respectively.[6]

Also, effective January 1, 2020, *The Provincial Sales Tax Act* was amended to clarify that vendors must collect and remit PST on sales to Saskatchewan consumers, including online purchases shipped into the province by out-of-province vendors. These amendments clarified that the sale of taxable goods, services, accommodations, and contracts of

[5] *Saskatchewan Provincial Budget 22–23*. p. 86.
[6] *Saskatchewan Provincial Budget 16–17*, p. 55.

insurance delivered, streamed, or accessed through an electronic distribution platform into Saskatchewan are taxable. Vendors facilitating the purchase of goods or services that are delivered and consumed in Saskatchewan, as well as operators of online accommodation platforms (e.g., Airbnb), are required to be licensed and to collect PST.[7]

As such, as shown in **Figure 3**, the number of PST vendors increased over the last six years.

Figure 3—Number of PST Vendors from 2017 to 2022

As at March 31	PST Vendors
2022	70,359
2021	66,744
2020	64,101
2019	61,562
2018	56,284
2017	35,913

Source: Information provided by the Ministry of Finance.

Part of Finance's mandate, as set out in the *Ministry of Finance Plan for 2021–22*, is designing and administering fair, efficient and competitive tax regimes. One of its key actions is to promote compliance with Saskatchewan's tax programs through taxpayer education and responsible, effective enforcement, including enhancing compliance actions along Saskatchewan's borders.[8]

Finance makes its Revenue Division responsible for administrating its tax programs, including PST. Its role is to ensure the Government receives all the taxes due and does so in a way that treats taxpayers fairly. This includes promoting compliance with the provisions of *The Provincial Sales Tax Act* and related regulations, using audits to ensure taxpayers remit the proper amount of PST, and taking actions to collect unremitted amounts due.

The Revenue Division spent $24.3 million in 2021–22 (2020–21: $21.2 million).[9,10] The Division has approximately 179 full-time equivalent positions, and three branches: Audit, Revenue Operations, and Tax Information and Compliance.

2.2 Importance of Effective Enforcement of PST Compliance

Saskatchewan's provincial sales tax system relies on vendors to assess and collect the correct amount of PST from consumers, and voluntarily remit those taxes within the required timeframes. However, at times, vendors either fail to remit taxes or remit incorrect amounts.

[7] Saskatchewan. *Information Notice. IN 2020-08 – Electronic Distribution Platforms, Online Accommodation Platforms and Marketplace Facilitators.* (March 2020).
[8] Ministry of Finance, *Plan for 2021–22*, p. 4.
[9] Ministry of Finance, *Annual Report for 2021–22,* p. 18.
[10] Ministry of Finance, *Annual Report for 2020–21,* p. 24.

Not all vendors who fail to remit PST or the correct amount of PST are deliberately guilty of tax evasion. Rather, many may not sufficiently understand the tax laws or know how to keep accurate accounting records. The CRA, in its *2016 Tax Gap in Canada: A Conceptual Study*, notes that:

> *The fairness and integrity of the self-assessment tax system is rooted in compliance with the tax rules—that is, the right people paying the right amount of tax at the right time. The fundamental importance of a fair and efficient tax system and, consequently, of ensuring compliance has led to an increased focus on accountability of tax administrations by taxpayers and stakeholders alike, as well as on performance measurement by governments. However, assessing compliance and the overall health of the tax system is a complex task. The domestic underground economy and international tax evasion, for example, are difficult to quantify because, by definition, they involve undeclared or under-declared income and assets or transactions that are deliberately hidden from the government.*[11]

Understanding where and how tax is potentially lost (i.e., tax gaps) and why is key to making sure the Government collects what taxes it is owed. This can help Finance to improve its tax revenue estimates and better design strategies to help mitigate tax gaps.[12] Prioritizing enforcement activities helps focus resources on key risk areas and instances where the revenue earned from those activities is greater than their cost.

In addition, having robust processes over enforcement activities can help guide staff in treating taxpayers fairly. Without consistent application of enforcement processes (e.g., time given to respond to requests, waiving penalties and interest), taxpayers may not be treated equitably and Finance may miss collecting additional revenues.[13]

Changes to Saskatchewan tax programs in 2017–18 significantly expanded the goods and services subject to PST and the number of taxpayers required to collect and remit PST. Expansion of the PST to more goods and services resulted in a significant increase of vendors (approximately 19,000) required to collect and remit PST, which may also increase the risk of taxpayers failing to remit taxes owed, or filing returns with incorrect balances.

Unpaid taxes are more difficult and more expensive to collect the longer an account is outstanding. Effective and timely collection processes may result in Finance having more success collecting outstanding amounts, and in minimizing expensive and unnecessary litigation.

Taxes collected, such as PST, help pay for critical services such as education, infrastructure, social services, and healthcare in Saskatchewan. Actual tax collected may vary from estimates because of changes in economic conditions, how taxes are collected,

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[11] www.canada.ca/content/dam/cra-arc/migration/cra-arc/gncy/tx-gp/TaxGap-eng.pdf. p. 3 (12 September 2022).

[12] Tax gaps are the difference between the taxes that would be paid if all obligations were fully met in all instances, and those that are actually received and collected. As a concept, it can encompass revenues lost to tax evasion, taxpayer error, and unpaid liability. www.canada.ca/en/revenue-agency/news/newsroom/fact-sheets/fact-sheets-2015/what-tax.html (12 September 2022).

[13] Finance adapted its enforcement approach as a result of the COVID-19 pandemic. From March to October 2020, due to the pandemic, Finance suspended its enforcement activities and redeployed audit staff to administer COVID-19 pandemic support programs. In addition, it helped minimize the risk of the virus spreading by reducing staff travel. Finance also gave businesses additional time to remit taxes due without penalty or interest (e.g., deferred remitting amounts due on February, March, and April 2020 monthly returns until July 31, 2020).

taxpayer knowledge, and taxpayer willingness to pay. Delays in Finance taking enforcement action increases the risk of taxpayers not complying and losing PST revenues.

3.0 Audit Conclusion

We concluded, for the period ended December 31, 2021, the Ministry of Finance had, other than in the following areas, effective processes to enforce compliance with PST legislation.

The Ministry of Finance needs to:

- **Annually analyze key trends of non-compliance with PST legislation to help it select and prioritize its enforcement activities**
- **Set out expected timeframes for supervisory review and approval of PST audits and education/outreach activities, and communicating results to taxpayers**
- **Clearly document its key judgments when selecting taxpayers for PST audits**
- **Track key information in its revenue IT system regarding communication of PST audit results**
- **Clearly document support for the risk level assigned to PST collection cases**
- **Enhance its reporting to senior management to better analyze PST enforcement results**

Figure 4—Audit Objective, Criteria, and Approach

Audit Objective:

To assess whether the Ministry of Finance has effective processes, for the 12-month period ending December 31, 2021, to enforce compliance with PST legislation.

Audit Criteria:

Processes to:

1. **Establish risk-informed enforcement strategies**
   - Proactively provide consumers and vendors (taxpayers) with clear expectations and guidance (e.g., completing PST returns, interpreting legislation, penalties and interest)
   - Develop approaches to identify potential non-compliance (e.g., use knowledge of taxpayer behaviour, periodic analysis of trends, consultation with other jurisdictions)
   - Periodically determine key risks of taxpayer non-compliance (e.g., based on understanding of factors influencing taxpayer behaviour, opportunities for tax evasion)
   - Use risk-based approach to prioritize enforcement activities to minimize non-compliance
   - Identify required resources (e.g., personnel, IT systems)
2. **Carry out risk-based enforcement activities**
   - Establish policies and procedures over enforcement activities that reflect current legislative framework and good practice (e.g., engage taxpayers; effective, timely, and consistent use of compliance powers and write offs)
   - Use qualified staff (e.g., objective, appropriate competencies, sufficiently trained)
   - Conduct timely enforcement activities consistent with established policies and procedures, and strategies
   - Communicate actions required to address non-compliance

3. Monitor results of enforcement activities

- Set key performance measures and targets (e.g., impact on compliance, cost/benefit of enforcement activities), including methodologies used
- Collect reliable information on enforcement (e.g., inspection and audit results, tips, complaints, collection status)
- Analyze performance (e.g., identify common areas of non-compliance and collection issues) and adapt enforcement strategies as needed
- Report key performance information (e.g., status of collections, results of enforcement activities conducted) to senior management and the public

Audit Approach:

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook—Assurance* (CSAE 3001). To evaluate Finance's processes, we used the above criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. Finance's management agreed with the above criteria.

We examined Finance's criteria, policies, and procedures relating to PST enforcement. We assessed Finance's key processes related to enforcement activities to understand when and how the processes are used. We interviewed Finance staff responsible for enforcement processes. We observed and examined documentation (e.g., plans, procedure manuals, training material). We tested a sample of enforcement activities (i.e., education/outreach activities, audits, and collections cases). We used an external consultant with expertise in the area to help us identify good practice and to assess Finance's enforcement processes.

4.0 Key Findings and Recommendations

4.1 Clear PST Expectations and Guidance Communicated to Taxpayers

The Ministry of Finance proactively provides taxpayers with clear expectations and guidance (e.g., in tax bulletins, information notices, forms) on all key aspects of PST.

Finance communicates its expectations regarding PST in forms, information notices, and tax bulletins made available via the Government of Saskatchewan website.[14] The guidance covers the following key areas as expected:

- How to register as a vendor
- How to complete PST returns
- Deadlines and how to pay PST
- Interpretations of key legislation and changes to legislation
- Penalties and interest
- Appeal process

The guidance helps promote compliance with legislation, emphasizes the expectation to remain compliant, and addresses potential misconceptions (e.g., explains why it is important to pay PST). Finance also provides, on the Government of Saskatchewan website, its *Taxpayer Service Commitments and Standards Code* outlining the fairness and service principles it uses in administering its tax programs including PST.[15]

[14] www.sets.saskatchewan.ca/rptp/portal/footer/taxinformation/provincial-sales-tax (12 September 2022).
[15] publications.saskatchewan.ca/api/v1/products/27181/formats/34356/download (7 September 2022).

We tested 10 tax bulletins and information notices and found they were easily accessible, easy to use, easy to understand, and captured key information needed.

Finance communicates changes to guidance (e.g., for changes to legislation) through various means including news releases for major changes, letters to vendors, and emails through SETS.[16] We tested two changes to guidance in 2021 and found Finance clearly communicated the changes. In addition, we reviewed all changes to PST-related legislation from 2021 and found key changes to legislation were included in guidance timely (e.g., information notice updated in the same month changes to *The Provincial Sales Tax Act* were made).

As further described below, Finance also communicates expectations to taxpayers regarding PST during education/outreach, audit, and collection activities.

Having clear expectations and guidance helps promote compliance with PST legislation and helps to facilitate correct and timely remittance and reporting of PST revenues.

4.2 Risks of Non-Compliance Identified

The Ministry of Finance identified some overall risks of taxpayer non-compliance with tax legislation (including PST). However, Finance could improve the linkage of these risks to its selection of enforcement strategies and action plans as well as prioritization of those activities across the Revenue Division.

As part of Finance's overall annual planning processes, the Revenue Division completes an environmental scan and an assessment of Division strengths, weaknesses, opportunities and threats (i.e., SWOT analysis). In 2021–22, the Division's environmental scan and SWOT analysis included a high-level summary of risks of taxpayer non-compliance with legislation (including PST) and provided some context around why it was an area of risk.

For example, Finance identified the following areas of risk that relate to PST:

- Saskatchewan residents' online purchases of goods and services continues to increase. While legislation requires out-of-province online vendors and service providers to collect PST on goods/services delivered into Saskatchewan, a large number of vendors may not be aware of their requirement to become licensed, and collect and remit PST.

- As business owners retire, new owners and employees may not be aware of PST requirements.

- Advancements in technology in specific sectors (e.g., oil and gas, farming) can result in an increased number of tax appeals related to equipment and its use, increased need for policy analysis and documentation of decisions on emerging issues, and increased need to update legislation and related tax publications (e.g., bulletins).

[16] SETS (Saskatchewan eTax Services) is Finance's online portal that businesses can use to file tax returns, make payments, and view correspondence.

- Levels of debt/bankruptcy are increasing. This can result in taxpayers delaying remittance of PST revenues, and increases in write offs of PST revenues.

- Significant PST expansion in 2017 resulted in PST applying to areas with higher levels of an underground economy (i.e., economic activity that is unrecorded and untaxed by government). This increases the risk that taxpayers are not collecting and remitting all PST required. This expansion also resulted in many more new taxpayers required to collect and remit PST than in the past (see **Figure 3**), which increased the risk of taxpayers not sufficiently understanding the legislative requirements and remitting incorrect amounts of PST.

The areas of key risk identified by Finance generally align with what we expected and its annual plans include some activities that relate to these areas (See **Figure 7**). However, Finance could improve its assessment of how likely these risks are to occur and the potential magnitude/impact on PST revenues (other than general comments such as large number of vendors may not be aware or significant amounts of lost PST revenue). In addition, Finance could better link its risk assessment to its annual plans.

Having robust risk analysis and clearly tying annual plans to such analysis can help Finance demonstrate it is focusing its resources on the highest risk areas.

4.3 Approaches to Identify Potential Non-Compliance Consistent with Good Practice Other than Lack of Trend Analysis

The Ministry of Finance has reasonably comprehensive approaches to identify potential non-compliance with PST legislation. However, it does limited trend analysis of non-compliance to help inform its selection and prioritization of tax enforcement activities.

4.3.1 Using Various Sources to Identify Potential Non-Compliance

Finance uses lead sources as one of its main approaches to identify potential non-compliance with PST legislation. Lead sources refers to various sources of information available that may indicate taxpayers who may not be complying with PST legislation. See **Figure 5** for examples of key lead sources used by Finance.

Figure 5—Example of Key Lead Sources

Lead Source	Description
External	
Information Services Corporation	Business ownership information
Saskatchewan Government Insurance	Information on vehicle registrations
Internal	
Audit History	Audit branch history from prior audits
Audit/Sightings Leads	Information obtained during audits and/or education/outreach activities
Tax Tips Email/Phone Line	Finance system set up for the public to report potential tax tips and complaints

Source: Adapted from information provided by the Ministry of Finance.

We found these lead sources are consistent with good practice. In addition to the lead sources, Finance also has monthly discussions with the Canada Revenue Agency and periodically consults with other provincial jurisdictions. Finance uploads key information from the lead sources into its revenue IT system (TACS) and uses this information as a key input to its audit selection process (see **Section 4.8.1** for further discussion of the audit selection process).

4.3.2 Not Analyzing Trends of Non-Compliance

While Finance intended to complete certain risk analysis, we found it had limited documented analysis of tax non-compliance trends over time (e.g., overall, by vendor, by sector).

We found Finance's annual action plans included plans to complete analysis in certain areas. For example:

- In 2021–22, the Audit Branch planned to conduct tax gap analysis and complete analysis of certain sectors (e.g. construction industry) impacted by changes to PST legislation[17]

- In 2021–22, the Tax Information and Compliance Branch planned to conduct research and analysis in emerging areas (e.g., e-commerce trends)

While these types of analysis will provide useful information to help Finance monitor trends of non-compliance, we found the analysis was neither completed at August 2022, nor documented as we expected. For example, Finance had not completed the tax gap analysis as planned.

Tax gap estimates are potentially a good indicator of non-compliance with tax legislation. Tax gap estimates can be done overall or can be focused on specific sectors deemed to be higher risk. Because these estimates are based on numerous assumptions (e.g., that data used covers all relevant economic activities), and can be subject to volatility, they are best analyzed as a trend over time. However, these estimates, considered along with other information on non-compliance, can provide insight into the level of non-compliance with tax legislation.[18]

Another mechanism to monitor trends in non-compliance is to look at trends in taxes collected that were not reported by the taxpayer (e.g., taxes collected as a result of enforcement activities). See **Figure 6** for PST collected, but not reported, identified through audit activities over the last four years. This shows the amount has increased over that time period. Although Finance tracks this information, it does not document trend analysis (e.g., why is the amount changing, are enforcement activities having impact, changes to enforcement activities needed).

[17] Tax gaps are the difference between the taxes that would be paid if all obligations were fully met in all instances, and those that are actually received and collected. As a concept, it can encompass revenues lost to tax evasion, taxpayer error, and unpaid liability. www.canada.ca/en/revenue-agency/news/newsroom/fact-sheets/fact-sheets-2015/what-tax.html (12 September 2022).
[18] Canada Revenue Agency (2017). *Estimating and Analyzing the Tax Gap Related to the Goods and Services Tax/Harmonized Sales Tax*. p. 2; Canada Revenue Agency (2016). *Tax Gap in Canada: A Conceptual Study*. p.4.

Figure 6—PST Collected But Not Reported (Identified Through Audits)

	2018–19	2019–20	2020–21	2021–22
PST collected but not reported **(in millions)**	$3.46	$5.47	$3.37	$10.43

Source: Information provided by the Ministry of Finance.

Having robust analysis of non-compliance trends over time could help Finance inform its selection and prioritization of its enforcement activities.

1. **We recommend the Ministry of Finance annually analyze key trends of non-compliance (e.g., tax gaps, tax collected but not reported) with provincial sales tax legislation to help it select and prioritize its enforcement activities.**

4.4 Annual Plans Set Out Key Enforcement Activities

The Ministry of Finance sets out reasonable key PST enforcement activities in annual plans, many of which align to key areas of risk of non-compliance it identified.

Each of the Revenue Division's three branches (i.e., Audit, Revenue Operations, and Tax Information and Compliance) is responsible for various PST enforcement activities (e.g., audits, education/outreach, collections). To support achievement of the overall Revenue Division plan, each branch prepares an annual plan that sets out key enforcement activities (see **Figure 7** for examples of key activities from 2021–22 plans).

Figure 7—Examples of Key PST Enforcement Activities Included in Annual Plans

Area Responsible	Key Activities	Aligns with Key Risks Identified in Section 4.2
Audit Branch	• Complete risk-based audits • Support and assist with voluntary compliance through proactive education/outreach for unregistered business or specific industry sectors as needed • Establish and maintain administrative policies that support voluntary compliance • Complete analysis of certain sectors impacted by changes to PST legislation • Track and report on leads provided through Finance's tax tips website	Yes
Revenue Operations Branch	• Register taxpayers under revenue and refund programs on a timely basis; issue appropriate license, permit or account to conduct business in Saskatchewan • Assess taxpayer accounts to collect unpaid balances, estimate tax on delinquent returns and collect tax amounts owing • Monitor taxpayers file and pay on time	Yes
Tax Information and Compliance Branch	• Review existing tax revenue streams and assess the impact of e-commerce transactions into Saskatchewan • Identify and analyze new and emerging industries and trends • Provide education and proactive outreach focused on base expansion sectors (e.g., restaurants, construction) • Target education reviews and outreach activities through identification of new businesses • Conduct research and analysis in emerging areas (e.g., e-commerce trends)	Yes

Source: Adapted from the Ministry of Finance's 2021–22 annual plans.

As described in **Section 4.10**, Finance has also set measures and targets for some of its key enforcement activities as well as monitors these plans and results of key enforcement activities on a semi-annual basis.

We found Finance's key enforcement activities aligned with good practice by including both activities before the taxpayer owes taxes (i.e., upstream) and activities after the taxpayer owes taxes (i.e., downstream), considering factors that influence taxpayer compliance behaviour (e.g., fairness, general or industry specific economic factors), and considering the impact on non-compliance.

4.5 Qualified Staff Conduct Enforcement Activities

The Ministry of Finance has qualified staff undertake PST enforcement activities.

Finance has written job descriptions that sufficiently outline the expertise and skills needed for staff conducting PST enforcement activities. We assessed job descriptions for various levels of staff performing audit, collections, and education/outreach activities. We found these descriptions appropriately outline reasonable education, knowledge, and competency requirements. For example, Finance requires non-supervisory staff to have an accounting diploma, undergraduate degree with a major in accounting, or relevant experience. It requires some supervisors to have a professional accounting designation (i.e., Chartered Professional Accountant) and demonstrate knowledge of risk assessment and management.

Training

Finance provides sufficient orientation training to staff upon initial hiring that includes tasks expected to be performed (e.g., specific orientation training sessions for staff working in audit and compliance) as well as general training provided to all new employees (e.g., code of conduct, acceptable use of IT). We found staff received updates when there were changes to tax legislation that impact their work.

Staff also receive adequate on-the-job training. For example, new auditors complete mock audits and assist more experienced staff on audits. As well, Finance provides new education officers with previous enquiry emails to learn how it expects staff to handle enquiries. It also has new education officers listen in on incoming calls answered by experienced education officers.

Staffing

While we found Finance does not centrally track training for the approximately 180 employees in the Revenue Division, it does track training received by employees using individual employee work plans. We found employee work plans documented training received or learning objectives and progress made toward those objectives.

We found Finance assigned the appropriate level of staff to audit files based on complexity and risk. Audit supervisors are responsible for assigning the appropriate level of staff to audits based on current staffing and training needs.

As discussed in **Section 4.9**, we found there was no clear documentation or basis for the level of risk assigned to each taxpayer for collections cases. Therefore, we are unable to determine whether Finance assigned the appropriate level of staff to collections cases based on those risk assessments. This could result in staff not having the knowledge and experience required to take appropriate action to pursue uncollected taxes owing.

We found staff discuss and identify required resources at various division meetings (e.g., workloads, hiring of staff). Finance has a sufficient process to identify resources required for new changes or initiatives (e.g., staffing additions, IT updates). When additional resources are required, Finance prepares and submits the request for approval as part of the annual budgeting process. However, as discussed in **Section 4.10**, we found limited evidence of Finance explaining why it did not achieve targets or results for planned PST enforcement activities. As a result, it is difficult to determine whether Finance did not achieve targets or results because of a lack of resources.

4.6 Expectations for Timely Review and Communication of Results Needed

Overall, the Ministry of Finance's key policies and procedures provide comprehensive guidance to staff for conducting PST enforcement activities, except it has not set out expected timeframes for certain key activities (e.g., supervisory reviews, communicating audit and education/outreach activity results).

We found Finance's guidance to staff easily accessible (i.e., manuals located on Finance's network) and generally covered the key enforcement areas shown in **Figure 8**.

Figure 8—Key Content of Finance's PST Enforcement Policies and Procedures

Registration:
- Process for registering the business number and creating accounts in the revenue IT system (TACS)
- How to make changes to an account

Education/Outreach:
- Guides staff through setting up and the workflow for an outreach case

Audit
- Processes for selecting audits in the TACS system and risk criteria for file selection
- Description of the audit program and procedures (e.g., planning the audit, completing the audit including audit tests to be performed)
- Examples of common issues and errors, and procedures to follow when auditors encounter those issues and errors
- Guidance for when penalties and interest can be waived and when it cannot be waived

Collections
- Guidance on reaching out to taxpayers in order to encourage compliance
- Various actions available for staff to take to resolve non-compliance (e.g. payment arrangements, bank or third party demands, judgment registration) and approvals required for those actions
- Characteristics of collection risk levels (i.e., low, medium, high) and actions to collect taxes owing
- Guidance for when tax debts can be written off and who can approve write offs

Source: Adapted from policies and procedures provided by the Ministry of Finance.

Tax bulletins and information notices also form a key part of Finance's policies and procedures (referenced in various manuals). We found tax bulletins and information notices provide clear expectations and guidance on all key aspects of PST.

We found Finance updated its policies and procedures as needed, usually when there were changes to legislation. We did identify some updates to its audit manual to reflect legislation changes were delayed due to other priorities. By June 2022, management indicated Finance approved amendments to its audit manuals.

We reviewed key policies and procedures and found they provided staff with clear guidance to address non-compliance issues. For example, the audit manual provides guidance on what staff should discuss with the taxpayer at the conclusion of an audit and what to include in the written audit report. The collections and enforcement manual provides guidance by describing the collections actions that staff should take when pursuing collections (e.g., progressing from correspondence and phone calls to legal action).

We found Finance's policies and procedures generally reflect good practice (i.e., promote engaging with taxpayers, timely resolution of non-compliance, and timely and consistent use of compliance and collection powers). For example, Finance's *Taxpayer Service Commitments and Standards Code* indicates its purpose is to encourage more open communication with taxpayers and to set out what they can expect in an audit or in the collection process.[19]

Guidance also promotes the timely resolution of non-compliance. For example, the collection and enforcement manual expects Finance staff to send reminder notices to taxpayers who have not filed a return approximately 25 days after the return is due. Having well documented guidance for staff to follow promotes the consistent use of compliance and collection powers.

However, we found Finance has not set out in its policies and procedures what it considers timely supervisory review of audits and education/outreach activities (e.g., within 30 days). As well, we found the policies and procedures do not set out the expected timeframe for communicating audit and education/outreach activity results to the taxpayer (e.g., within 30 days).[20] See **Sections 4.7** and **4.8** where we found that supervisors were not always approving activities timely and Finance did not always communicate activity results to taxpayers timely.

By not setting out expectations for timely supervisory review of audits and outreach activities or for communicating results to taxpayers, the risk of delays or problems in completion of those enforcement activities increases. If there are delays in the completion of these activities, this could result in delays in pursuing any taxes owing and Finance may not receive timely payment of amounts owing.

2. **We recommend the Ministry of Finance set out expected timeframes for:**
   - **Supervisory review and approval of provincial sales tax audits and education/outreach activities**
   - **Communicating provincial sales tax audit and education/outreach activity results to taxpayers.**

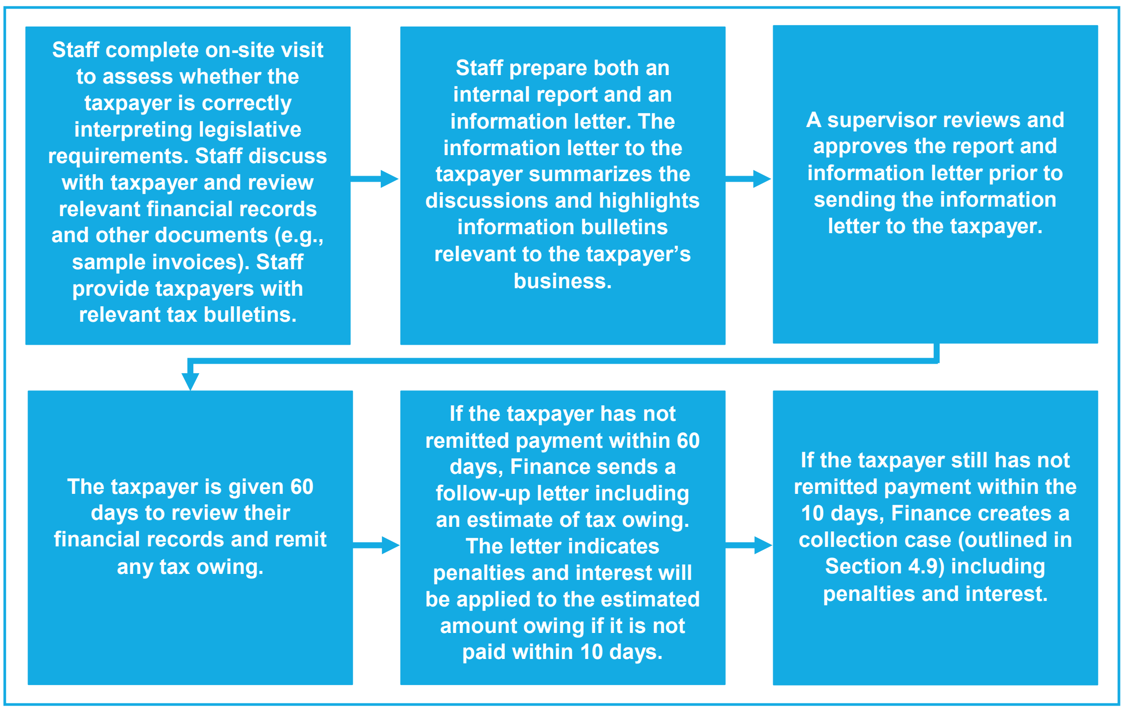
[19] publications.saskatchewan.ca/api/v1/products/27181/formats/34356/download (7 September 2022).
[20] We determined 30 days was a reasonable timeframe for timely supervisory review and for communicating results to the taxpayer based on our review of timeliness expectations in other audits. As well, 30 days is consistent with the amount of time audited taxpayers have to pay or to provide additional information to Finance.

4.7 Education/Outreach Activities Used to Promote Compliance but Communication of Results Not Always Timely

The Ministry of Finance uses education/outreach activities to educate taxpayers on their tax obligations and communicate non-compliance to taxpayers in order to encourage understanding of and voluntary compliance with tax legislation. It conducted these activities as expected, but did not always approve and provide communications to the taxpayer in a timely manner.

Finance uses education/outreach visits to provide proactive awareness and education to taxpayers (businesses/vendors) and encourage voluntary compliance as shown in **Figure 9**.

Figure 9—Education/Outreach Visit Process



Source: Adapted from information provided by the Ministry of Finance.

Figure 10 shows the number of education/outreach visits conducted over the past four years. In 2021–22, Finance conducted over 3,000 education/outreach visits, which generated $1.1 million in PST revenue.

Figure 10—Education/Outreach Activities

	2018–19	2019–20	2020–21[A]	2021–22
Number of education/outreach visits planned	1,946	1,021	1,321	1,293
Actual number of education/outreach visits	875	1,590	103	3,258
Planned PST revenue generated from visits **(in millions)**	$0.6	$0.6	$0.6	$0.6
Actual PST revenue generated from visits **(in millions)**	$0.3	$1.3	$0.5	$1.1

Source: Information provided by the Ministry of Finance.
[A] The number of education/outreach visits was substantially less in 2020–21 because the majority of staff time was spent working on COVID-19 pandemic emergency support programs.

Our testing of 10 education/outreach visits found staff followed expectations set in policies and procedures and followed up with the taxpayer if Finance had not received communication from the taxpayer within 60 days. The information letters clearly outlined the taxpayer's obligations and key matters discussed during the visit. The letters also communicated what actions the taxpayer needed to take to address non-compliance and by when. While the information letters do not note an estimate of potential tax owing, at the time of the visit staff verbally discuss any tax amounts owing due to misapplication of tax legislation. Taxpayers are given the opportunity to review their records and self-assess the tax on other transactions to confirm tax owing to be remitted within 60 days.

While we found there was evidence of supervisory approval of the internal report and information letter, this approval was not always timely (e.g., within 30 days of the report and letter being prepared). For two out of 10 education/outreach visits we tested, the supervisor approved the report and letter between 44 and 56 days after the report and letter were prepared. As a result, Finance did not communicate the key matters to the taxpayers on a timely basis (communications were between 56 and 70 days after the visit). As described in **Section 4.6**, Finance has not set out the expected timeframe for supervisory review and approval as well as communication of results of education/outreach activities. We recommend it should.

4.8 Risk-Based Audits Conducted as Expected But Certain Key Information Not Documented

The Ministry of Finance conducted risk-based audits as expected except it did not clearly document its selection of taxpayers for audit. In addition, we found supervisors do not always approve audits timely and Finance does not sufficiently document information to readily determine whether staff send timely audit communications to taxpayers.

Finance uses audits to promote compliance with PST legislation. See **Figure 11** for information on the number of audit activities and revenue generated from those activities. In 2021–22, Finance generated $47 million in revenue from its audits.

Figure 11—Audit Activities

	2018–19	2019–20	2020–21[A]	2021–22
Number of audits completed	1,187	1,534	654	1,214
Planned tax revenue generated from audits **(in millions)**	$26.0	$27.5	$28.0	$28.0
Actual amount of tax revenue from audits **(in millions)**	$34.2	$40.0	$27.5	$47.0
Benefit-cost ratio	604%	692%	437%	718%

Source: Information provided by the Ministry of Finance.
[A] The number of audits completed and the benefit-cost ratio was substantially less in 2020–21 because the majority of staff time was spent working on COVID-19 pandemic emergency support programs. The adjusted ratio, after deducting salaries related to the time spent on these programs, is 946%.

4.8.1 Selecting Taxpayers for Audit

Finance uses a risk-based audit selection model to select individual taxpayers for audit. Finance identified reasonable risk areas (e.g., out-of-province companies with operations in Saskatchewan, major projects, unregistered businesses) and criteria for selection (e.g., sales revenue). Staff use Finance's revenue IT system to identify and create a list of potential taxpayers to audit based on these risk areas and criteria. Once staff create this initial list, supervisors further analyze and select taxpayers for audit and then assign audits based on available staff resources.

However, there is no documentation showing the initial listing of taxpayers generated from the IT system or the further analysis done by supervisors to determine the final selection. The final selection of files depends on supervisors' further analysis of the business and information available, along with their judgment, knowledge and experience.

For all 30 audits we tested, we found Finance noted in its revenue IT system the reason for selecting the taxpayer (e.g., new business, construction firm with no returns filed, lead source information) and reasons appear to align with established selection criteria. However, because there is no standard process for documenting file selection and key judgments, we were unable to determine why Finance selected these taxpayers for audit over selecting other taxpayers (e.g., that may present similar or higher risk).

As well, solely relying on the knowledge and experience of the supervisors to select the taxpayers for audit may result in important knowledge not retained and available when there is staff turnover.

3. We recommend the Ministry of Finance clearly document its key judgments when selecting taxpayers for provincial sales tax audits.

4.8.2 Conducting Audits

Figure 12 describes the key steps taken once Finance has selected a taxpayer for audit.

Figure 12—Key Steps of the Audit Process

- Supervisors assign audits to audit staff based on complexity and size (see **Section 4.5**)
- Staff plan and complete the audit using established guidance (see **Section 4.6**) to identify non-compliance
- Staff communicate results (e.g., areas of non-compliance, the amount owing, if any, as a result of the audit) to the taxpayer using a billing letter
- A supervisor reviews and approves the audit
- Finance creates a collection case and follows up on amounts still owing after 30 days through its collections process (see **Section 4.9**)

Source: Adapted from information provided by the Ministry of Finance.

For all 30 audits we tested, we found:

- Staff performed appropriate audit procedures including, reconciling taxpayer records to tax returns, testing sales invoices to ensure the taxpayer correctly calculated and recorded taxes, and reconciling sales per the financial statements to the sales summary.
- Staff sent billing notices to the taxpayer setting out the actions the taxpayer needed to take, and by when to address non-compliance. We found these communications easy to understand, captured key information (e.g., areas where the taxpayer is not complying with PST legislation) and noted reasons for amounts owing if any.
- Comments from the taxpayer on adjustments were obtained.

- Penalties and interest were properly calculated and recorded in the revenue IT system.

- Evidence of timely follow-up existed for continued non-compliance.

We found supervisors reviewed and approved the results of the audits. However, this review and approval was not always timely (e.g., within 30 days of staff request for supervisory approval). For four of 30 audits we tested, supervisors approved the audit results between 38 and 90 days after staff requested approval. Management indicated that for three of the four audits staff were required to make revisions (e.g., due to additional information or support received) and that supervisors provided their approval within 30 days of staff making the required revisions. As described in **Section 4.6**, Finance has not set out the expected timeframe for supervisory review and approval of audits.

We also found Finance does not document sufficient information in its revenue IT system outlining when staff send billing letters and support to taxpayers. For example, staff could preserve emails showing when staff send billing letters to help determine whether communications were timely. See **Section 4.6** where we found Finance has not set out the expected timeframe for communicating audit results to the taxpayer.

Without tracking key information on communication of audit results, Finance is unable to demonstrate whether it communicates with taxpayers timely. This also limits senior management's ability to monitor the timeliness of communicating audit results. More timely communication can help promote improved compliance by taxpayers and earlier payment of amounts owing.

4. **We recommend the Ministry of Finance track key information in its revenue IT system regarding communication of provincial sales tax audit results (i.e., when billing letters are actually sent and by who).**

4.9 Appropriate Processes to Collect Unpaid Tax Except Lack of Support for Risk Assessment

The Ministry of Finance has sufficient processes to follow up with taxpayers who have not filed their PST returns as expected or paid amounts owing when due within a reasonable time other than a few areas. We found Finance's guidance set reasonable planned collection activities based on assessed taxpayer risk, but it lacked sufficient support for the actual risk level assessed for each taxpayer.

Figure 13 shows the total revenue planned and actual revenue collected from collection activities for the last four years.

Figure 13—Collection Activities

	2018–19	2019–20	2020–21	2021–22
Revenue planned to be collected through collection activities **(in millions)**	$23.0	$30.0	$30.0	$45.0
Actual revenue collected **(in millions)**	$45.6	$73.3	$40.2	$77.6
Number of collection cases actively worked on at any given time	n/a[A]	1,719	1,810	1,959

Source: Information provided by the Ministry of Finance.
[A] Data not available as the Ministry of Finance did not track this information in 2018–19

4.9.1 Process to Follow Up and Collect Unpaid Tax

Most taxpayers file their returns as required and remit the tax payable by the due date (i.e., 20 days after the end of the period). In 2021–22, taxpayers filed 69.5% of tax returns by the due date. Finance notifies taxpayers who fail to file their return within a reasonable time (i.e., approximately 25 days after the return is due). If a taxpayer fails to file a return within 15 days after this notification, Finance creates a collection case.

If a taxpayer filed a return without full payment, Finance sends the taxpayer a billing notice approximately 10 days after the payment due date. If Finance has not received payment from the taxpayer within 40 days after the payment due date, then it creates a collection case.

Senior staff (directors) review collections cases on a monthly basis to prioritize and assign cases to collections officers. Both months we tested had appropriate evidence of review.

Finance focuses most of its collection activities on collecting amounts outstanding greater than $2,500. It does not regularly pursue amounts less than $500. For amounts between $500 and $2,500, it uses a “blitz letter process” where periodically throughout the year, it sends reminder letters and follows up by phone the following month. We tested 10 collection activities using this process and found Finance clearly communicated to the taxpayer the actions they needed to take and by when to address their non-compliance.

For amounts owing greater than $2,500, Finance established sufficient guidance to staff (see **Section 4.6**) setting out timelines for completing various collection activities (e.g., communications and legal collection actions) with progressively more serious collection activities that staff can pursue if previous steps have not resulted in taxpayers paying amounts due. Finance also set guidance on determining the level of risk for a taxpayer (See **Figure 14**).

Figure 14—Examples of Collection Risk Levels and Collection Actions

Characteristics of Taxpayer	Level of Compliance	Attitude to Compliance	Actions to Take to Collect Taxes Owing
Riskiest • Collecting tax and not remitting • Business closed • Outstanding liability is greater than a specified threshold	Full tax avoidance	Wilful intent not to comply	**Legal collection actions**: Bank and third-party demands, asset seizures, liquor licence suspensions, rights of set-off, director's liability
High Risk • Deliberately trying to not comply • Habitual non-filer, always have returns outstanding • Business closed • Outstanding liability is greater than a specified threshold	Failure to file multiple returns, recurring balances on account, history of non-compliance	Does not want to comply but will if Finance pays attention	**Accelerated collection actions:** Notices of Assessment, asset investigations, judgments, payment arrangements
Medium Risk • Usually file tax returns and make payments on time • May not fully understand or meet their tax obligations • Outstanding liability is greater than a specified threshold	Failure to file a return, late filing, smaller account balances, balances owing due to errors, generally good compliance history	Trying to comply but does not always succeed	**Assist with compliance:** Targeted collection action by phone and letter, application of penalty and interest, payment arrangements

Characteristics of Taxpayer	Level of Compliance	Attitude to Compliance	Actions to Take to Collect Taxes Owing
Low risk • Tax remittance usually paid on time • Tax returns generally filed on time • Overall are generally compliant	Failure to file a return, late filing, smaller account balances, balances owing due to errors, generally good compliance history	Willing to do the right thing	**Make it easy to comply:** Automated filing reminders and statements of account, electronic filing and payment, tax information and assistance easily accessible

Source: Adapted from information provided by the Ministry of Finance.

For all 30 collection cases tested, we found Finance assigned a level of risk to the case; however, the level of risk assigned to all cases except for one was medium, which is the default risk ranking in Finance's revenue IT system. For one case, the collections officer had increased the risk level from medium to high.

For all 30 cases, there was no clear documentation or support for the level of risk assigned to the cases, or for any changes made to the level of risk. Out of the 30 cases we tested, 10 cases had amounts owing greater than Finance's specified threshold for medium risk, which may indicate that the risk level should be higher than medium.

Without clearly documenting or supporting the level of risk assigned, there is a risk staff may not be taking the appropriate actions (e.g., bank demands) at the right time in pursuing collection of tax owing which may result in Finance collecting less tax. Management indicated it has an upcoming project to fully implement the collection ranking functionality in the revenue IT system. Management also indicated it delayed implementation of the collection ranking functionality when it implemented the IT system in 2018 to allow for collection of sufficient data to support proper ranking.

5. **We recommend the Ministry of Finance clearly document support for the level of risk assigned to provincial sales tax collection cases.**

Finance sends reminder letters and legal warnings to taxpayers informing them of unpaid tax and actions it will take for continued non-compliance. We assessed the standard templates used to prepare these communications and found they were easy to understand, and captured key information (e.g., the amount owing, actions needed by the taxpayer, deadlines, and consequences of non-compliance).

For all 30 items tested, we found Finance clearly communicated the actions the taxpayers needed to take to address non-compliance, and by when. Finance also communicated payment deadlines and payment arrangements timely, and staff appropriately contacted the taxpayer via email, phone calls, and/or in writing.

We found Finance does not have a system control in its revenue IT system preventing staff from sending collections correspondence prior to approval. For 28 out of 30 collections cases we tested, appropriate staff approved collection actions and communications as expected (e.g., for payment plans). However, for one item, staff sent a payment plan letter to the taxpayer prior to appropriate supervisory approval. For another item, staff issued a general property judgment notice with no evidence of approval. However, we noted the actions taken appeared to be reasonable in both circumstances.

Without requiring appropriate approval for payment plans and other collection actions, there is a risk payment plans may not be appropriate or correspondence may not communicate accurate and appropriate information to the taxpayer, which could delay collection of amounts owing. In addition, it also increases the risk Finance may not be treating taxpayers consistently and fairly. We suggest Finance take steps (e.g., implement controls in its revenue IT system) to ensure all collection activities and communications are appropriately approved.

4.9.2 Penalty and Interest Waivers, and Write-Offs

In order to promote voluntary taxpayer compliance, Finance periodically waives penalties and interest related to taxes owing. See **Figure 15** for the amount of penalty and interest waived over the last four years.

Figure 15—Penalties and Interest Waived

	2018–19	2019–20	2020–21	2021–22
Amount of penalties and interest waived **(in millions)**	$0.4	$0.7	$0.6	$1.1

Source: Information provided by the Ministry of Finance.

As noted in **Section 4.6**, Finance provided appropriate guidance to staff for when penalties and interest can be waived and when it cannot. The guidance also sets the required approvals for waivers. For three items tested where Finance waived penalties and interest, we found staff followed established guidance. We also tested two monthly penalty and interest waiver reports and found they were appropriately approved by directors consistent with established guidance.

Also, as noted in **Section 4.6**, Finance established written guidance for writing off tax debts due including when amounts should be written off and who can approve them. For two items we tested where amounts were written off, we found these write-offs were appropriately approved. See **Figure 2** in **Section 2.1** for the write-off amounts for the past six years. In 2021–22, Finance wrote off $2.6 million in PST revenue owing.

Following appropriate guidance for waiving penalties and interest, as well as writing off tax debts is critical to ensure taxpayers are treated fairly and consistently and the Government receives the appropriate share of tax revenue owed.

4.10 Reasonable Performance Measures and Targets Established But Limited Documented Analysis of Enforcement Activity Results

The Ministry of Finance monitors results of PST enforcement activities including monitoring some performance measures and targets for key actions; however there is limited documented analysis of results.

<u>Measures Set</u>

Finance has set key enforcement activities (see **Section 4.4**) with some performance measures and targets. For example, it measures revenues generated from enforcement activities (e.g., revenue generated by audits), the number of enforcement activities (e.g., education/outreach visits) conducted, and the value of enforcement activities in relation to the cost of conducting those activities (i.e., benefit-cost ratio).[21] Finance reassesses performance measures and targets annually to determine whether they continue to be relevant and appropriate.

We found the measures and targets set generally reflect good practice. For example, Finance has performance measures that measure certain outcomes (e.g., revenue generated from outreach contacts, total revenue collected from collection activities). It has also set measures that generally consider the impact on potential tax gaps and rates of non-compliance (e.g., total amount of audit revenue assessed, dollar amount of revenue generated from new registrations of non-resident vendors).

However, we found Finance does not have measures or targets for timeliness of audit completion. See **Section 4.6** where we recommend that Finance set out the expected timeframe for communicating audit results to the taxpayer.

Tracking Results

Finance tracks information on enforcement activities. Finance uses information from its revenue IT system (e.g., amounts owing, revenue generated from collection activities, number of audits completed) or from various spreadsheets to report on the performance measures established. We generally found this information reliable.

Finance generally collects appropriate information from enforcement activities to enable it to effectively report on results. We found for all the enforcement activities we tested, Finance appropriately collects information on the results of the activities (e.g., correspondence sent, audit results, amounts owing, payment plan arrangements). However, as noted in **Section 4.8.2**, Finance does not document sufficient information in its revenue IT system on when staff send key communications to taxpayers to enable ready determination of whether audit communications were timely.

Reporting Results

Staff report certain results of enforcement activities to senior management monthly in monthly activity reports, including results for some of its performance measures. For example, these reports include the benefit-cost ratio, total amount of audit revenue assessed, and number of new e-commerce businesses registered. While we noted monthly directors' meeting minutes indicated discussion of these reports, we did not see evidence of any documented analysis of the results in the monthly activity reports (e.g., reasons for not meeting targets, steps planned to improve results).

In addition to monthly activity reports, staff prepare reports for senior management on results for all performance measures identified in annual plans at the mid-year point and year-end.

We reviewed the 2021–22 year-end results and found Finance had many areas where it achieved its target or expected results, or it completed significant work to advance progress

[21] The value of audit and compliance activities in relation to the cost of performing those activities (i.e., incremental revenue generated for each dollar spent on audit and compliance).

on ongoing projects. Management indicated they complete an analysis if targets are not met to determine why the target was not met. However, there was limited evidence of Finance completing analysis when it did not achieve expected results, (e.g., if results were not achieved, why not, and what is the plan to achieve results). We also found no guidance exists requiring staff to perform and document such analysis.

Without adequate analysis of results, it is difficult for Finance to determine why it did not achieve expected results, whether it is focusing its resources on the right areas, and how it should adapt enforcement strategies.

6. **We recommend the Ministry of Finance explain differences between planned and actual provincial sales tax enforcement results, and future actions needed, in its reports to senior management.**

4.11 Public Reporting on Tax Enforcement

The Ministry of Finance publicly reports some information on tax enforcement, but could consider reporting additional information.

Finance reports some information on tax enforcement activities to the public in its annual report.[22] For example, Finance's annual report for 2020–21 reports on the following performance measures (for all taxes not just PST):[23]

- The benefit-cost ratio of taxation audit and compliance activities
- Client satisfaction of businesses (vendors) that collect taxes on behalf of the Government

The annual report also includes descriptive information on tax-related initiatives undertaken in the 2020–21 fiscal year (e.g., promoting compliance through taxpayer education, focusing proactive outreach and education on PST base expansion, assessing the impact of e-commerce on tax revenue).

Finance established guidance for staff to follow when preparing its public annual report. While the guidance indicates reports should include information on performance measures, targets and, at minimum, results from the prior year, it does not provide guidance on determining which measures to report. We found no clear rationale for measures reported publicly related to tax enforcement (i.e., why certain performance measures are reported over other measures). Setting clear rationale for the performance measures reported publicly could help Finance enhance its public reporting on tax enforcement.

We researched what other jurisdictions in Canada publicly report related to tax enforcement and found there are areas where Finance reports similar information to the public (e.g., information comparing benefits of enforcement activities compared to cost, client/taxpayer satisfaction). However, we noted there are some areas where Finance could consider additional reporting. For example, certain other jurisdictions report on the percentage of on-time tax payments (British Columbia, Canada), percentage of service

[22] publications.saskatchewan.ca/api/v1/products/118428/formats/136234/download (12 September 2022).
[23] Finance's annual report for 2021–22 reported on similar performance measures.

targets met such as timeliness of tax audit completion, and timeliness of responding to phone calls or correspondence (Quebec, Canada).[24,25,26]

Providing enhanced reporting to the public on tax enforcement would provide additional transparency and help the public to better understand how Finance enforces compliance with tax legislation.

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