

*Ministry of
Small Business and Revenue
and
Minister Responsible for Regulatory Reform*

**2005/06
Annual Service Plan Report**



**BRITISH
COLUMBIA**

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Message from the Minister and Accountability Statement

As Minister, I am pleased to report on the first year of the Ministry of Small Business and Revenue.

Established in June 2005, under the leadership of Premier Gordon Campbell, the ministry is committed to supporting small business and becoming a centre of excellence for tax administration and revenue management. The ministry's overarching goal is to provide British Columbians with the highest level of customer service. These priorities will help government achieve its goal to create more jobs per capita than anywhere else in Canada.

Working in partnership with industry, the ministry's committed staff have made great progress over the last year. In October 2005, we established the permanent Small Business Roundtable. Composed of 24 members who are leaders in the small business community and chaired by me, the roundtable held 14 meetings by the end of March, in communities from Fort St. John to Abbotsford. We heard directly from small business owners about their priorities, ideas and solutions, with excellent participation and many interesting ideas brought forward. I am confident, by working in partnership with small business, we will achieve our goal of becoming the most small business-friendly jurisdiction in Canada.

Last fall, we also launched the Provincial Sales Tax Review, to consult interested British Columbians on revenue-neutral options to streamline, simplify and enhance the fairness of the administration of this tax. By March, we had heard from more than 100 small business representatives at 15 consultations. Working with the Ministry of Finance, we will review these submissions, analyze the findings and recommend changes for inclusion in Budget 2007.

Another October milestone involved adding specific, measurable service excellence standards to our innovative *Taxpayer Fairness and Service Code*. For example, our goal is to respond to any correspondence sent to me, as Minister, within 14 days of receipt. This is another way we are demonstrating our commitment to customer service.

As Minister Responsible for Regulatory Reform, I am government's lead on the development of a modernized regulatory system while continuing to reduce red tape in British Columbia. Our goal is to make it easier for individuals and industry to operate, so they can spend more time growing their businesses.

The 2005/06 Ministry of Small Business and Revenue Annual Service Plan Report compares the actual results to the expected results identified in the ministry's *2005/06–2007/08 Service Plan Update*. I am accountable for those results as reported.

Additionally, under the *Balanced Budget and Ministerial Accountability Act*, I am accountable for earning \$225.6 million in incremental revenue in respect of revenues payable under enactments administered by the Minister of Small Business and Revenue. For the year ended March 31, 2006, I can confirm \$310.5 million in incremental revenue.

Reaching these and other goals in our agenda would not be possible without the commitment and dedication of the staff of the Ministry of Small Business and Revenue. On behalf of all British Columbians, I thank them for all their hard work over the past year.

It is a great time to be in British Columbia. Our economy is 'firing on all cylinders'. Our economic growth rate is among the highest in Canada. Our annual unemployment rate in 2005 was the lowest it has been in over 30 years, and our strong labour income growth is supporting consumer spending and residential construction growth.

The ministry will continue to pursue its goals and create new opportunities for British Columbians in this, the best place on earth to live, work, invest and raise a family.

A handwritten signature in black ink that reads "Rick Thorpe". The signature is written in a cursive style with a large, sweeping initial "R" and a distinct "T".

Honourable Rick Thorpe
Minister of Small Business and Revenue
and Minister Responsible for Regulatory Reform

SBR.Minister@gov.bc.ca

June 30, 2006

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Highlights of the Year

Permanent Small Business Roundtable and Community Consultation Sessions

In October 2005, the ministry established a permanent Small Business Roundtable¹ to provide a forum for ongoing dialogue with the small business community across British Columbia.

The permanent Small Business Roundtable, led by 24 members of the small business community from all regions of the province and representing a number of small business associations, will provide ongoing advice to government on issues, strategies and possible actions to make British Columbia the most business friendly, citizen-centred jurisdiction in Canada.

Small Business Roundtable Members Comment on Community Sessions

“Many interesting ideas were brought forward to the minister at today’s meeting. The small business community of Cranbrook welcomes this opportunity to meet with the minister and discuss, face-to-face, their ideas for how government and business can work more effectively together.” — Mr. B. Hryciuk, Hryciuk Gallinger & Co., Inc., December 5, 2005; Cranbrook.

“These roundtables provide an important forum for small business owners to build and strengthen their working relationship with government.” — Ms. L. Jones, Vice-President, BC and Yukon, Canadian Federation of Independent Business, January 26, 2006; Nanaimo.

By April 2006, the roundtable had held 18 consultations with small business owners in communities across the province. After completing the initial round of consultations, roundtable members will summarize and prioritize key issues facing small business in British Columbia, as well as provide feedback and advice to government on specific proposals that impact small business. Additionally, the roundtable members may identify and undertake selected initiatives to enhance the economic competitiveness of the small business sector. Government and the ministry will review the advice from the Small Business Roundtable and, working with partners, develop a Small Business Strategy to support the ongoing success of the small business sector.

The Ministry of Small Business and Revenue, partnering with the Ministry of Education, provided Junior Achievement British Columbia with \$2 million to support the expansion of entrepreneurship, business and trade education programs in schools across the province. The contribution was made in response to the need for expanded student business, trade and entrepreneurship programming identified in every region of the province during Small Business Roundtable consultations. The funding will provide expanded opportunities for students to understand the future career opportunities offered by entrepreneurship, trades

¹ For more information on the Small Business Roundtable or to submit ideas or comments online, visit <http://www.smallbusinessroundtable.ca/>.

and small business, and provide more students with the skills needed to be successful business leaders and entrepreneurs. There will also be opportunities for more businesses and small business operators to become involved in student entrepreneurship programs by acting as mentors and volunteers in student based programs.

Provincial Sales Tax Review

The ministry launched the British Columbia Provincial Sales Tax (PST) Review² as part of the government's commitment to review taxation policies. The purpose of the review is to consult with individuals, small business and industry to develop revenue neutral options for changes to the PST.

The Review will look at policies, legislation and related administrative processes to streamline, simplify and enhance fairness for taxpayers.

PST Review consultations were held in conjunction with the Small Business Roundtable meetings. Businesses were invited to make presentations to the Minister on their key PST issues. By April 2006, 166 business

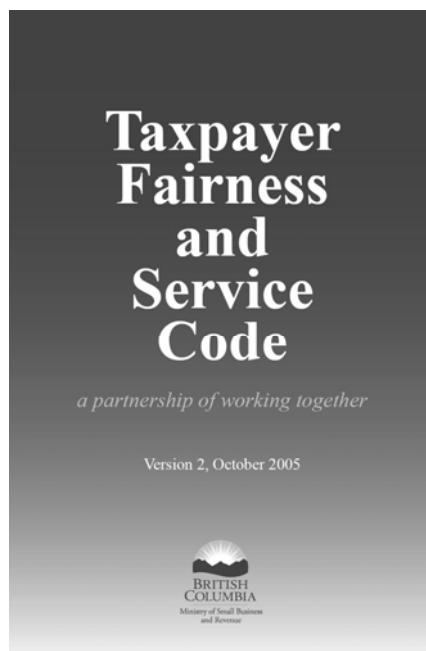


representatives had participated in PST Review meetings. The ministry also accepted submissions via email, mail and facsimile.

PST Review consultations concluded in May 2006. The ministry and the Ministry of Finance will analyze the input received and recommend changes to policy and legislation for spring 2007.

Taxpayer Fairness and Service Code — Service Standards

In January 2005, the ministry introduced the *Taxpayer Fairness and Service Code*³ detailing a taxpayer's right to timely customer service, courtesy, respect, fair treatment and confidentiality in all their dealings with the ministry.



² For more information on the Provincial Sales Tax (PST) Review view online at <http://www.sbr.gov.bc.ca/PSTReview/index.htm>.

³ For more information on the *Taxpayer Fairness and Service Code*, view online at <http://www.sbr.gov.bc.ca/fairness/>.

Subsequently, in October 2005, the ministry introduced 12 service excellence standards focused on the timeliness and accessibility of ministry services. Service standards were developed in partnership with several small business organizations from across British Columbia and address service areas of significance to their members. These standards will be used to monitor the ministry's customer service performance. Reporting on the ministry's performance begins in 2006/07. The *Taxpayer Fairness and Service Code* and associated service standards reflect the ministry's commitment to a culture of service excellence.

Citizen-Centred Customer Service

The ministry is committed to providing excellent customer service — public services that are more accessible, easier to deal with, and more responsive to individuals. In 2005/06, the ministry continued to focus on providing complete, clear, accurate and timely information to assist individuals and businesses to better understand their rights and obligations, and increase voluntary compliance with financial obligations to government. The following initiatives are some examples illustrative of the ministry's commitment to citizen-centred service delivery:

- A new initiative in 2005/06 focused on improving the quality of the information available to ministry customers. The ministry has been rewriting publications in plain language and creating new industry specific information. Several industries — film and television production, fabric and craft stores, nurseries and garden stores, and school suppliers — now have information specific to their business. The ministry will revamp information materials for approximately 40 different industries by March 2007. The information will be easier for industries to understand and will be more relevant to their business.
- The ministry collaborated with the Canada Revenue Agency to provide 19 Goods and Service Tax (GST) and Provincial Sales Tax (PST) information seminars, reaching almost 300 participants.
- Eighty-four “PST and You” seminars were conducted in regions across the province. The seminars provide information on the application and administration of the *Social Service Tax Act*. Over 2,400 registered vendors and individuals attended these seminars to increase their awareness of their responsibilities under the Act. The ministry also provided PST information at five convention and trade shows including the BC Construction Show and the BC Oil & Gas Summit, and conducted eight industry specific meetings to provide PST information dedicated to their industry sector.
- The ministry established a dedicated team to provide tax rulings to the public and ministry staff. The team responded to approximately 6,500 requests in 2005/06, a 40 per cent increase from 2004/05. Service excellence standards and turn-around times are documented in the *Taxpayer Fairness and Service Code* and performance reporting will begin in 2006/07.
- Adding to its dedicated telephone contact centre and ‘front counter’ service, the ministry officially opened its first Customer Service Centre in Victoria in July 2005. The centre provides walk-in access and personal service. This includes access to many provincial tax services — face-to-face business registration and responses to general enquiries, and a OneStop Kiosk (a web-based, electronic service delivery system designed to simplify government registration requirements for business owners).

- The ministry's telephone contact centres have realized significant service improvements in responding to customer calls. The average wait time for taxpayer inquiries was reduced from approximately 50 seconds to 20 seconds, while the wait time for Medical Services Plan billing inquiries were reduced from approximately three minutes to less than one minute over the past year.

Regulatory Reform

British Columbia has established itself as a leader and innovator in regulatory reform, implementing a regulatory reform initiative that measures regulatory burden, reviews existing regulatory requirements, controls new requirements, and measures and reports performance progress. No other Canadian jurisdiction has such a comprehensive reform initiative.

CFIB sees British Columbia as a Leader in Regulatory Reform

A recent Canadian Federation of Independent Business Report, Rate R: Prosperity Restricted by Red Tape, (December 12, 2005) identified British Columbia as a province in the forefront of regulatory reform. The report states,

“While still a young initiative, the regulatory reform program that started in BC in 2001 is arguably one of the most promising in Canadian history. It has all the essential ingredients for success: political leadership, public accountability and constraints on regulations.”

In the last five years, government has reduced the number of regulatory requirements by 41 per cent, eliminating almost 156,000 requirements. Performance has exceeded government's goal to remove one-third of regulatory requirements. Regulatory reform makes it easier, faster and more efficient for individuals and businesses to deal with government. The initiative saves British Columbians time and money, and reduces administrative costs for government.

Beginning in 2006/07, the government will expand its regulatory reform focus to include the implementation of a new citizen-centred regulatory reform process. This will include ministry-specific projects to streamline access to government services for individuals, and reduce the steps to comply with regulations for small business and industry.

Revenue and Debt Collection

The ministry provides a central service to the Province for tax administration and revenue management. In 2005/06, the ministry administered \$20.6 billion in revenue, or approximately 58 per cent of all revenue received by the Province. Almost 98 per cent of the revenue collected by the ministry was identified by the ministry or self-assessed by individuals and businesses without ministry audit intervention.

The ministry achieved \$310.5 million in incremental revenue in 2005/06, exceeding the target of \$225.6 million. Incremental revenue is realized primarily as a result of ministry compliance activities. The ministry performed over 189,000 reviews and audits during the year.

The ministry exceeded its debt collection forecast of \$324.0 million, recovering \$349.8 million.

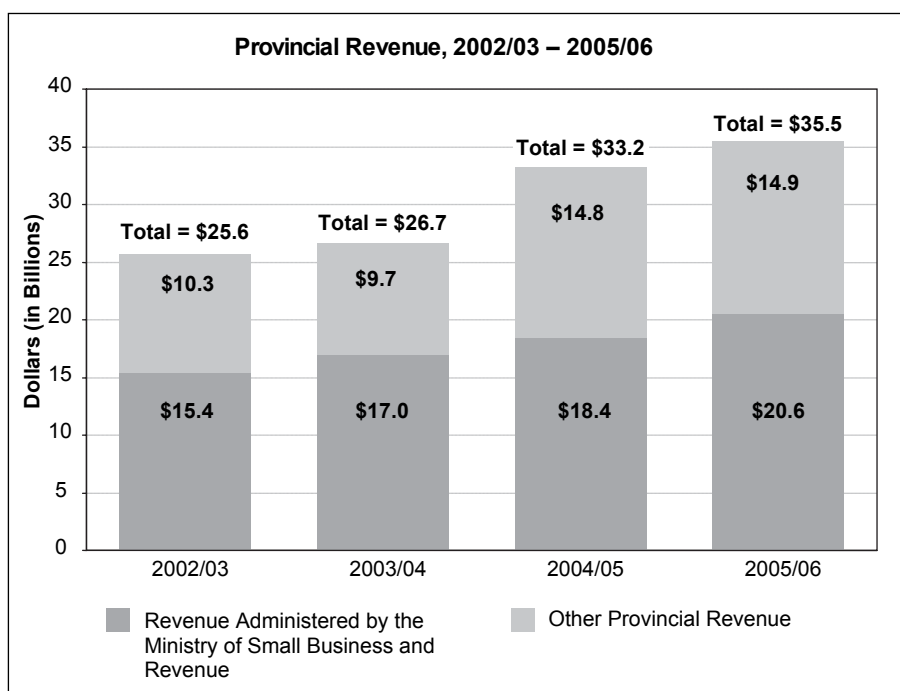
Revenue Management Project⁴

In 2004, the Province entered into an agreement with EDS Advanced Solutions Inc., a British Columbia based, wholly owned subsidiary of EDS Canada, Inc., to improve and streamline business processes and implement information technology solutions.

The goal is to transform, consolidate and centralize government revenue management under the Ministry of Small Business and Revenue.

During 2005/06, project development proceeded in consultation with key government stakeholders, and significant work for the design, configuration and implementation of the new Revenue Management System was completed. The first phase of the new system was implemented in April 2006. The ministry will now work with client ministries to transition account, bill, pay and collect functions to this centralized system.

For information on the achievements of the ministry's private sector service provider during the first year of operations, view the [Revenue Services of British Columbia Annual Report](http://www.sbr.gov.bc.ca/collections/Annual_Report-2005.pdf), published March 31, 2006 online at http://www.sbr.gov.bc.ca/collections/Annual_Report-2005.pdf.



Total may not equal sum of components due to rounding.

⁴ View the Revenue Management Project Summary Report online at http://www.sbr.gov.bc.ca/rmp_summary_report.pdf.

Purpose, Vision, Mission and Values

Purpose

The Ministry of Small Business and Revenue was established in June 2005. The ministry incorporates the tax administration and revenue management responsibilities of the former Ministry of Provincial Revenue, and the small business development, regulatory reform and provincial property assessment and appeal process responsibilities from the former ministries of Small Business and Economic Development, and Sustainable Resource Management.

The ministry's mandate is to foster a competitive environment for small business⁵ and investment in all regions of British Columbia, and provide a centre of excellence in the Province of British Columbia for tax administration and revenue management. The ministry leads regulatory reform across government, and supports the Province's property assessment and appeal processes. Additionally, the Minister is accountable for BC Assessment, which establishes and maintains uniform real property assessments for all property owners in British Columbia.

The ministry is committed to excellence in its customer service, providing all of its services to British Columbians in a fair, efficient and timely manner.

Specifically, the ministry's mandate is to:

- Support the vital role small business plays in all areas of British Columbia's economy by championing small business success in government, and working with other ministries, partners and the small business community to implement strategies and initiatives to support small business start-up and growth.
- Identify and collect amounts owed to government through fair, efficient and effective tax administration and revenue management processes. These revenues support the provision of important government programs such as health care, education, transportation and social services.
- Provide a centre of excellence — streamlined, consolidated tax administration and revenue management services — to other ministries, local governments and other agencies.
- Lead regulatory reform in government, making it easier and more efficient for individuals, small business and industry to access government programs and services, and comply with regulations.
- Provide policy and administrative support to provincial property assessment and review processes to ensure transparent, flexible, fair and equitable service to British Columbia property owners.

⁵ A small business is a business operated by a person who is self-employed without paid help or has fewer than 50 employees. Refer to Appendix A for definitions and terms used in this document.

Vision⁶

The Ministry of Small Business and Revenue supports the prosperity of British Columbians through small business growth, effective tax administration and revenue management, and a responsible regulatory system.

Mission

The ministry will:

- Work in partnership to promote the success of the small business sector.
- Identify and collect provincial revenue to support government programs and services.
- Continue regulatory reform to improve government programs and services.

Values

The ministry's values guide the organization and its employees in conducting the business of the ministry and achieving its goals. The values of the ministry are reflected in the fairness and customer service principles detailed in the *Taxpayer Fairness and Service Code*, which guide all ministry staff dealings with customers, partners and stakeholders. The ministry also adheres to the core values of government — integrity, fiscal responsibility, accountability, respect and choice.⁷ The following demonstrates how the ministry's values are carried into its daily operations.

Values	Philosophy
Customer Service	We are committed to customer service excellence through responsive, courteous, fair and respectful treatment, and the protection of privacy and confidentiality.
Accountability	We are committed to serving the public interest, and measuring and reporting on our performance.
Partnership	We build and support partnerships with organizations, customers and stakeholders to achieve results.
Professionalism	We act with integrity, consistency and transparency, and maintain high corporate and personal standards.

⁶ The ministry's Vision, Mission and Values were revised to improve clarity during the 2006/07 planning process. The intent of these sections has not changed from that provided in the 2005/06–2007/08 Service Plan.

⁷ Government's core values are: *integrity* — to make decisions in a manner that is consistent, professional, fair, transparent and balanced; *fiscal responsibility* — to implement affordable public policies; *accountability* — to enhance efficiency, effectiveness and the credibility of government; *respect* — to treat all citizens equitably, compassionately and respectfully; and *choice* — to afford citizens the opportunity to exercise self-determination.

Strategic Context

The following section provides an overview of the ministry's operating context, including government direction, and the external and internal opportunities and risks that impact the ministry's operations, their expected effect on achieving the ministry's intended results and how they are being managed or mitigated.

Government Direction: Ministry contributions to the Government's Five Great Goals

The Government Strategic Plan⁸ has identified five key strategic goals for British Columbia. These goals guide activities and focus efforts across all ministries and government organizations. The Five Great Goals address literacy, healthy living, caring for those in need, a sustainable environment, and job creation for the decade ahead.

Government's Five Great Goals

1. Make British Columbia the best-educated, most literate jurisdiction on the continent.
2. Lead the way in North America in healthy living and physical fitness.
3. Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk, and seniors.
4. Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.
5. Create more jobs per capita than anywhere else in Canada.

The ministry manages revenues that fund the delivery of important programs and services, such as hospitals and schools, and administers a wide variety of tax credits and exemptions, and benefit programs that contribute to the achievement of all of the government's Five Great Goals. Most directly, the ministry makes a significant contribution to the success of Goal 5 — to create more jobs per capita than anywhere else in Canada. For more detailed information on the ministry's contributions to the achievement of the government's Five Great Goals, refer to Appendix B.

Government has identified a number of cross ministry initiatives to support the accomplishment of the Five Great Goals. The Ministry of Small Business and Revenue works with other ministries and government organizations to achieve outcomes and meet government priorities in areas of shared responsibility. Specifically, the ministry leads regulatory reform across government (refer to pages 15 and 31) and contributes to the success of the ActNow initiative and the 2010 Olympic and Paralympic Winter Games (refer to Strategies and Results: Page 43).

⁸ View the Government Strategic Plan online at <http://www.bcbudget.gov.bc.ca/>.

Regulatory Reform in British Columbia

The goal of the regulatory reform initiative is to minimize unnecessary government involvement in the lives of British Columbians. This improves service to individuals and businesses, and increases British Columbia's economic and business competitiveness.

The ministry is responsible for leading the regulatory reform initiative for government. However, it is the efforts of all government ministries and agencies that will lead to success. Key initiatives over the next three years (2006/07–2008/09) include:

Lead regulatory reform across government. The ministry will provide strategic leadership, support and guidance to this initiative. It will proactively advance the regulatory reform agenda in government, and identify and communicate the benefits of regulatory reform for British Columbians.

Maintain the regulatory reductions achieved to date while improving regulatory quality. All ministries will have a target of maintaining a zero net increase in regulatory requirements over the next three years. This target is part of every ministry's service plan. Before new or revised legislation or regulations are approved, ministries must complete the Regulatory Criteria Checklist. Refer to Goal 2 for further information.

Implement a new citizen-centred regulatory reform process. Ministries will identify projects to streamline access to government services for individuals, and reduce the steps required to comply with regulations for small business and industry. In addition, some ministries will participate in cross ministry initiatives to integrate access to government services.

External Opportunities and Risks

Provincial economy — The impact of the national and global economy on the provincial economic environment directly affects the ministry's success in revenue and debt collection. Strong economic growth presents opportunities for increased revenue generation, both through new revenues and increased voluntary compliance with existing financial obligations to government. Slower economic growth could have a negative impact on revenue generation. In response, the ministry maintains comprehensive regularized systems for revenue monitoring and reporting by revenue source, participates in taxation policy reviews and revenue budgeting with the Ministry of Finance, and advises government and clients about changes in revenue expectations in a timely manner.

In 2005, British Columbia's real GDP grew by a solid 3.5 per cent, slightly faster than the 3.4 per cent growth rate forecast in the *September Budget Update*. Strong consumer spending and investment helped make British Columbia's growth the second fastest in the country, second only to Alberta. The province's economic growth was accompanied by a marked drop in the unemployment rate and strong labour income growth, supporting consumer spending and residential construction.

This strong growth combined with the ministry efforts resulted in increased total revenues, and success in meeting incremental revenue and debt collection targets for 2005/06. A positive economic environment also supports ministry initiatives to promote a vibrant small business sector in all areas of the province. In 2005, British Columbia was ranked first in Canada in per capita job creation. The number of small businesses in British Columbia grew by 1.7 per cent, well above the national average of 1.2 per cent.

Business environment — Provincial tax legislation and policy, and the regulatory environment contribute to the competitiveness of the province's investment climate compared to other jurisdictions. Recent research indicates the ability to easily identify, understand and comply with necessary regulations can be a determining factor in where a business decides to locate.⁹

Recognizing tax and regulatory reform will become increasingly important factors in encouraging investment in the province, the ministry implements initiatives to ensure the tax regime remains current and customer-centred. It also continues to streamline and simplify the regulatory environment to assist in maintaining the competitiveness of the province as a place to live, do business and create jobs. Specifically, in 2005/06, the ministry implemented the British Columbia Provincial Sales Tax (PST) Review as part of the government's commitment to review tax policies, and established a permanent Small Business Roundtable to hear directly from the small business sector on how to support small business success.

Voluntary compliance with financial obligations — The willingness of taxpayers to voluntarily meet their financial obligations is the foundation of the tax system in British Columbia. Their willingness is impacted by a wide variety of factors, both within and outside the ministry's control. A key factor within the ministry's control is the quality and accessibility of information to help British Columbians' better understand their financial entitlements and obligations.

The ministry delivers information, education and outreach programs to promote voluntary compliance, undertaking initiatives focused on improving the quality and clarity of information, and expanding payment options to make it as easy as possible for individuals and businesses to comply with financial obligations. The ministry's audit and compliance program promotes fairness and equity by leveling the playing field for the majority of taxpayers who are meeting their financial obligations voluntarily. A key focus of the audit and compliance program is to educate taxpayers on their obligations to support future voluntary compliance.

Customer expectations — British Columbians expect their government to provide timely, high quality, responsive, professional customer service, easy access to information, and to engage in mutually beneficial, collaborative relationships. Recognizing this, the ministry has worked to build a relationship with British Columbians based on the fairness and customer service principles formalized in the *Taxpayer Fairness and Service Code*. Phase 2 of the code included the establishment of 12 service excellence standards by which the ministry will monitor and publicly report on its customer service performance.¹⁰ The ministry has also established consultative processes to provide effective forums to hear directly from customers and stakeholders (for example, the Small Business Roundtable, the Revenue Programs Advisory Committee¹¹ and the British Columbia Provincial Sales Tax Review consultations).

⁹ Enhancing Economic Competitiveness Through e-Government. Deloitte Touche Tohmatsu. 2003.

¹⁰ For more information on the *Taxpayer Fairness and Service Code*, refer to Appendix H.

¹¹ The Revenue Programs Advisory Committee is a forum for stakeholders' and taxpayers' input regarding taxation issues. It was established in 1999 and meets semi-annually.

Citizens also have the right to know the government is ensuring the confidentiality and security of their personal and tax information. The protection of British Columbians personal information continues to be of paramount importance to the ministry and is critical to preserving public trust. The ministry has expanded its capacity to react to information and privacy issues, and has introduced industry leading practices to maintain privacy and security of personal information with its private sector service provider. Additionally, each tax act contains confidentiality provisions that protect the tax information and records that are collected in the administration of the tax legislation. These are in addition to the privacy provisions that apply to all of government. In general, all taxpayer information is confidential and may only be disclosed in the very limited circumstances provided for in the tax statute. There are also controls to sharing tax information with different jurisdictions.

Client requirements — The ministry collects revenues on behalf of a wide variety of client ministries, agencies, local governments and local service areas. The policy decisions made by these organizations may impact on ministry activities and the revenue the ministry administers. For example, when tax rates or exemptions are changed the ministry must update its public information, change administrative procedures and inform taxpayers, and adjust revenue expectations. Policy changes may also impact on taxpayer compliance with financial obligations.

In these circumstances, the ministry must remain adaptable to consequent changes to the collectability of accounts receivable, and collaborate with its customers and client ministries to be positioned to provide informed feedback to ministries contemplating legislative or policy changes that could impact revenues. Additionally, the ministry works closely with the Ministry of Attorney General and Ministry of Finance to clarify the government's position in appeal situations, and develop legislative amendments where needed.

Quality of information — The ministry provides revenue administration and debt collection services to client ministries. In order to provide these services in an effective and efficient manner, the ministry relies on the accuracy and integrity of customer identifying information maintained by these client ministries. The ministry works cooperatively with client ministries to improve the quality of client identifying information.

Internal Opportunities and Risks

Demographics and skilled workforce — The ministry's success is dependent on its highly motivated and skilled employees. Recruitment and retention remains a challenge in a highly competitive market for certain professional skill sets. The ministry continues to strive to be an employer of choice within the public sector, and is committed to establishing a culture of excellence and learning, encouraging staff development and retention. The ministry supports job assignments to further professional and career development of interested employees.

The current demographics of the workforce show many ministry employees will soon be approaching retirement age. This may result in increased retirement rates, knowledge retention issues and the challenge of recruiting for key organizational positions. The ministry, within the context of government initiatives addressing workforce and succession challenges, is developing new strategies for attracting, training and retaining employees.

Citizen-centred service delivery — The ministry continues to focus on initiatives supporting citizen-centred service delivery, reviewing existing and new programs to identify service enhancements. The ministry is working to ensure public information is provided in plain language and is responsive to the diverse information needs of its customers. The implementation of a new citizen-centred regulatory reform process across government will reduce the steps taken by individuals to access services, and reduce the time spent by small business and industry to comply with regulations.

Ministry capacity — To enhance business and service capacity, the ministry has entered into an agreement with a private sector service provider to improve, consolidate and streamline revenue management processes across government. This allows the ministry to leverage private sector investment, expertise and technology, while transferring risk. The ministry also works with a range of partners to ensure the successful delivery of ministry programs and services, and to realize ministry goals. Refer to Service Delivery and Core Business Areas on page 19 and Appendix C.

Internal operations — The ministry continually reviews its internal operations and adopts best practices in its business administration. Enterprise risk management, strategic planning, project and performance management, and continuous improvement initiatives are key areas of focus for the ministry.

Risk management is a key factor in the ministry's continued success. The ministry proactively identifies the threats and opportunities that potentially could impact its success, and addresses areas of high risk. The ministry employs a risk management approach to identify and evaluate risks associated with strategic ministry projects that support the achievement of service plan goals and objectives, and information management or technology projects with a budget or duration that exceed certain thresholds. The ministry has an internal audit committee and regularly conducts audits to identify areas of management or operational risk and develop mitigation strategies. Risk management techniques are also applied to specialized areas including financial risk, occupational health and safety, and business continuity.

Service Delivery and Core Business Areas

The ministry depends on the contributions and support of a wide range of partners, including the business community, industry, local governments and federal government agencies to deliver its mandate. The ministry's core business areas each work with various partners to deliver their specific programs and services. Building and maintaining effective relationships and partnerships is a key strategic focus for the ministry.

The ministry delivers its programs and services through a variety of delivery channels, including ministry staff, other ministries, BC Assessment, Property Assessment Appeal Board, Property Assessment Review Panels, Canada Revenue Agency, Canada Border Service Agency, Small Business BC and a private sector service provider (EDS Advanced Solutions Inc.).

The ministry ensures service quality and client-centred service are maintained through formal mechanisms such as legislation, performance and service agreements (for example, ministry Service Plans, contribution agreements, work plans) and year-end reviews. Refer to Appendix C for more information on Service Delivery and Appendix D for the legislation administered by the ministry.

Core Business Areas Overview

The ministry relies on five core business areas to deliver its programs and services, and achieve its goals and objectives. The ministry's organizational structure supports the delivery of the programs, services and key initiatives of each core business area. Appendix E provides an overview of the ministry's organizational structure and primary responsibilities.

In 2005/06, total ministry gross expenditures totaled \$138.96 million. Of this amount, \$95.30 million was recovered from external and internal sources. Net expenditures totaled \$43.66 million. Refer to Resource Summary (page 64).

Small Business and Regulatory Reform

Resources	
Gross Expenditures	\$2.91 M
FTEs	11

Small Business and Regulatory Reform is responsible for leadership and cross government coordination of initiatives to strengthen small business growth and advance regulatory reform. This business area supports the permanent Small Business Roundtable.¹² The roundtable provides a forum for ongoing dialogue

with the small business community across British Columbia, and provides ongoing advice to government and the small business sector on issues, strategies and potential actions to support British Columbia in becoming the most business friendly jurisdiction in Canada.

¹² For more information on the permanent Small Business Roundtable, view online at <http://www.smallbusinessroundtable.ca>.

This business area works with partners and stakeholders from all levels of government and the private sector to develop proposals and implement solutions to address impediments to small business success, and provide services, products and tools to support small business start-up and growth.

Small Business and Regulatory Reform is also responsible for developing and implementing the Province's regulatory reform strategy. Business area responsibilities include providing advice and expertise to ministries to support the successful implementation of regulatory reform initiatives, maintaining the regulatory count database and producing quarterly public reports on cross government regulatory requirements. This business area represents British Columbia's interests on federal, provincial and territorial committees and working groups, and internationally on regulatory reform initiatives with organizations such as the Organization for Economic Cooperation and Development, and Asia-Pacific Economic Cooperation.

This business area works with other ministries, other levels of government and the business community to implement its services and programs.

Revenue Programs

Resources	
Gross Expenditures	\$41.10 M
FTEs	494

Revenue Programs is responsible for administration, compliance and enforcement activities for taxes,¹³ fees and natural resource royalties for the Province. This includes audit assessments, tax refunds, and the administration of tax credit and benefit programs.

Natural resource revenue administration includes the collection of royalties, freehold production taxes and resource management fees levied on the production of minerals, oil and gas. This business area promotes voluntary compliance with tax obligations, ensuring amounts owed to government are received through quality customer service, education and compliance programs.

In addition, Revenue Programs, acting on behalf of the ministry, represents British Columbia in its relationship with the Canada Revenue Agency and the Canada Border Services Agency with respect to the taxation statutes these agencies administer for the Province. This ensures revenues due to the Province are identified and received in a timely manner. Strong links are maintained with the municipalities and other government organizations collecting taxes on behalf of the Province, and with local governments and service areas on whose behalf the ministry collects taxes.

Provincial taxpayers — individuals, the business community and industry — are the primary customers and stakeholders served by Revenue Programs.

¹³ Taxes include: consumption taxes (social service tax, hotel room tax, motor fuel tax and tobacco tax), property taxes (rural property tax, school tax and property transfer tax) and other taxes (corporation capital tax, insurance premium tax and logging tax).

Revenue Services

Resources	
Gross Expenditures ¹	\$55.48 M
FTEs	120

¹ Business area expenditures include payment to the ministry's private sector service delivery provider for revenue management services including the sharing of financial benefits realized by improving the collection of accounts receivable and reducing the related bad debt expense.

Revenue Services provides selected revenue management services¹⁴ for the ministry, its client ministries and their customers. Services available include account management, billing, payment and remittance processing, debt collection and other revenue management services provided through a combination of ministry staff and a private sector service provider. Revenue Services manages the ministry's agreement with EDS Advanced Solutions Inc. ensuring oversight and facilitating the success of the agreement on behalf of the ministry.

This business area also manages and collects revenues resulting from invoices the Ministry of Forests and Range issues to its forest industry clients, and manages trust security deposits for tenure agreements.

Provincial taxpayers and client ministries are the primary customers and stakeholders of Revenue Services.

Property Assessment Services

Resources	
Gross Expenditures ²	\$2.44 M
FTEs	14

² Costs are fully recovered from BC Assessment, other organizations through agreements and appellants to the board.

Property Assessment Services provides advice on strategic property assessment policy, participates in inter-ministry and inter-agency processes related to property assessment and taxation, and reviews and develops legislative and regulatory changes and amendments related to property assessment.

In addition, this business area administers the annual Property Assessment Review Panel program¹⁵ across the province and supports the management of the Property Assessment Appeal Board.¹⁶ These review bodies ensure property assessments are accurate, reflect actual value, and criteria are applied consistently within a municipality or rural area. They work with BC Assessment, local taxation authorities and property owners to resolve disputes.

¹⁴ Revenue Services provides selected revenue management services for: Medical Services Plan; BC Ambulance Service; British Columbia Student Assistance Program; Employment and Assistance Program; Court Fines; Mineral, Oil and Gas revenues; Subsidized Bus Pass Program; Commercial loans; and tax programs that the ministry oversees for the Province.

¹⁵ The Property Assessment Review Panel program involves the annual appointment of approximately 275 panel members sitting on 80 panels throughout the province. The panels provide property owners in British Columbia with a first level of appeal through an accessible, affordable and equitable forum. For more information, view online at <http://srmwww.gov.bc.ca/clrg/parp/>.

¹⁶ The Property Assessment Appeal Board is independent from the Property Assessment Review Panels, government and BC Assessment. The Board's objectives are to resolve appeals justly and consistently, in accordance with the principles of procedural fairness and natural justice, and to complete appeals as quickly as possible, at minimum cost to all parties. For more information, view online at <http://www.assessmentappeal.bc.ca/>.

Property owners (individuals, businesses and industry) and municipalities are the primary customers of BC Assessment. The primary customers and stakeholders served by Property Assessment Services include BC Assessment, and the Ministries of Finance and Community Services.

Executive and Support Services

Resources	
Gross Expenditures ³	\$37.03 M
FTEs	180

³ Expenditures include those paid on behalf of the entire ministry, such as building occupancy charges, amortization costs, office supplies and expenses, and shared services costs related to the provision of information technology services, legal services, human resources and payroll management, and the corporate accounting system.

Executive and Support Services provides strategic leadership and corporate services to assist the ministry in achieving its goals and objectives.

This business area includes the Minister's and Deputy Minister's offices, and key programs and services provided across the ministry, including financial management and human resource services, strategic planning, performance reporting, information technology management, internal communication, and legislative and policy support. Executive and Support Services also administers investigative operations directed towards enforcement of provincial taxation

statutes. Key services to the public include responding to customer inquiries on tax, revenue and benefit programs administered by the ministry, providing taxpayer information and education, and conducting tax appeals reviews.

Taxpayers, legislators, other ministries and Ministry of Small Business and Revenue employees are the primary customers and stakeholders served by this business area.

Report on Performance

The ministry undertakes performance measurement and reporting to assess performance against established targets, inform decision-making processes and communicate progress towards ministry goals. The section contains detailed information on the ministry's performance during 2005/06 based on the performance measures and targets set out in the 2005/06–2007/08 Service Plan Update.¹⁷ The performance measures presented highlight the most critical aspects of ministry performance and are a sub-set of the data collected and reported internally by the ministry. The performance results demonstrate the ministry's progress towards achieving its stated vision, goals and objectives.

Performance for most measures is monitored monthly. This allows the ministry to implement operational changes required to improve performance in a timely manner. The ministry reviews performance measures at least annually to ensure measures continue to provide meaningful information, are representative of ministry performance and reflect ministry priorities. Measures are replaced where and when appropriate, balancing the need for reliable information with reasonable cost. Performance targets are based on past performance trends, government priorities, a focus on continuous improvement and availability of resources.

The data presented in this report is a valid representation of the ministry's performance during 2005/06. Performance is tracked through ministry financial and business information systems and processes, and is consistent with data reported in previous years unless otherwise noted. Data and explanations of performance are provided regularly by business areas with performance accountabilities across the ministry. This data supports the ministry's monthly and annual performance reporting and review processes, and annual planning. Ministry revenue is audited by the Office of the Auditor General as part of the audit of the Summary Financial Statements as reported in the annual Public Accounts of the Government of British Columbia. Ministry incremental revenue and debt collection totals are monitored by the ministry and reviewed by the ministry's Executive Financial Officer.

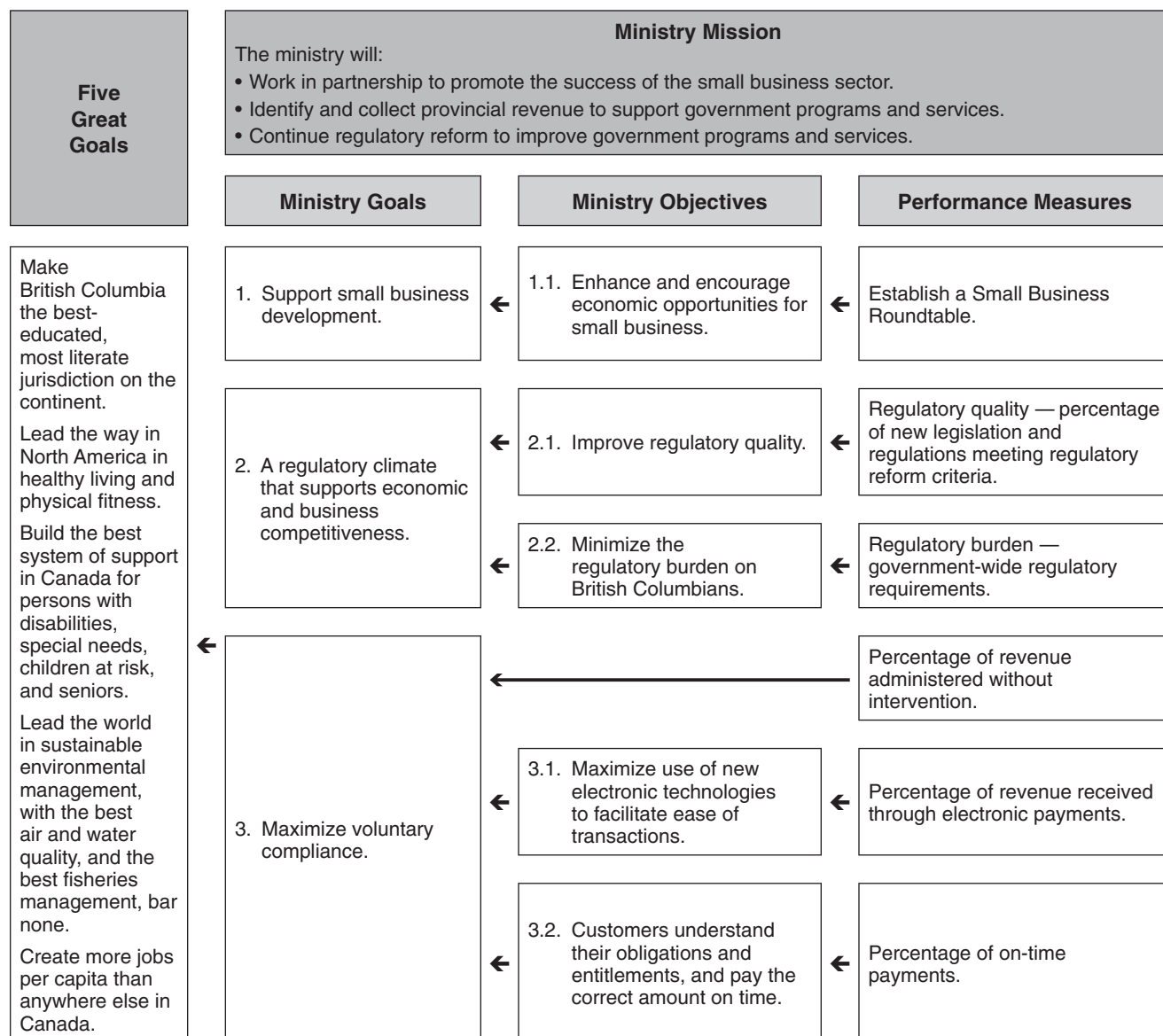
Since the publication of the 2005/06–2007/08 Service Plan Update, the ministry has undertaken a comprehensive review of its goals, objectives and performance measures. Details of the changes are in the 2006/07–2008/09 Service Plan and will be reported on at the end of 2006/07. Refer to Appendix F for details.

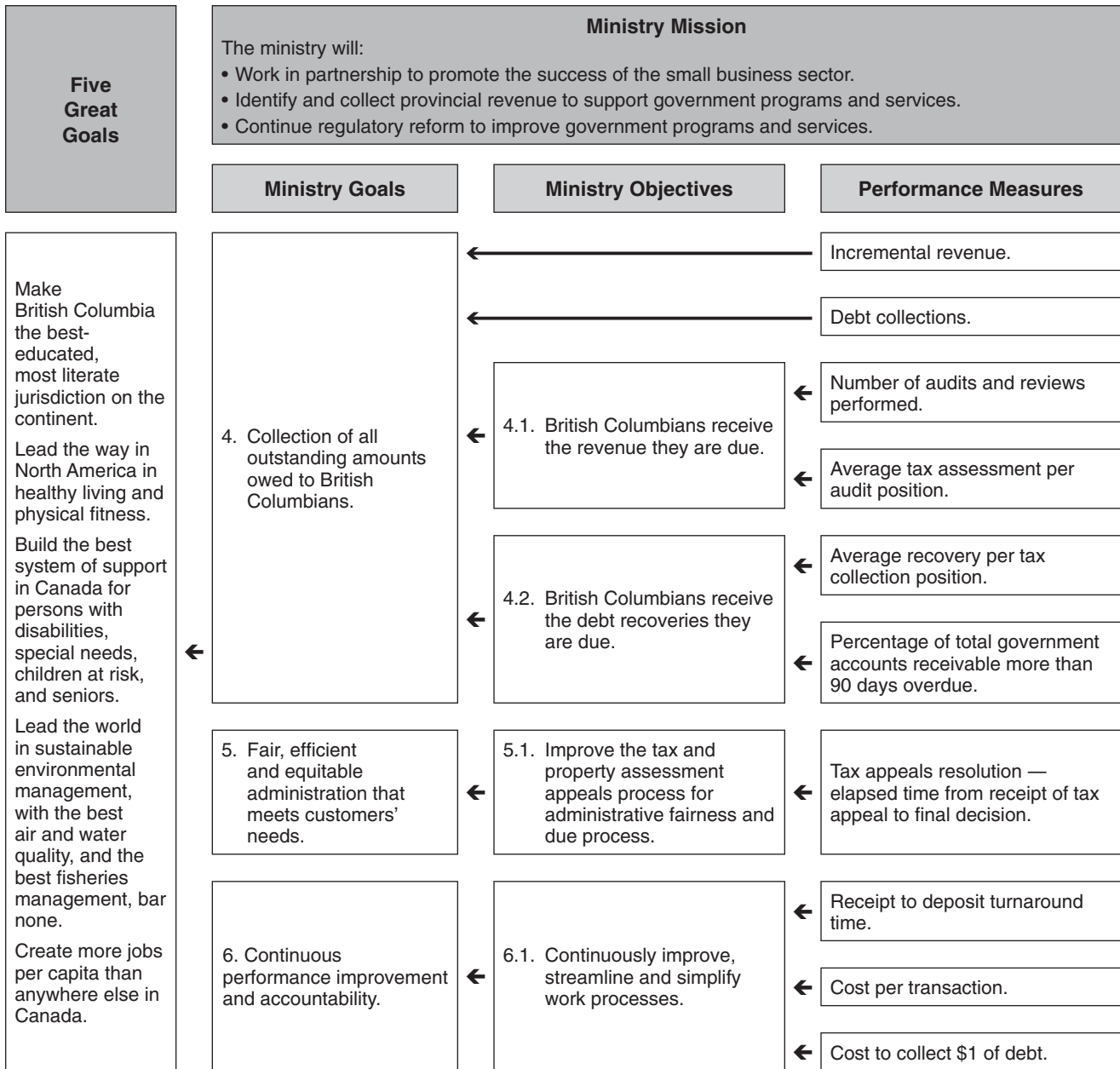
For information on performance data methodology and a discussion on benchmarking, refer to Appendix G.

¹⁷ View the 2005/06–2007/08 Service Plan Update online at <http://www.bcbudget.gov.bc.ca/>.

Performance Plan Summary Table

The ministry has established six strategic goals to guide it towards realizing its vision. These goals reflect government and ministry priorities, and the ministry's mission and values. The following diagram demonstrates the linkages between the ministry's goals, objectives and performance measures, and the government's Five Great Goals.





Performance Trends and 2005/06 Results

Following is an overview of the ministry's performance, presented by ministry goal, for 2005/06 and the previous three years (where available).

In 2005/06, the ministry exceeded, achieved or mostly achieved 13 of 16 targets set for its key performance measures. One measure did not meet target, one measure is not being reported while a third has been revised. The following section provides more detail on the ministry's performance during the past year.

Performance Measures	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Goal 1: Support small business development						
Establish a small business roundtable.			New measure in 2005/06	Small Business Roundtable established	Small Business Roundtable established October 2005	Achieved Target (p.30)
Goal 2: A regulatory climate that supports economic and business competitiveness						
Regulatory quality — percentage of new legislation and regulations meeting regulatory reform criteria.			New measure in 2005/06	100%	100%	Achieved Target (p.32)
Regulatory burden — government-wide regulatory requirements.	382,139 (June 2001)	237,893 (June 2004)	230,297 (June 2005)	0% net increase over June 2004	5% decrease over June 2004 Actual (226,433)	Exceeded Target (p.34)
Goal 3: Maximize voluntary compliance						
Percentage of revenue administered without intervention.	96.1%	95.7%	97.2%	97.9%	97.7%	Mostly Achieved Target ¹ (p.37)
Percentage of revenue received through electronic payments.	58% (\$6.0 B) ² (2.7 M) ³	57.7% (\$6.8 B) ² (3.3 M) ³	58.8% (\$7.5 B) ² (3.3 M) ³	65%	64.6% (\$9.0 B) ² (4.1 M) ³	Mostly Achieved Target ¹ (p.38)
Percentage of on-time payments.	85% (858,000) ⁴	82.4% (794,000) ⁴	89.2% (new baseline) (856,000) ⁴	89%	88.9% (874,000) ⁴	Mostly Achieved Target ¹ (p.40)

¹ A target is considered to be 'mostly achieved' if the result is at least 95 per cent of the target.

² Revenue received electronically.

³ Number of payments received electronically.

⁴ Number of on-time payments.

Performance Measures	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Goal 4: Collection of all outstanding amounts owed to British Columbians						
Incremental revenue.	\$410.2 M (\$308.2 M) ⁵	\$479.3 M (\$353.2 M) ⁵	\$330.7 M (\$251.8 M) ⁵	\$225.6 M	\$310.5 M (\$279.8 M) ⁵	Exceeded Target (p.44)
Number of audits and reviews performed.	194,104	184,441	187,749	168,000	189,856	Exceeded Target (p.45)
Average tax assessment per audit position.	\$1.1 M (\$632,000) ⁵	\$924,000 (\$646,000) ⁵	\$889,000 (\$667,000) ⁵	\$525,000	\$888,000 (\$802,000) ⁵	Exceeded Target (p.46)
Debt collections.	\$357.9 M	\$348.4 M	\$337.5 M	\$324.0 M	\$349.8 M	Exceeded Target (p.46)
Average recovery per tax collection position.	\$4.9 M	\$4.3 M	\$3.9 M	\$3.29 M	\$3.56 M	Exceeded Target (p.47)
Percentage of total government accounts receivable more than 90 days overdue.	40%	40%	35%	41%	34%	Exceeded Target (p.48)
Goal 5: Fair, efficient, and equitable administration that meets customers' needs						
Tax appeals resolution — elapsed time from receipt of tax appeal to final decision.	11.4 months	11.7 months	12.0 months	6.0 months	5.7 months	Exceeded Target (p.53)
Goal 6: Continuous performance improvement and accountability						
Receipt to deposit turnaround time.	New measure in 2003/04	3 Days	2 Days	95% on Same Day	89% on Same Day	Missed Target (p.57)
Cost per transaction.	New measure in 2003/04	\$0.82	\$0.68	\$0.75		Not Reported ⁶ (p.58)
Cost to collect \$1 of debt.		New measure in 2004/05	\$0.05 (\$0.024)	\$0.06 (new baseline established)	\$0.05 (\$0.029)	New Baseline Established ⁶ (p.58)

⁵ Incremental revenue and annual tax assessment per audit position have been normalized to remove extraordinary recoveries.

⁶ Refer to page 58 for an explanation of performance reporting for these two measures.

Goals, Objectives, Strategies and Performance Measures

Goal 1: Support small business development.

Small business is a significant driver of British Columbia's economic growth and is vital to the province's economic success. The ministry recognizes the importance of the small business sector and is committed to supporting a business climate in British Columbia where small business prospers. Realization of this goal benefits all British Columbians through its positive impact on job creation and the provincial economy, and directly supports both the ministry's mandate to foster a competitive environment for small business and the government's Great Goal to create more jobs per capita than anywhere else in Canada.

Small Business Profile

Small business plays a vital role in all areas of British Columbia's economy:

- constitutes 98 per cent (or 363,000) of all businesses in the province;
- employs approximately 971,000 people;
- plays a major role in the hi-tech sector, with 95 per cent of employers are small business;
- accounts for 57 per cent of all private sector jobs and;
- contributes 26 per cent of provincial GDP, the highest ratio of any province.

Small business employment in BC grew 3.3 per cent from 2003 to 2004, the second highest rate of growth among the provinces and well above the national average of 1.9 per cent.

Source: [Small Business Profile 2005](#)

The ministry's role in the area of small business development is to provide strategic leadership within government by identifying, coordinating and supporting government-wide initiatives. The ministry works closely with other ministries where policies and programs impact the small business community. It also works with a variety of partners to jointly develop proposals and implement solutions to address small business concerns.

Realization of this goal is influenced by elements outside of the ministry's control. For example, the impact of the national and global economy on the provincial economic environment, and the level of commitment of other ministries, levels of government and the business community to support small business development.

To support attainment of and commitment to this goal, in October 2005, the ministry established the permanent Small Business Roundtable. The Small Business Roundtable supports small business development by providing an effective forum to engage the small business sector in working with government to make British Columbia the most business friendly jurisdiction in Canada.

In addition, the ministry assumed responsibility for Small Business British Columbia (SBBC) in 2005. As a key partner of the Government of British Columbia, SBBC works with the Province in developing strategies and tools for small business development throughout

British Columbia. Funded by both the federal and provincial governments, SBBC is a not-for-profit organization that provides support to current and prospective small business operators in British Columbia. Small business in the province will benefit from the transfer as the SBBC's service delivery network complements the ministry's policy focus.

Core Business Areas: Small Business and Regulatory Reform.

Objective 1: Enhance and encourage economic opportunities for small business.

This objective, key to attaining Goal 1, reflects the ministry's commitment to identify, coordinate and implement initiatives to support small business start-up and growth.

Strategies and Results

Enhance the competitive environment for small business.

The ministry reviews tax proposals and changes to existing tax mechanisms, and monitors programs and services offered in other jurisdictions with the intent to adopt 'best practices' and ensure British Columbia offers a competitive environment for small business.

- The ministry participates in the "Federal/Provincial/Territorial Meeting of Government Officials on Small Business Policy." These meetings have been held annually for the past five years. The meetings provide an opportunity for collaborative information exchange, and sharing of experience and best practices.

Participate in federal-provincial policy and program development to support small business success.

The ministry collaborates with federal, provincial and territorial partners to influence the national small business policy agenda.

- The ministry assumed responsibility for Small Business BC (SBBC) in December 2005. This not-for profit organization, funded by both the federal and provincial governments, provides advisory services, business registration, market research services, and other tools to assist business start-up and growth.

Improve coordination of small business activities across government.

The ministry works to improve the coordination of small business activities across government, including working with other ministries to improve program delivery for small business.

- The ministry established the permanent Small Business Roundtable in October 2005. The roundtable provides ongoing advice to government on issues, strategies and possible actions to support small business success. Refer to Highlights section (page 7).
- The ministry launched the British Columbia Provincial Sales Tax (PST) Review as part of the government's commitment to review taxation policies. Consulting with individuals, small business and industry, the review will look at policies, legislation and administrative processes to streamline, simplify and enhance fairness for taxpayers. Refer to the Highlights section (page 8).

Diversify economic opportunities for small business.

The ministry maintains and builds partnerships with key organizations and levers resources to offer services, products and tools to entrepreneurs.

- The ministry secured \$395,000 in contributions from funding partners to support this strategy.
- Working with partners, the ministry developed and maintained resource guides aimed at identifying skill gaps and programs to enhance business opportunities for small business owners. Examples include British Columbia Skills Force Initiative, Small Business Profile, Small Business Quarterly, Growing Your Business — A Guide for British Columbia Women, and Leadership British Columbia Peer Mentoring Program.

Encourage small business development.

The ministry encourages small business development by raising the profile of small business opportunities, and highlighting and celebrating the contribution of small business to the economy and communities.

- The ministry championed and celebrated the success of small business and their contributions to the economy and communities, funding events such as — Small Business Week, Aboriginal BEST, Enterprise 2006 — UBC Sauder School of Business Undergraduate Awards, Junior Achievement Business Challenge, Kelowna Chamber of Commerce Business Awards, SUCCESS — Mentoring Program, and the Vancouver Island Business Awards.

Performance Measures and Results

Establish a Small Business Roundtable.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Result
Establish a Small Business Roundtable.			New measure in 2005/06	Small Business Roundtable established	Small Business Roundtable established October 2005	Achieved Target

Importance

This measure demonstrates the ministry’s commitment to support small business development by establishing, in a timely manner, a mechanism to listen to and work with the small business sector to support their ongoing success.

Explanation of performance

A key initiative of the ministry is to work with other ministries, levels of government and other partners to support small business development. A key component of this initiative is the establishment of the permanent Small Business Roundtable. The roundtable will provide ongoing advice to government to support the small business sector. The roundtable was announced in October 2005, meeting the performance target.

Over the next year, government and the ministry will review the advice from the roundtable and, working with other ministries, levels of government and other partners, develop a Small Business Strategy to support the economic prosperity of the small business community in British Columbia. Future performance targets will measure the ministry's success in developing and implementing the strategy.

Goal 2: A regulatory climate that supports economic and business competitiveness.

The Ministry of Small Business and Revenue leads the regulatory reform initiative for government. This initiative is a key component of government's strategy to increase British Columbia's economic and business competitiveness, at the same time, preserving those regulations effective in protecting health, safety and the environment. Through a focused and responsible approach to regulatory reform, the province is moving toward a modern, streamlined and simplified regulatory system that supports the ministry's mandate and the government's Five Great Goals. This initiative makes it easier, faster and more efficient for individuals, small business and industry to access government programs and services, and comply with regulations.

The ministry provides strategic leadership by identifying and coordinating the implementation of initiatives to support regulatory reform across government. Realization of this goal and its objectives is supported by the government-wide commitment to the benefits of regulatory reform.

Over the last five years, the government has exceeded its goal of eliminating one-third of government requirements, achieving a 41 per cent reduction. A new, key initiative over the next three years is a focus on citizen-centred regulatory reform. Refer to Regulatory Reform in British Columbia (page 15) for further information.

Core Business Areas: Small Business and Regulatory Reform.

Objective 1: Improve regulatory quality.

This objective focuses on increasing the province's economic and business competitiveness by improving the quality of the regulatory regime in British Columbia. Developing a streamlined and responsive regulatory system includes eliminating unneeded regulations and improving the quality of existing and new regulations.

Reviews and reforms of legislation, regulations and associated administrative policies help to modernize, streamline, harmonize and eliminate redundancies. Continued improvement in the regulatory climate is key to attracting new investment and building a more competitive provincial economy.

Objective 2: Minimize the regulatory burden on British Columbians.

Reducing regulatory requirements is the foundation on which government's regulatory reform initiative was built. This objective focuses on reducing regulatory burden to minimize

unnecessary government involvement in the lives of British Columbians and reduce the cost of doing business in British Columbia. A streamlined, simplified regulatory environment helps maintain the competitiveness of the province as a place to live, do business and create jobs.

Strategies and Results

Improve regulatory quality by ensuring continued adherence to the Regulatory Reform Policy.

- All new legislation and regulations in 2005/06, that were not exempt from the policy requirements, complied with the Regulatory Criteria Checklist.

Maintain regulatory reduction achievements as of June 2004.

- Government has eliminated over 11,000 additional regulatory requirements compared to the count as of June 2004; with about 3,900 regulations eliminated during the past fiscal year.

Build capacity within the public service for regulatory reform through activities such as developing guidance and resource materials, training, workshops and conferences to share best practices.

- The ministry enhanced the regulatory reform website <http://www.regulatoryreform.gov.bc.ca> to include a toolbox and resource materials for government regulators. These enhancements provide concepts, methods and ideas for policy development to help craft better regulatory approaches that adhere to the BC Regulatory Reform Policy, achieve objectives and minimize regulatory burden.
- The ministry conducted 25 one-on-one training sessions with regulatory reform file managers across government. This training assists ministries to manage their regulatory reform initiatives.
- The ministry led four workshops to build capacity for regulatory reform within government — Regulatory Requirement Database and Regulatory Count Integrity, Three Year Regulatory Reform Plans, Regulatory Reform Policy and Checklist, and Citizen Centred Regulatory Reform.
- The ministry presented a one-day conference in March 2005, Smart Regulations at Work in BC. The conference was designed to build capacity in government for regulatory reform and ‘smart regulations’ through the sharing of information on successful initiatives and priorities for the future. Over 200 participants attended the conference.

Performance Measures and Results

Regulatory quality — percentage of new legislation and regulations meeting regulatory reform criteria.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Regulatory quality — percentage of new legislation and regulations meeting regulatory reform criteria.			New measure in 2005/06	100%	100%	Achieved Target

Source: Ministry of Small Business and Revenue business information systems.

Importance

This measure demonstrates the government's commitment to improve the regulatory regime in British Columbia. The quality of proposed legislation is managed through the use of the Regulatory Reform Policy. This measure reports on the proportion of proposed legislation, policies and regulations, introduced in the last fiscal year, evaluated according to the Regulatory Criteria Checklist as set out in the Regulatory Reform Policy (refer to *Figure 1*). The criteria are based on internationally recognized principles of good quality regulatory design.

Explanation of performance

In 2001, the B.C. Government directed that all proposed legislation and regulations be developed in compliance with the Regulatory Criteria Checklist of the Regulatory Reform Policy. Exemptions from the regulatory criteria are permitted under specific, documented conditions, and require approval of the Minister responsible. The checklist ensures new or amended legislation is reviewed based on internationally recognized principles of good quality regulatory design, thereby contributing to the improvement of the overall regulatory environment in British Columbia.

The target established for 2005/06 was achieved. All new legislation and regulations in 2005/06, that were not exempt from the policy requirements, complied with the regulatory reform criteria. Of 29 new acts and regulations, fifteen new acts and regulations were introduced and brought into force, and all were evaluated according to the ten regulatory reform criteria. Fourteen new acts and regulations were exempt because they were non-regulatory or transitional in nature, housekeeping changes to clarify or correct a provision or required under a national uniform legislation or regulatory scheme.

Beginning in 2006/07, this performance measure will be monitored internally. The ministry will introduce a new measure to track government-wide efforts to streamline and simplify access to government programs and services, and reduce the steps required to comply with regulations. The new measure will focus on success achieved through citizen-centred regulatory reform initiatives. It will be developed in 2006/07. Performance reporting will begin in 2007/08.

Figure 1: Regulatory Criteria Checklist.

Regulatory Criteria Checklist	
1. Reverse onus:	need for the regulation is justified.
2. Regulatory design is results-based:	design reflects government's commitment to regulations that use scientific evidence and, where feasible, market incentives to achieve compliance and regulatory objectives.
3. Transparent development of regulatory requirements:	views of interested parties have been considered.
4. Cost-benefit analysis completed:	a cost-benefit analysis of the regulation has been completed.
5. Competitive analysis completed:	impact of regulatory requirements has been assessed and compared with equivalent regimes in other jurisdictions.
6. Regulatory requirements avoid or eliminate duplication with other jurisdictions:	duplication or overlap with requirements imposed by federal or local government has been avoided.
7. Timeliness of regulatory response:	steps undertaken to ensure those administering the regulation will respond in a timely way to those affected.
8. Plain language:	plain language has been used to draft the legislation.
9. Sunset review and expiry provisions:	need of periodic review of regulation has been considered.
10. Replacement principle applied:	one regulatory requirement eliminated for each new regulation introduced.
Source: Ministry of Small Business and Revenue; http://www.regulatoryreform.gov.bc.ca/ .	

Regulatory burden — government-wide regulatory requirements.

Performance Measure	June 2001 Actual	June 2004 Actual	June 2005 Actual	2005/06 Target	2005/06 Actual	Results
Regulatory burden — government-wide regulatory requirements.	382,139	237,893	230,297	0% net increase over June 2004 Actual (237,893)	5% decrease over June 2004 Actual (226,433)	Exceeded Target

Source: Ministry of Small Business and Revenue business information systems.

Importance

This measure tracks the total number of regulatory requirements administered by provincial ministries and government agencies. The number of government-wide regulatory requirements provides a good indication of the overall regulatory burden on British Columbians. Reducing regulatory burden makes it easier, faster and more efficient for individuals and businesses to deal with government.

Explanation of Performance

The target for 2005/06 — a zero net increase over June 2004 achievements — was exceeded. Total government regulations have been reduced by five per cent over June 2004 (a reduction of 11,460 regulations), with a two per cent reduction achieved within the past fiscal (a reduction of 3,864 regulations).

Government set priorities in the areas of employment standards, safety standards, liquor control and licensing, land use management and the resource sectors. Many of the changes exemplify the shift towards results-based regulation — encouraging innovation, competitiveness and economic growth.

Looking to the next three year period, ministries and agencies collectively are expected to continue to maintain their June 2004 regulatory reduction achievements. These targets reflect government's ongoing commitment to maintain the regulatory reduction achievements realized in the first four years of the regulatory reform initiative and demonstrate the government's commitment to reduce the regulatory burden on individuals, small business and industry in British Columbia.

Goal 3: Maximize voluntary compliance.

Voluntary compliance is the foundation of the taxation system in British Columbia, and is central to the ministry's revenue administration efforts. Voluntary compliance means individuals and businesses meet their financial obligations without the need for ministry intervention through audit, compliance or collection activities. It is the most efficient and effective means of administering revenue owed to government.

Improvements in voluntary compliance result in increased revenues to fund important government programs and services, contributing to the achievement of the ministry's mandate to identify and collect amounts owed to government, and supporting all of the government's Five Great Goals.

The ministry's success in meeting this goal depends on the willingness and ability of customers to pay the correct amount on time. It is expected voluntary compliance will increase if the ministry makes it easier for individuals and businesses to identify and understand their financial obligations, and provides a range of payment options.

Core Business Areas: Revenue Programs, Revenue Services, Executive and Support Services.

Objective 1: Maximize the use of new electronic technologies to facilitate ease of transactions.

Providing a range of payment options to facilitate payment of financial obligations to government is key to attaining Goal 3. The ministry has focused on expanding electronic payment processes because they are designed to be faster and easier for customers to use, and more cost effective to operate than manual payment processing systems. It has been the ministry's experience that voluntary compliance increases as payment options are expanded.

The expansion of electronic payment options has been a ministry priority for several years. The ministry has enjoyed significant success with the number of electronic payments increasing from 2.7 million in 2002/03 to 4.1 million in 2005/06. This initiative is relatively mature, with a variety of electronic payment options in place for the ministry's major programs.

Objective 2: Customers understand their obligations and entitlements, and pay the correct amount on time.

The ministry has focused efforts on identifying and implementing quality customer service initiatives to respond to customers' needs for information to assist them in identifying and understanding their financial obligations to government. It is expected voluntary compliance will increase if customers understand and accept their financial obligations.

Strategies and Results

Help British Columbians to better understand their financial obligations to government; improve information and service to the public.

- The ministry is committed to service excellence based on a citizen-centred approach to service delivery. The ministry helps British Columbians to better understand their financial rights and obligations by providing clear, complete, accurate and timely information. This includes providing educational sessions and seminars across the province, timely statutory interpretation and ruling services, and multi-channel access to information outlining financial obligations, filing due dates, methods of filing and payment, and contact information for questions. To ensure information, education and outreach programs meet the needs of customers, the ministry consults with a wide variety of stakeholders to identify their requirements and priorities.
- The ministry offers free tax seminars and workshops throughout British Columbia. This service is available to taxpayers from any size business. Ministry staff are available to meet with businesses to provide presentations on any provincial tax-related topic or will tailor a seminar to meet their needs. This includes developing and presenting industry-specific seminars for individual associations. For more information, view online at <http://www.rev.gov.bc.ca/seminars/index.asp>.

Refer to Highlights section (page 9) for specific examples of citizen-centred customer service initiatives.

Make it as easy as possible to comply with financial obligations.

To facilitate ease of payment, the ministry has introduced expanded options for making payments electronically, is focusing education and awareness programs on areas of lower participation, and is identifying and removing barriers, where possible, to the use of electronic payments. For example:

- All major programs have access to a variety of electronic payment options.
- The ministry focused efforts to increase electronic payments for forestry invoices and receivables. A brochure on available payment options is proved at ministry offices and ministry staff are available to assist customers who want to make use of an electronic payment option. Revenue received electronically in 2005/06 increased \$117 million over 2004/05 (a 22 per cent increase in revenue received electronically and a 7 per cent increase in number of electronic payments).
- A new initiative in 2005/06 was the introduction of electronic filing of information required to calculate royalties for oil producers. This has reduced administrative burden on both the producers and ministry, and increased the accuracy of the information provided with the elimination of multiple manual steps.
- The ministry, participating in a cross government initiative, is currently exploring the use of credit cards as a payment option for a wider range of financial obligations to government. If successful, this will add to the suite of modern, convenient payment options already available to customers, supporting the government's commitment to citizen-centred service delivery.

Performance Measures and Results

Ministry revenue administered without intervention.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Percentage of revenue administered without intervention.	96.1%	95.7%	97.2%	97.9%	97.7%	Mostly Achieved Target

Source: Ministry of Small Business and Revenue business information systems.

Importance

This is an overall measure of the ministry's success in meeting Goal 3 — maximizing voluntary compliance. This measure reports the percentage of revenue recognized as a financial obligation to government, either by the ministry or self-assessed by individuals and businesses, without audit or compliance intervention. Seemingly minor increases in performance translate into the potential for millions of dollars in voluntary payments.

Explanation of performance

The target established for 2005/06 was mostly achieved, with 97.7 per cent of revenue identified without intervention. The target for this measure is established based on estimates of both total and incremental revenue, and reflects the projected balance between the two. Due to stronger than anticipated performance in identifying incremental revenue (refer to page 44), performance for this measure is slightly below target.

However, performance has improved over the last four years, with the ministry's best performance to date realized in 2005/06. Although performance increases are small, they result in a significant increase in voluntarily identified revenue. In 2005/06, an estimated \$1.2 billion in additional revenue was identified without intervention. This performance was supported by the ministry's information, education and outreach services, and the strong performance of the provincial economy.

In 2006/07, this measure will be replaced with a new measure — percentage of identified revenue collected. The new measure reports on the ministry's success in collecting all amounts identified as owed to government (identified by the ministry, voluntarily identified by individuals and businesses, and identified through ministry intervention). A baseline will be established in 2006/07 and reporting will begin in 2007/08.

Percentage of revenue received through electronic payments.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Percentage of revenue received through electronic payments. ¹	58% (\$6.0 B) ² (2.7 M) ³	57.7% (\$6.8 B) ² (3.3 M) ³	58.8% (\$7.5 B) ² (3.3 M) ³	65%	64.6% (\$9.0 B) ² (4.1 M) ³	Mostly Achieved Target

Source: Ministry of Small Business and Revenue business information systems.

¹ Electronic payments — electronic funds transfer, electronic data interchange payment from financial payment systems, payments made through personal computer and telephone banking, preauthorized payments, pay direct e-banking and group e-banking, credit card payments and those made at a financial institution or Government Agent offices and transferred to the ministry electronically. The range of payment options available varies based on the type of payment.

² Revenue received electronically.

³ Number of payments received electronically.

Importance

This measure tracks the replacement of physical payments (cash, cheques and drafts) with electronic payments, reporting on the percentage of revenue received electronically. Results are an indicator of the success of the ministry's e-service initiatives, monitoring the public's use of the suite of electronic options available for payments. If these initiatives are successful, it is expected a greater proportion of revenue and payments will be received electronically.

Explanation of Performance

In 2005/06, the ministry received \$14 billion in direct payments with \$9.04 billion (64.6 per cent) received electronically. This performance falls short of the target set. However, performance has increased significantly over 2004/05 and is the best recorded to date.

The ministry has achieved improvements in the amount of revenue and the number of payments received electronically over the past four years. Both the amount of revenue received electronically and the number of electronic payments have increased 50 per cent over the past four years.

The ministry's improved performance in 2005/06 can be attributed to the increased uptake of electronic payment options for property tax (82.5 per cent of revenue was received electronically compared to 77 per cent in 2004/05) and consumption taxes (72.1 per cent of revenue was received electronically compared to 66.8 per cent in 2004/05). These two tax areas constitute approximately 69 per cent of all revenue received electronically by the ministry in 2005/06. Refer to *Figure 2*.

The ministry did not fully achieve its target due to lower than expected revenue received electronically for Other taxes, Medical Services Plan (MSP) premiums and Natural Resource Revenues (with the exception of Forest revenues). In some cases, the actual number of electronic payments were high — almost 3.2 million individual MSP premium payments were made electronically representing 81.5 per cent of all MSP payments received — but the overall dollar value was low due to clients with large payments continuing to use physical payment methods. Only 31.0 per cent of the revenue received for MSP premiums resulted from electronic payments.

The ministry will continue to focus education and awareness programs on areas of lower participation, and identify and remove barriers, where possible, to the use of existing electronic payment options.

This measure is not included in the 2006/07 – 2008/09 Service Plan. The ministry has seen increasing use of electronic payment options over the last three years and felt it was time to retire this performance measure so new initiatives of the ministry can be reported on in the future. Performance will be monitored internally.

Figure 2: Electronic Revenue and Payments by Revenue Type, 2005/06.

Revenue Type	Revenue Received Electronically			Payments Received Electronically	
	Dollars (in millions)	Per Cent For Revenue Type	Per Cent By Total Revenue Received	Number	Per Cent For Revenue Type
Consumption taxes ¹	4,697	72.1	52	390,000	39.1
Property taxes	1,532	82.5	17	116,000	30.4
Other taxes ²	342	57.2	4	4,600	26.5
Natural Resource Revenues ³	1,961	55.3	21	34,000	48.5
Medical Services Plan (MSP) Premiums	429	31.0	5	3,160,000	81.5
Non-tax debt collections ⁴	83	83.2	1	361,000	85.0
Total	9,044	64.6	100	4,065,600	76.1

Source: Ministry of Small Business and Revenue business information systems.

¹ Consumption taxes — provincial sales, hotel room, motor fuel, and tobacco taxes.

² Other taxes — corporation capital, insurance premium and logging taxes.

³ Natural Resource Revenues — royalties, freehold production taxes and resource management fees levied on the production of mineral, oil and gas, and forest revenues.

⁴ Non-tax debt collections — Immigrant Sponsorship Program, B.C. Ambulance Service, British Columbia Student Assistance Program, Employment and Assistance Program and court fines.

Percentage of on-time payments.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Percentage of on-time payments. ¹	85% (858,000) ²	82.4% (794,000) ²	89.2% (new baseline) (865,000) ²	89%	88.9% (874,000) ²	Mostly Achieved Target

Source: Ministry of Small Business and Revenue business information systems.

¹ The 2004/05 Actual has been restated to include only the on-time returns of those obligated to make a payment and excludes those required to submit a remittance when no tax is owed. This represents a new baseline for this performance measure.

² The number of on-time payments received.

Importance

This measure tracks the remittance of consumption taxes, property taxes, and mineral, oil and gas taxes and royalties, calculating the percentage paid on or before their legislated due date. It provides an indication of the taxpayers' understanding of their financial obligations and their willingness to comply. If customer service initiatives are successful, it is anticipated the percentage of on-time payments will increase as more taxpayers understand their responsibilities and the legislative requirements of the tax system.

In 2005/06, the payments comprising this measure represented approximately 76 per cent of total ministry payments, reflecting \$6.9 billion in revenue or 52 per cent of ministry revenue (excluding that collected by the CRA for the ministry).

Explanation of Performance

Of the 973,000 tax payments received by the ministry in 2005/06, 874,000 (88.9 per cent) were received by their legislated due date. This performance mostly meets the 2005/06 target. However, it reflects a slight decline in performance compared to 2004/05.

Performance reflects a lower than expected proportion of on-time payments for provincial sales tax — the primary driver of ministry success in this area. Performance in other areas of the ministry improved slightly over 2004/05 and the number of on-time payments increased across the ministry. Refer to *Figure 3*.

Comprehensive public information, education and outreach programs targeted at both businesses and individuals supported ministry performance. This focus will continue and be expanded to support achievement of performance targets for the next three years. Future targets have been set to achieve incremental improvement, building on the current high level of achievement.

Figure 3: Comparison of On-time Payment Performance 2004/05 – 2005/06.

Payment Type	2004/05		2005/06	
	Number of On-time Payments	Per cent of On-time Payments	Number of On-time Payments	Per cent of On-time Payments
Consumption Tax (provincial sales tax and hotel tax)	558,000	91.5	561,000	90.6
Rural Property Tax	285,000	85.5	289,000	85.7
Mineral, Oil and Gas Revenues	22,000	88.9	24,000	91.1
Total	865,000	89.4	874,000	88.9

Source: Ministry of Small Business and Revenue business information systems.

Goal 4: Collection of all outstanding amounts owed to British Columbians.

The ministry is responsible for identifying and collecting amounts owed to government, for those statutes it administers, through fair, efficient and effective tax administration and revenue management processes. Successful tax administration and revenue management depend on the voluntary payment of financial obligations, balanced by education, assistance, audit, compliance and collection activities.

The ministry undertakes audit, enforcement and collections activities to recover outstanding amounts owed to British Columbians, and to promote fairness and equity by leveling the playing field for the majority of customers who are meeting their financial obligations voluntarily. These activities assist in identifying monies owed, ensuring amounts owed are collected, deterring customers who might otherwise avoid paying, and educating customers and debtors on their obligations. Education on obligations and the deterrent effect of audits also contribute to increased voluntary compliance (refer to Goal 3).

Success in Goal 4 means monies owed to British Columbians are identified, recovered and made available to address government strategic priorities. This goal contributes directly to the achievement of the ministry's mandate — to identify and collect amounts owed to government — and supports all of the government's Five Great Goals.

The ministry's success can be influenced by conditions beyond its control, most notably, the health of the provincial economy, which can impact on the total revenue the ministry receives and the voluntary payment of financial obligations. Refer to Strategic Context (page 14).

Core Business Areas: Revenue Programs, Revenue Services.

Objective 1: British Columbians receive the revenue they are due.

This objective focuses on identifying outstanding revenues owed to British Columbians through the ministry's audit and compliance programs, and ensuring individuals and businesses are meeting legislated requirements. These activities result in the identification of revenues owed to government, which otherwise would not have been received.

Objective 2: British Columbians receive the debt recoveries they are due.

The ministry undertakes collection activities to obtain repayment of outstanding amounts owed to British Columbians. The ministry's efforts result in payment of a wide variety of tax and non-tax overdue receivables, and contribute to a reduction in the overall amount of government receivables.

A key initiative of the ministry is the development of a new Revenue Management System. Refer to Strategies and Results following.

Strategies and Results

To recover outstanding monies owed to British Columbians and to promote fairness and equity, the ministry uses the following strategies to identify and collect all outstanding amounts when a customer fails to meet their obligations, either willfully or due to an error:

Conduct compliance and audits activities.

The ministry ensures the audit and compliance program is adequately resourced, focuses efforts on areas of highest risk of non-compliance and levels the playing field for taxpayers.

- In 2005/06, the ministry exceeded all of the performance targets associated with its audit and compliance program.
- With amendments to the *Forest Act*, the ministry will begin the implementation of a forest revenue (stumpage) audit program in 2006/07, working in consultation with the forest industry. Stumpage revenues are worth \$1 billion to the Province annually and rely upon a self-assessing system. Currently, these revenues are the only major revenue source without a comprehensive audit program. This program will further protect the revenue the public is receiving from Crown forest resources.

Improve the timelines of assessment practices.

The ministry manages its workload to ensure the timely issuance of assessments following audit and compliance activities. This reflects good customer service and increases the chance of recovering outstanding amounts owed to government.

- The ministry undertook a special project to reduce the backlog of property transfer tax compliance reviews resulting from a strong real estate market to provide more timely assessments.

Improve the collaboration and accountability across jurisdictions to pursue joint tax enforcement activities.

- The ministry has developed, with the Canada Revenue Agency (CRA), an annual work plan to help ensure personal and corporate income tax revenue due to the Province is identified and received in a timely manner. The work plan identifies both ongoing and one-time initiatives, accountabilities and, where appropriate, timelines and performance measures.
- The ministry is working closely with the CRA and the Vancouver Organizing Committee to ensure contractors, sponsors and suppliers, particularly those from other provinces and countries, are aware of their tax obligations in British Columbia while preparing for and operating during the 2010 Olympic and Paralympic Winter Games. The ministry's focus is on increasing awareness by providing educational materials and answering specific tax questions.

Improve collection processes.

- The ministry focuses resources on debt collection functions and strives to continually improve revenue recovery tools and approaches to ensure collection functions are effective.
- The ministry has entered into an agreement with a private sector service provider to further enhance the effectiveness of revenue and debt collection administration. Phase 1 of the Revenue Management System was implemented in April 2006. A benefit of the new system is the increased ability to collect outstanding amounts owed to the Province. This will be accomplished by helping customers understand how much they owe, offering a variety of payment options and using innovative collection processes. The results will be reduced bad debt expenses, and lower borrowing costs to government because of timely payments and collection of debts.
- Over the past two years, the ministry has phased in enhanced debt recovery options introduced in legislation in 2004. Under consumption tax legislation, a director of a corporation may be liable for the taxes the corporation fails to collect or remit. Directors may also be liable if the corporation fails to pay a security. A director who takes reasonable steps to ensure that the corporation pays its taxes or security will not be liable.

Incremental revenue.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Incremental revenue.	\$410.2 M (308.2 M) ¹	\$479.3 M (353.2 M) ¹	\$330.7 M (251.8 M) ¹	\$225.6 M	\$310.5 M (279.8 M) ¹	Exceeded Target

Source: Ministry of Small Business and Revenue business information systems.

¹ Incremental revenue normalized to remove extraordinary recoveries. Extraordinary recoveries include unanticipated and one-time incremental revenue.

Importance

This measure is an indication of the ministry’s success in identifying outstanding amounts owed to government through audit and compliance activities, and contributes to the achievement of Goal 4. It reports on the amount of revenue, primarily from taxes, identified as owed to government as a result of ministry intervention. The amounts identified are incremental revenue. Incremental revenue targets are approved annually by Treasury Board and are set out under the *Balanced Budget and Ministerial Accountability Act*. Achievement of the annual target is a key accountability of the Minister of Small Business and Revenue.

Explanation of performance

In 2005/06, the Minister was accountable for earning \$225.6 million dollars in incremental revenue in respect of revenue payable under the enactments he administers. The ministry exceeded its target, identifying \$310.5 million in incremental revenue. A substantial amount of revenue is derived from out-of-province audit assessments to ensure British Columbia businesses are not at a tax disadvantage compared to their out-of-province counterparts operating in the province.

The ministry sets annual incremental revenue targets based on the best information available at the time. Through the year, it explores new and emerging opportunities and focuses its resources in areas where risk of revenue loss is greatest. Achievement of targets are due to a number of factors, including the variability of some revenues, certain extraordinary revenues and success in assessing revenues through focused attention on areas at higher risk of non-compliance.

In 2005/06, extraordinary revenues included greater than anticipated recoveries with the conclusion of audits of general corporations under the *Corporation Capital Tax Act*, increased property transfer tax recoveries reflecting a strong real estate market, and higher than expected incremental revenues from natural resource royalties due to strong economic performance in the oil and gas sector. In addition, the ministry recorded lower than anticipated revenue refunds from taxpayer requests. However, extraordinary incremental assessments have declined over the past four years due to success in identifying outstanding revenues in areas of highest risk of non-compliance.

Incremental revenues have been gradually decreasing over the last few years and the ministry expects this trend to continue. Continued decreases reflect changes in the tax regime, the wrap-up of special compliance projects and increased voluntary compliance with

financial obligations. The ministry will continue to focus audit and compliance activities on areas assessed at higher risk of non-compliance, and the implementation of the new forest audit program.

Beginning in 2006/07, the ministry will report on both the percentage of the incremental revenue target achieved and the dollar value as set out in the *Balanced Budget Ministerial Accountability Act*.

Number of reviews and audits and reviews performed.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Number of reviews and audits performed. ¹	194,104	184,441	187,749	168,000	189,856	Exceeded Target

Source: Ministry of Small Business and Revenue business information systems.

¹ Reviews and audits vary from the review of grant claims, tax expenditures and exemptions and compliance with legislation, to the examination of financial records and legal documents.

Importance

This measure reports on the number of reviews and audits performed under the tax and royalty statutes the ministry administers. It provides an indication of the level of effort the ministry is employing to ensure British Columbians receive the revenue they are due. Maintaining an effective audit and compliance program allows the ministry to identify and collect outstanding amounts owed to government and ensure a level playing field for the vast majority of British Columbians who voluntarily comply with their financial obligations.

Explanation of performance

The ministry performed 189,856 reviews and audits in 2005/06, exceeding the target. This success reflects the ministry’s efforts to ensure adequate review and audit activities across the broad spectrum of tax statutes the ministry administers. Performance in 2005/06 is in line with achievements in the past three years.

Changes to the tax regime — for example, the phasing out of Corporation Capital Tax for general corporations — will mean the reallocation of some auditors to new portfolios, providing an opportunity to focus on other areas of non-compliance. The ministry will establish new targets for the next three years.

Average tax assessment per audit position.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Average tax assessment per audit position.	\$1.1 M (\$632,000) ¹	\$924,000 (\$646,000) ¹	\$889,000 (\$667,000) ¹	\$525,000	\$888,000 (\$802,000) ¹	Exceeded Target

Source: Ministry of Small Business and Revenue business information systems.

¹ The annual tax assessment per audit position normalized to remove extraordinary recoveries. Extraordinary recoveries include unanticipated and one-time incremental revenue.

Importance

This measure reports on the average amount of incremental revenue identified through reviews and audit assessments, per audit position. It is an indication of the effectiveness of the audit and compliance program in targeting review and audit activities on areas of non-compliance. This measure demonstrates the balance between the resources allocated to the audit and compliance program and the revenue the program recovers for government. The identification of incremental revenue supports the collection of all outstanding amounts owed to government.¹⁸

Explanation of performance

The ministry exceeded its target. Within the ministry, there is a wide variance in the assessment per audit position based on the type of review or audit performed. Details in the table above reflect performance at the ministry level. Performance exceeded target even though the ministry did not make significant changes in resources dedicated to this program. Performance is also on par with the past three years.

Future performance targets will reflect the adjustments to be made to incremental revenue targets.

Debt collections.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Debt collections.	\$357.9 M	\$348.4 M	\$337.5 M	\$324.0 M	\$349.8 M	Exceeded Target

Source: Ministry of Small Business and Revenue business information systems.

Importance

This measure reports on the amount of debt recovered through the ministry's debt collection activities. It is an indicator of the effectiveness of the ministry's activities in collecting its portfolio of overdue accounts. Debt collection contributes to the recovery of revenue owed to government and to the ministry's success in achieving Goal 4.

¹⁸ This measure is used to assess overall and average ministry activity for the purposes of setting strategic direction and expenditure/resource allocation. It is not used to monitor individuals' performance.

Explanation of performance

The ministry exceeded its debt collection target, collecting \$349.8 million in overdue accounts receivable. Higher than expected debt recoveries were realized in both tax and non-tax portfolios. In part, this reflects the relationship between the amount of incremental revenue assessed by the ministry and the level of debt collection activity the ministry undertakes. Higher than anticipated incremental revenue leads to more active debt collection to recover amounts identified as owed to government.

The ministry's success was supported by earlier collections intervention, the dedication of additional resources to the collection of non-tax portfolios, and focusing resources on higher risk debt portfolios. The ministry's overall success also reflects the positive impact of a strong economy.

Over the next three years, more effective business processes, the consistent application of early intervention across collection portfolios and the transfer of debt portfolios from other ministries to the Ministry of Small Business and Revenue will positively impact on debt collection results. However, over time, the trend will be one of decline as there will be less debt to collect and increased voluntary compliance.

Beginning in 2006/07, the ministry will report on both the amount of debt collected and the percentage of overdue accounts collected. This new measure better demonstrates the ministry's success in managing the accounts receivable portfolio. A baseline and targets will be established in 2006/07, and reporting will begin in 2007/08.

Average recovery per tax collection position.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Average recovery per tax collection position. ¹	\$4.9 M	\$4.3 M	\$3.9 M	\$3.29 M	\$3.56 M	Exceeded Target

Source: Ministry of Small Business and Revenue business information systems.

¹ In 2005/06, debt collection for tax portfolios comprised over 60 per cent of all debt collections. Non-tax debt collections are managed by the ministry's private sector service provider and are excluded from this measure, but included in the ministry's debt collection results.

Importance

This measure reports on the average debt recovery per tax collection position. It is a measure of the effectiveness of the ministry's collections program in recovering outstanding tax revenue for government.¹⁹

¹⁹ This measure is used to assess overall and average ministry activity for the purposes of setting strategic direction and expenditure/resource allocation. It is not used to monitor individuals' performance.

Explanation of performance

In 2005/06, the ministry achieved an average recovery of \$3.56 million per tax collection position, exceeding the ministry target of \$3.29 million. The ministry exceeded its target due to strong collections performance across the majority of tax debt portfolios without a significant change in resources dedicated to this program. Ministry efforts have lowered the outstanding tax accounts receivable by \$22 million from \$87 million in 2004/05 to \$65 million in 2005/06.

Beginning in 2006/07, this measure will be monitored internally.

Percentage of total government accounts receivable more than 90 days overdue.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Percentage of total government accounts receivable more than 90 days overdue. ¹	40%	40%	35%	41%	34%	Exceeded Target

¹ Data is provided by the Office of the Comptroller-General.

The calculation of results for fiscal 2005/06 is consistent with prior years. However, starting in fiscal 2005/06, the ministry included revenues earned but not yet due for payment in its accounts receivable information as noted in the Explanation of Performance section, but this change is not reflected in the above table.

Importance

This measure reports on the percentage of debt owed to government that is over 90 days past due. As debt collection success tends to decrease as the debt ages, the ministry and government as a whole work to reduce the percentage of government accounts receivable more than 90 days past due. Collection of aged debt contributes to improved debt recovery and reduced bad debt expenses. Currently, the ministry is either accountable for, or manages, a portion of the total government accounts receivable over 90 days overdue. The ministry's success in reducing the overdue debt under its administration contributes to improvement in government's overall performance.

Explanation of Performance

The percentage of total government trade accounts receivable more than 90 days past due was 34 per cent in 2005/06, exceeding the target. This is an improvement from 35 per cent in 2004/05.

The following provides an overview of the ministry's collection success for both tax and non-tax portfolios, contributing to the overall government performance for this measure. Refer to *Figure 4*.

The total trade accounts receivable²⁰ of government is \$2.671 billion of which the ministry is accountable for \$1.722 billion (64.5 per cent). The ministry's accounts receivable include both tax accounts receivable (\$1.009 billion) resulting from the tax statutes administered by the ministry, and non-tax accounts receivable (\$713 million) the ministry manages on behalf of other ministries.

Ministry tax accounts receivable over 90 days past due decreased by 32 per cent, from \$65 million in 2004/05 to \$44 million in 2005/06. These receivables represent approximately 5 per cent of total tax receivables.

As of December 2004, the management of the majority of non-tax receivables transitioned to the ministry's private sector service provider. Over the past year, total non-tax accounts receivable over 90 days past due decreased by approximately 2 per cent, from \$448 million in 2004/05 to \$440 million in 2005/06. Over 90 days past due receivables represent almost 62 per cent of non-tax total receivables. This reflects that, with the exception of the Medical Services Plan premiums, most portfolios are received for collection when they are more than 90 days overdue.

The ministry's improvement in both total accounts receivable and those over 90 days past due are a result of its successful debt collections program and the identification of some longstanding debts as uncollectible. The ministry's efforts to clean up debts accumulated over several years will continue in 2006/07.

²⁰ Trade accounts receivable include accounts for which revenue has been earned but is not yet due for payment. It excludes loans and advances, or debt due from other governments.

Figure 4: Government Accounts Receivable, 2004/05 – 2005/06.

Total Government Receivables 2005/06: \$2.671 B 2004/05: \$2.527 B				
Total Ministry of Small Business and Revenue accounts receivable¹ 2005/06: \$1.722 B 2004/05: \$1.668 B			Managed by other government ministries and agencies	
Tax accounts receivable managed by the Ministry of Small Business and Revenue 2005/06: \$1.009 B 2004/05: \$899 M		Non-tax accounts receivable managed by the Ministry of Small Business and Revenue and the ministry's private sector service delivery provider 2005/06: \$713 M 2004/05: \$769 M		
Accrued/Not Yet Due 2005/06: \$944 M 2004/05: \$812 M		Accrued/Not Yet Due 2005/06: \$104 M 2004/05: \$131 M		
Less than 90 days 2005/06: \$21 M 2004/05: \$22 M	Over 90 days 2005/06: \$44 M 2004/05: \$65 M	Less than 90 days 2005/06: \$169 M 2004/05: \$190 M		Over 90 days 2005/06: \$440 M 2004/05: \$448 M

¹ Accounts receivable includes revenue earned but not yet due.

Goal 5: Fair, efficient and equitable administration that meets customers' needs.

The ministry is committed to improving its regulatory and administrative frameworks. The ministry is focused on simplifying, streamlining and enhancing the fairness of the ministry's regulatory environment, tax legislation and administrative processes to support improved customer service.

Provincial tax legislation and policy, and the regulatory environment are factors that can influence the competitiveness of the province's investment climate compared to other jurisdictions. A current and customer-centered tax regime and regulatory environment assists in maintaining the competitiveness of the province as a place to live, do business and create jobs. In this regard, the ministry implemented the British Columbia Provincial Sales Tax Review (refer to Highlights; page 8) and is committed to easing the administrative burden on taxpayers by streamlining current business processes in support of the government's Regulatory Reform initiative. Refer to Regulatory Reform (page 59).

The ministry is also focusing on improving administrative processes to support excellence in customer service. A specific focus for the ministry is reducing the time it takes to resolve an appeal by a taxpayer, and reviewing the property assessment and appeal processes to identify customer service improvements, and streamline and simplify existing processes.

Achievement of Goal 5 will ease the administrative burden on customers, enhance the business climate within British Columbia, and improve customer service and ministry efficiency. This goal contributes to the achievement of the government's Great Goal to create more jobs per capita than anywhere else in Canada, and the government-wide citizen-centred service initiative.

Core Business Areas: Small Business and Regulatory Reform, Revenue Programs, Revenue Services, Property Assessment Services, Executive and Support Services.

Objective 1: Improve the tax and property assessment appeals processes for administrative fairness and due process.

Statutes under the administration of the ministry allow taxpayers to appeal a tax or property assessment, rejected tax refund or a decision of the tax commissioner or administrator. This objective reflects the ministry's commitment to provide taxpayers and property owners with an impartial, fair and timely resolution to their appeals of tax and property assessments, directly supporting the achievement of Goal 5.

Strategies and Results

The ministry works to provide fair and equitable administration through the following strategies:

Improve legislative, regulatory and administrative frameworks to support a competitive business climate and improved customer service.

- Review the provincial sales tax (PST) to make the tax fairer, more streamlined and easier to understand for taxpayers.
- Meet challenging tax appeals resolution targets by identifying and implementing process improvements and ensuring the allocation of adequate resources to support timely resolution. The ministry resolved 647 appeals and shortened the time it takes to resolve appeals from an average of 12 months in 2004/05 to an average of 5.7 months in 2005/06.
- In 2005/06, the ministry amended the *Assessment Act* to allow for recognition of circumstances, which significantly alter the value of property due to catastrophic events. Amendments provided assessors with greater discretion to recognize damage to improvements, which may significantly devalue the property. The ministry also amended its regulations to recognize campgrounds as recreational property providing some tax relief to campground operators.

Improve customer service, including streamlining and simplifying the property assessment appeals processes.

- In 2005/06, the ministry enhanced the ability of members of the Property Assessment Review panel to provide fair and effective deliberations and enhanced customer service when dealing with property assessment complaints with an upgraded training and educational package.
- The ministry reviews the location and number of Property Assessment Review Panels on an ongoing basis to ensure property owners have their property assessment complaints heard in, or near their home community.
- For the first time in 2006, property owners were able to file complaints to the Property Assessment Review Panels online.
- The ministry has also identified the need for educational and instructive material explaining the property assessment complaint and appeal process. This will be addressed in the 2006/07.
- The ministry initiated a review of the property assessment and appeal process as part of a broader review of BC Assessment. A key focus of the review is to identify customer service improvements, such as increased transparency, and opportunities to streamline and simplify processes for taxpayers. Recommendations for changes to policy and legislation will be introduced in spring 2007.

Support the government-wide regulatory reform initiative.

Maintain a zero per cent increase in Ministry of Small Business and Revenue regulatory burden through 2008/09.

- Progress on regulatory reform initiatives specific to the ministry can be viewed on page 59.

Performance Measures and Results

Tax appeals resolution — elapsed time from receipt of tax appeal to final decision.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Tax appeals resolution — elapsed time from receipt of tax appeal to final decision.	11.4 Months	11.7 Months	12.0 Months	6.0 Months ¹	5.7 Months	Exceeded Target

Source: Ministry of Small Business and Revenue business information systems.

¹ The calculation procedure for this measure was changed in 2005/06. The calculation of the elapsed time from receipt of appeal to final decision no longer includes the days when an appeal file is put on hold due to reasons beyond the ministry's control, for example, when a taxpayer has requested an extension to submit further information to support their appeal.

Importance

This measure tracks the ministry's success in providing timely resolution to taxpayer appeals. It reports on the average time taken to resolve tax appeals (from receipt to final decision) over the course of the fiscal year.

This measure demonstrates the ministry commitment to meeting taxpayers' expectations regarding the timeliness of service they receive from the ministry. Business organizations indicated their support for this measure. As a result, this measure is one of 12 service excellence standards set out in the *Taxpayer Fairness and Service Code*. Refer to Appendix H.

Explanation of Performance

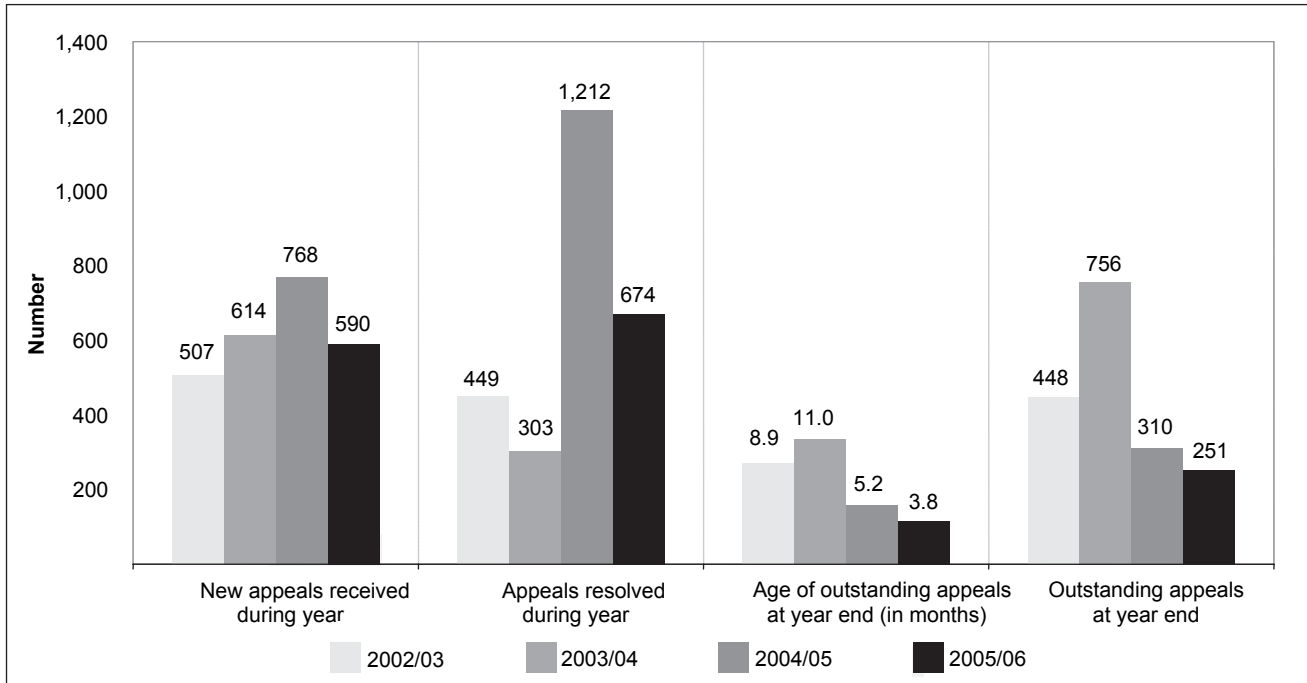
In 2005/06, the ministry exceeded its appeals resolution target — on average, appeals were resolved in 5.7 months (from receipt of an appeal to final decision). On an individual basis, the length of time to resolve an appeal varies dependent on such factors as the number and complexity of issues raised, facts of the case, and availability of all relevant information. The ministry's success was aided by the work completed in 2004/05²¹ to reduce the significant backlog of appeals, and the allocation of two additional FTEs to the appeals management process in 2005/06.

The ministry continued to improve its performance on a number of fronts. It has decreased both the number and age of outstanding appeals compared to the previous three years. Six hundred and forty-seven appeals were resolved, an achievement second only to performance in 2004/05, and significantly greater than performance in 2003/04 and 2002/03. Refer to *Figure 5*.

²¹ In 2004/05, the ministry implemented a project to reduce the backlog of outstanding appeals. Significant additional resources were temporarily committed to the appeals management process and streamlined work processes were implemented. At the end of 2004/05, the average age of outstanding appeals had been reduced from 11 months to 5.2 months. These efforts positioned the ministry for success in meeting a significantly more challenging appeals resolution target for 2005/06.

The ministry continues to set aggressive targets for the resolution of tax appeals over the next three years — 5.0 months in 2006/07, and 4.5 months in 2007/08 and 2008/09. The goal is to resolve appeals as quickly as possible without compromising the quality and fairness of decisions. These aggressive targets respond directly to taxpayers’ expectation of timely service. However, the ministry recognizes there may be challenges in meeting these targets, such as a significant increase in the complexity or number of appeals.

Figure 5: Appeals Administration Process Measures, 2002/03 – 2005/06.



Goal 6: Continuous performance improvement and accountability.

The ministry is committed to service excellence. This means the ministry will provide services that meet the needs of its diverse customers, stakeholders and partners.

The *Taxpayer Fairness and Service Code* formalizes the ministry's commitment to fairness and service principles that can be expected when dealing with the ministry.

The ministry is also responsible for creating a 'centre of excellence' for tax administration and revenue management for the Province. The ministry continues to strive for improved business performance. This means encouraging creative and innovative solutions.

This goal supports the achievement of all ministry goals and its mandate by ensuring efficient and effective business operations. It also reflects the ministry's commitment to government's core values of fiscal responsibility and accountability, and to the government-wide citizen-centred service initiative.

The ministry identified two key initiatives related to this goal — develop performance measures and service excellence standards to address the commitment set out in the *Taxpayer Fairness and Service Code*, and implement a new Revenue Management System. Significant progress was made on both of these initiatives during 2005/06; refer to Strategies and Results following.

Core Business Areas: Small Business and Regulatory Reform, Revenue Programs, Revenue Services, Property Assessment Services, Executive and Support Services.

Objective 1: Continuously improve, streamline and simplify work processes.

Key to achieving this goal is the ministry's focus on continuously improving the way it operates and delivers its programs and services. This includes streamlining and simplifying the way the ministry does its work to ensure it supports improved customer service, while making the most efficient use of resources.

Strategies and Results

Leverage capacity and economies of scale to increase efficiency. Assess and adopt leading revenue management practices.

- In 2004, the Province of British Columbia signed a 10-year agreement with EDS Advanced Solutions Inc. (private sector service provider) to work with the Ministry of Small Business and Revenue to build and operate a 'centre of excellence' for revenue management. The agreement will generate projected net benefits of \$382 million to the Province over the 10 year period and leverage private sector expertise, technology and investment capital. The agreement transfers the up-front investment and project implantation risk of building the centre of excellence from the Province to the service provider.
- Over the first year of operations, the ministry's private sector service provider implemented significant service and business process improvements, resulting in more citizen-centered service delivery. Improved technology and additional staffing during peak hours handled increased customer call volumes, provided faster telephone response times, and resulted in fewer customers abandoning their call or reaching a busy signal before accessing a customer service representative.
- The ministry worked with the service provider to transform and streamline revenue management business processes, and establish consistent application of collection guidelines and principles to provide clear information, and increase fairness and equity for customers.¹

Implement a new Revenue Management System that transforms and consolidates revenue management systems from across government into the new centralized system.

- Substantial work was completed on the Revenue Management System in 2005/06 with phase 1 of the system implemented in April 2006. The ministry will now begin working with client ministries to transition their revenue management systems to this centralized system.

Compare ministry performance with other jurisdictions.

- The ministry worked with the federal government and other provincial jurisdictions to explore benchmarking revenue management performance measures. In 2006/07, the ministry will work with interested agencies to develop a community of practice and share best practices in performance management. Refer to Appendix G.

Develop performance measures and service excellence standards to address the commitments set out in the *Taxpayer Fairness and Service Code*.

- In October 2005, the ministry introduced 12 service excellence standards to monitor timeliness and accessibility of ministry services. These service standards are included in the 2006/07–2008/09 Service Plan and reporting will begin in 2006/07. Refer to Appendix H.

¹ For further information, view the [Revenue Services of British Columbia Annual Report: December 2004 to December 2005](http://www.sbr.gov.bc.ca/collections/Annual_Report-2005.pdf) online at http://www.sbr.gov.bc.ca/collections/Annual_Report-2005.pdf.

Performance Measures and Results

Receipt to deposit turnaround time.

Performance Measure	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Receipt to deposit turnaround time. ¹	New measure in 2003/04	3 Days	2 Days	95% on Same Day ¹	89% on Same Day	Missed Target

Source: Ministry of Small Business and Revenue business information systems.

¹ This measure reports on receipt to deposit turnaround time for provincial sales tax and Medical Services Plan premium payments received by cheque, which represent 77 per cent of all cheques processed. The monitoring of other non-electronic payment types are excluded as they represent less than one per cent of these payments. Electronic payments are excluded as they are automatically deposited into the government's account.

Importance

This measure tracks the duration between when payment enters payment processing and when it is deposited to the government's account. This is a measure of the efficiency of the ministry's cash handling processes. Decreasing the deposit turnaround time demonstrates improvements to these processes and reduces the foregone interest income to government.

Explanation of Performance

The ministry fell short of its target of depositing 95 per cent of provincial sales tax and Medical Services Plan premium payments on the day received. At the end of 2005/06, the ministry was achieving an average one day turnaround time for deposits for 89 per cent of payments. This performance represents a significant improvement over 2004/05 and was enabled by the introduction of a new payment processing system in the last quarter of 2005/06. It is expected this new system will allow the ministry to achieve a same day turnaround in 2006/07.

Beginning in 2006/07, this measure will be monitored internally.

Cost per transaction.

Cost to collect \$1 of debt.

Performance Measures	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Target	2005/06 Actual	Results
Cost per transaction.	New measure in 2003/04	\$0.82	\$0.68	\$0.75	—	Not Reported ¹
Cost to collect \$1 of debt.		New measure in 2004/05	\$0.05 (\$0.024) ²	\$0.06	\$0.05 (\$0.029) ²	New Baseline Established ¹

Source: Ministry of Small Business and Revenue business information systems.

¹ The ministry has transitioned payment/transaction processing and non-tax collections functions to a private sector service provider where the terms of the contract provide for payment on a consolidated, transformed suite of services, not on a service by service basis. Therefore, the ministry will not be reporting on cost per transaction, and has revised the cost to collect \$1 of debt measure to include only the tax-collection portfolios managed by ministry staff.

² The ministry revised this measure in 2005/06. The measure now reports on cost to collect \$1 of debt for tax portfolios. Performance for 2004/05 has been provided for comparison.

Importance

The ministry is committed to maintaining efficient processes and procedures to collect debt owed to government. The ministry calculates and reports on the cost to collect \$1 of tax debt. Decreasing costs indicate the ministry's collection processes and procedures are becoming more efficient and effective.

Explanation

In 2005/06, it costs the ministry an average of \$0.029 to collect \$1 of tax debt. This was marginally higher than the cost recorded in 2004/05. This minor increase is primarily due to lower debt collections for tax portfolios compared to 2004/05 with no significant change in resources dedicated to collection activities, leading to a higher cost per dollar collected.

In future years, ministry efforts will focus on more difficult to collect debt, which will likely increase the cost to collect \$1 of debt. Beginning in 2006/07, this measure will be monitored internally.

Regulatory Reform

The ministry remains committed to easing the administrative burden on taxpayers by streamlining and reviewing current business processes in support of the government's Regulatory Reform initiative. Since the start of the initiative in June 2001, the ministry has eliminated over 2,700 regulatory requirements. In 2005/06, the ministry met the target of a zero per cent net increase over its June 2004 regulatory count.

In 2005/06, the ministry focused efforts on several citizen-centred regulatory reform initiatives:

- The ministry launched the British Columbia Provincial Sales Tax Review, a comprehensive review of the province's *Social Service Tax Act* to identify potential reforms to maintain or enhance British Columbia's tax competitiveness. This review focuses on the development of revenue neutral options for changes to provincial sales tax policies, legislation and related administrative processes to streamline, simplify, and enhance fairness for taxpayers.
- The ministry initiated work to consolidate the number of interest rate schedules used for the calculation of interest on the late payment of financial obligations and eliminate the variance in grace periods. When completed, all tax acts will have the same grace period and only one interest rate will be used to calculate penalties. The application of consistent policies and procedures reduces confusion, and increases fairness and equity for taxpayers.
- The ministry implemented legislative changes to reduce the regulatory and reporting burden on oil producers, increase the accuracy of returns, and facilitate electronic delivery of oil royalty information. Instead of filing a report with the ministry for each oil well in production, oil producers are now able to file one report for their entire operation. As a result, the number of reports the industry is required to file monthly with the ministry has been reduced from 380 individual reports to 75. In addition, the introduction of electronic filing has reduced administrative burden on both the producers and ministry, and increased the accuracy of the information provided with the elimination of multiple manual steps from the process.
- Regulatory burden has also been reduced for the gas industry by simplifying royalty estimate procedures. Simplified reporting requirements have been put in place to bring British Columbia in line with Alberta and maintain a competitive regulatory climate.

Report on Resources

The Report on Resources provides an overview of ministry funding and expenditures during 2005/06, and provides comparisons to past years, as appropriate. This section also provides a Resource Summary for 2005/06 by core business area.

Ministry Funding

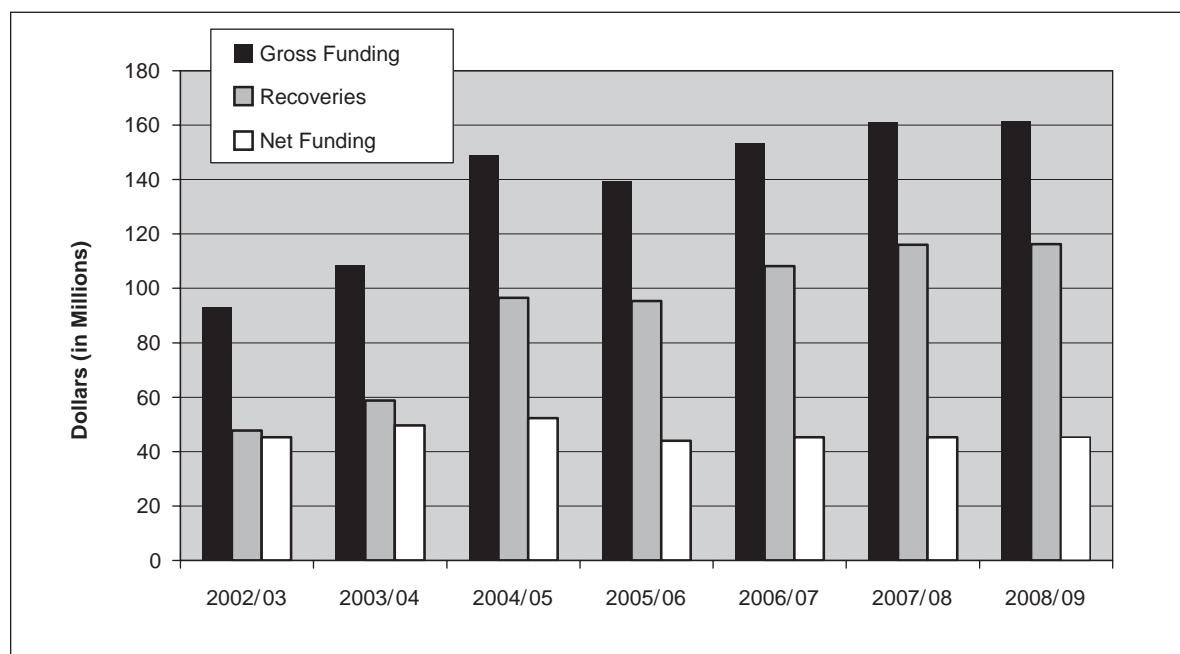
Total funding available for ministry operations in 2005/06 was \$139.4 million. Refer to Resource Summary on page 64. The sources of ministry voted funding included:

- An appropriation of \$44.0 million.
- Recoveries of \$95.4 million. Ministry costs are partially recovered from revenues administered by the ministry (refer to Appendix D).

From 2002/03 to 2005/06, the ministry's estimates for gross expenditures increased from approximately \$98 million to \$139 million primarily due to the Revenue Management Project, new staffing resources, other operating costs including commissions on collection of public debt and interest on revenue refunds, and the addition of new programs related to the establishment of the new Ministry of Small Business and Revenue. Refer to *Figure 6*.

Estimates provided in the 2006/07 – 2008/09 Service Plan for the next three year period indicate a slight increase in both gross expenditures and recoveries primarily due to the projected increases in revenue and debt collection resulting from the Revenue Management Project and the projected sharing of these realized benefits with EDS Advanced Solutions Inc. Net expenditures are projected to remain stable over this period.

Figure 6: Comparison of Gross Funding, Recoveries and Net Funding, 2002/03–2008/09.



Source: 2002/03–2005/06 amounts correspond to the *Estimates* presented in the Legislative Assembly. 2006/07–2008/09 amounts are as reported in the ministry's 2006/07–2008/09 Service Plan.

Ministry Expenditures

Ministry operating expenditures during 2005/06 totaled almost \$139.0 million of which \$95.3 million was recovered from revenues administered by the ministry. Refer to Resource Summary.

Ministry expenditures included:

- Salaries and benefits totaled \$57.8 million accounting for 41.6 per cent of annual expenditures.
- Non-salary operating costs of \$76.5 million accounted for 55.0 per cent of annual expenditures.
- Other expenses (e.g., interest expense, banking charges) accounted for \$3.3 million or 2.4 per cent of expenditures.
- Government transfers totaled \$1.3 million, accounting for less than one per cent of expenditures.

Capital expenditures in 2005/06 totaled almost \$40.1 million, including \$36.7 million²² for the Revenue Management Project and \$3.4 million for other ministry capital projects.

²² Ministry received capital contingencies of \$5.3 million for the Revenue Management System capital lease liability.

The ministry made financing and transaction disbursements during 2005/06 totaling \$971.3 million. These disbursements, directed by legislation, return a percentage of specific revenue to identified entities.

The gross expenditures in 2005/06 increased by \$8.3 million compared to 2004/05 due primarily to the Revenue Management Project and the establishment of the new Ministry of Small Business and Revenue, which consolidated the former Ministry of Provincial Revenue with areas of responsibility related to small business development, regulatory reform and provincial property assessment and appeal processes. Refer to *Figure 8*.

Ministry Revenue

The revenues managed by the ministry amounted to approximately \$20.6 billion in 2005/06 or 58 per cent of all revenue received by the Province (refer to *Figure 7*). Revenues include:

- consumption taxes (provincial sales, hotel room, motor fuel and tobacco);
- property taxes (rural property, provincial school and property transfer)
- other taxes (corporation capital, insurance premiums, and logging);
- personal and corporate income tax collected by the Canada Revenue Agency on behalf of the Province;
- natural resource revenues (natural gas royalties, petroleum royalties, permits and fees, and mineral taxes and royalties) and;
- Medical Services Plan premiums and other fees (e.g., ruling fees, clearance certificates).

Revenue has increased over the past four years: \$15.4 billion (2002/03), \$17.0 billion (2003/04), \$18.4 billion (2004/05) and \$20.6 billion (2005/06).

Figure 7: 2005/06 Revenue by Type.

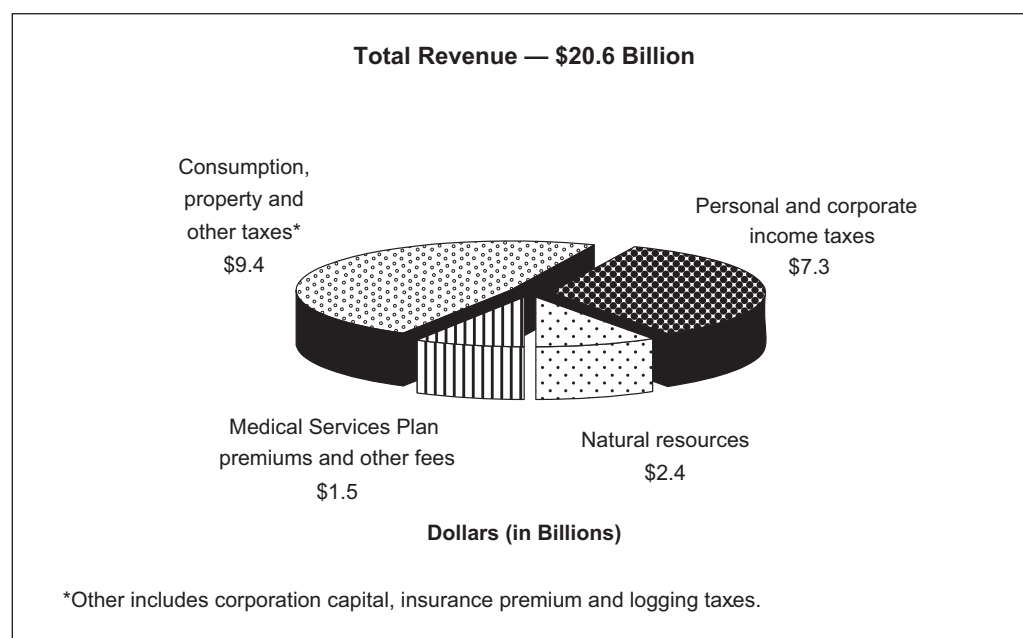


Figure 8: Expenditures 2002/03 – 2005/06.

Core Business Area	2002/03 Actual	2003/04 Actual	2004/05 Actual	2005/06 Actual
Operating Expenses (\$000)				
Small Business and Regulatory Reform¹				
Gross.....	—	—	—	2,914
Recoveries.....	—	—	—	—
Net.....	—	—	—	2,914
Revenue Programs				
Gross.....	38,593	49,688	54,636	41,100
Recoveries.....	(37,827)	(47,212)	(49,593)	(26,609)
Net.....	766	2,476	5,043	14,491
Revenue Services				
Gross.....	8,764	13,157	13,982	55,479
Recoveries.....	(8,418)	(12,656)	(13,320)	(43,616)
Net.....	346	501	662	11,863
Property Assessment Services¹				
Gross.....	—	—	—	2,437
Recoveries.....	—	—	—	(2,436)
Net.....	—	—	—	1
Executive and Support Services				
Minister's Office.....	332	349	361	374
Corporate Services:				
Gross.....	36,630	46,845	61,686	36,658
Recoveries.....	—	(1,390)	(21,900)	(22,640)
Sub-Total Net.....	36,630	45,455	39,786	14,018
Net.....	36,962	45,804	40,147	14,392
Total Gross.....	84,319	110,039	130,665	138,962
Total Recoveries.....	(46,245)	(61,258)	(84,813)	(95,301)
Total Net.....	38,074	48,781	45,852	43,661

Source: Amounts correspond to the Public Accounts for the years noted.

¹ The Small Business and Regulatory Reform and Property Assessment Services business areas became part of Ministry of Small Business and Regulatory Reform when it was established in June 2005. The remaining business areas constituted the former Ministry of Provincial Revenue.

Resource Summary 2005/06

	Estimated ¹	Other Authorizations ²	Total Estimated	Actual	Variance ³
Operating Expenses (\$000)					
Small Business and Regulatory Reform					
Gross.....	1,205		1,205	2,914	1,709
Recoveries ⁴	—		—	—	—
Net.....	1,205		1,205	2,914	1,709
Revenue Programs					
Gross.....	44,979		44,979	41,100	(3,879)
Recoveries ⁴	(26,609)		(26,609)	(26,609)	—
Net.....	18,370		18,370	14,491	(3,879)
Revenue Services (includes special account)⁵					
Gross.....	52,079		52,079	55,479	3,400
Recoveries ⁴	(43,616)		(43,616)	(43,616)	0
Net.....	8,463		8,463	11,863	3,400
Operating Expenses (\$000)					
Property Assessment Services					
Gross.....	2,508		2,508	2,437	(71)
Recoveries ⁴	(2,507)		(2,507)	(2,436)	71
Net.....	1		1	1	—
Executive and Support Services					
Minister's Office.....	430		430	374	(56)
Corporate Services					
Gross.....	38,185		38,185	36,658	(1,527)
Recoveries ⁴	(22,640)		(22,640)	(22,640)	—
Net.....	15,545		15,545	14,018	(1,527)
Total Gross.....	139,386		139,386	138,962	(424)
Total Recoveries⁴.....	(95,372)		(95,372)	(95,301)	71
Total Net.....	44,014		44,014	43,661	(353)
Full-time Equivalents⁶ (FTEs)					
Small Business and Regulatory Reform.....	9		9	11	2
Revenue Programs.....	526		526	494	(32)
Revenue Services.....	131		131	120	(11)
Property Assessment Services.....	13		13	14	1
Executive and Support Services.....	180		180	180	—
Total.....	859		859	819	(40)

	Estimated ¹	Other Authorizations ²	Total Estimated	Actual	Variance ³
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)					
Revenue Programs	0		0	138	138
Revenue Services	21,348	5,315	26,663	36,650	9,987
Property Assessment Services	96		96	0	(96)
Executive and Support Services	13,335		13,335	3,306	(10,029)
Total	34,779	5,315	40,094	40,094	0
Other Financing Transactions⁷ (\$000)					
Revenue Programs					
Receipts.....	983,500	565	984,065	957,768	(26,297)
Disbursements.....	985,100	6,282	991,382	971,273	(20,109)
Net Cash Source (Requirements)	(1,600)	(5,717)	(7,317)	(13,505)	(6,188)
Special Accounts — Provincial Home Acquisition Wind Up⁵					
Receipts.....	50		50	133	83
Disbursements.....	40		40	0	(40)
Net Cash Source (Requirements).....	10		10	133	123
Total Receipts	983,550	565	984,115	957,901	(26,214)
Total Disbursements	985,140	6,282	991,422	971,273	(20,149)
Total Net Cash Source (Requirements)	(1,590)	(5,717)	(7,307)	(13,372)	(6,065)

¹ The “Estimated” amount corresponds to the *Estimates* as presented to the Legislative Assembly in September 2005.

² “Other Authorizations” include Supplementary Estimates, Statutory Appropriations and Contingencies. The ministry received a capital contingency of \$5.3 million for costs related to the Revenue Management Project.

³ Variance display convention is consistent with the display convention used in public accounts. Variance is in all cases “Actual” minus “Total Estimates”. If the Actual is greater, then the Variance will be displayed as a positive number.

⁴ Costs are partially recovered from revenues administered by the ministry under the statutes listed in Appendix D.

⁵ This account is established under the *Special Appropriation and Control Act* effective April 1, 2004, for the purpose of providing for expenditures for the winding up of the loan and financial assistance programs under the *Home Conversion and Leasehold Loan Act*, the *Home Mortgage Assistance Act*, the *Home Purchase Assistance Act*, the *Homeowner Interest Assistance Act* and the Provincial Home accounts and guarantee claims paid under the mortgage assistance programs.

⁶ FTEs — fulltime equivalent employment is the estimate of a ministry’s annual staff utilization. The term fulltime equivalent is defined as the employment of one person for one full year or the equivalent (for example, the employment of two persons for six months each).

⁷ Other Financing Transactions include disbursements by the Province under legislation to government entities. These include disbursements under the Internal Fuel Tax Agreement (*Motor Fuel Tax Act*), *Land Tax Deferral Act*, *British Columbia Transit Act*, *Transportation Act*, *Greater Vancouver Transportation Authority Act*, Rural Area Property Taxes, *Tobacco Tax Amendment Act*, Tourism British Columbia (*Hotel Room Tax Act*).

Variance Explanations

Overall, ministry variances are not material. However, several core business area variances are worthy of note.

Operating expense variances include:

- Small Business and Regulatory Reform — over expenditure due to additional FTE resources, funding to support the permanent Small Business Roundtable and grants provided to support entrepreneurship education programs.
- Revenue Programs Division — under expenditure of FTE resources due to staff vacancies.
- Revenue Services Division — primarily due to the benefits paid to the ministry's private sector service provider being larger than budgeted for the fiscal year reflecting performance in excess of baseline.
- Executive and Support Services — under expenditure primarily due to savings in amortization expenses.

Financing transactions resulted in disbursements exceeding receipts by approximately \$13.4 million primarily due to disbursements related to the *Land Tax Deferral Act*.

Annual Report Appendices

Appendix A: Glossary of Terms

Accounts receivable/debt — amounts claimed by the Province against debtors.

Tax assessment — a written notice from government of an amount owed to the Province. This notice represents monies that should have been remitted or paid to the Province, as well as, any penalty or interest charges imposed by the Province.

Billing — the act of notifying an individual or business of an amount owed to the Province.

Collections — remedial actions employed by the Province to effect a payment from an individual or business on an overdue account receivable.

Incremental revenue — monies identified by, or remitted in response to, audit and enforcement activities.

OneStop Kiosk — the ministry is a partner in the OneStop Business Registration, a web-enabled, electronic service delivery system designed to simplify government registration requirements for business owners. This service allows entrepreneurs to register with multiple participating federal and provincial public sector agencies and local governments through a 'single window'.

Overdue — an account receivable for which no monies have been remitted and is considered overdue according to the legislation at issue.

Recoveries — monies recovered in the course of administering accounts receivable.

Remittance — the payment of monies to meet a financial obligation.

Refund — return of monies remitted in error or in excess of an account receivable.

Revenue — all monies received to meet financial obligations or identified as owed to the Province.

Review and Audit — an examination of an individual's or business' financial records or accounts to ensure the amounts owed have been collected and remitted, or paid as required. This can vary from the review of grants, tax expenditure and exemptions and compliance with legislation, to the examination of financial records and legal documents.

Small business — a small business has fewer than 50 employees or is operated by a person who is self-employed without paid help.

Tax expenditure — the reduction in tax revenues that results when government programs or benefits are delivered through the tax system rather than reported as budgetary expenditures. Tax expenditures are usually made by offering special tax rates, exemptions or tax credits to program beneficiaries.

Transaction — the act of processing a cheque or scannable coupon for the purpose of applying payment to an account receivable.

Voluntary compliance — when taxpayers meet their financial obligations without requiring the Province to effect payment.

Appendix B: Ministry Contributions to the Government's Five Great Goals

The ministry's activities support the achievement of the government's Five Great Goals in the following ways:

Make British Columbia the best educated, most literate jurisdiction on the continent.

The ministry works with municipalities and local service areas to collect property taxes that pay for schools and libraries in communities across the province. The ministry administers a number of tax credits and exemptions that support literacy and access to education.

Lead the way in North America in healthy living and physical fitness.

The ministry collects Medical Services Plan premiums to assist in funding the health care system. It also administers tax exemptions that support British Columbians in living healthier, more active lives. For example, provincial sales tax exemptions are allowed for bicycles, and non-prescription drugs and vitamins.

Build the best system of support in Canada for persons with disabilities, those with special needs, children at risk, and seniors.

The ministry administers tax benefit programs and exemptions on certain products used by seniors and persons with disabilities or special needs. Programs and exemptions include provincial sales tax exemptions on equipment and devices designed for use by a person with a disability, tax refunds for motor fuel for vehicles used by persons with disabilities, and additional home owner grants to seniors and disabled residents.

Lead the world in sustainable environmental management, with the best air and water quality, and the best fisheries management, bar none.

The ministry administers numerous tax exemptions for environmentally friendly products and projects. For example, some alternative fuel vehicles, such as hybrid vehicles, are eligible for a provincial sales tax exemption, as are prescribed materials and equipment used to conserve energy.

Create more jobs per capita than anywhere else in Canada.

The ministry contributes to job creation in British Columbia by:

- Working with other ministries, other levels of government, partners and the small business community to identify and implement initiatives to support small business.
- Building a regulatory environment to make dealing with government easier and more efficient for citizens and small business in British Columbia.
- Ensuring a streamlined, simplified and fair tax administration to make the business environment more competitive compared to other jurisdictions.

Appendix C: Service Delivery

Small Business

As many different ministries and levels of government have programs and services that impact the small business sector, the Ministry of Small Business and Revenue works with these organizations and other partners to support small business start-up and growth.

The ministry, on behalf of the Province and in partnership with the federal government, jointly funds Small Business BC, a not-for-profit organization providing support to current and prospective small business operators in British Columbia. Service delivery outcomes are determined through an annual contribution agreement.

Regulatory Reform

The ministry is responsible for leading the regulatory reform initiatives for government.

However, success is dependent on the efforts of all government ministries and agencies. Government ministries annually identify regulatory reform activities and report on performance in their Service Plan and Service Plan Report. The Ministry of Small Business and Revenue produces quarterly public reports on cross government regulatory requirements.

Tax Administration and Revenue Management

The ministry is the principal revenue collector for the Province, with administrative responsibility for \$20.6 billion in 2005/06 or approximately 58 per cent of all provincial revenues. The ministry's strategic focus is on promoting voluntary compliance with the financial obligations resulting from the legislation it administers and that defines the ministry's roles and responsibilities.²³ Successful tax administration and revenue management depend on the ministry's information and education programs to support voluntary compliance, balanced by compliance, audit and debt collection activities.

Citizen-centered Service Delivery

The ministry is committed to service excellence — providing timely, quality service to meet the needs of its diverse customers, stakeholders and partners. The ministry ensures service excellence in its day-to-day operations through the *Taxpayer Fairness and Service Code*. The ministry works to ensure the fairness and service principles outlined in the Code are embraced by those providing services for the ministry.

The ministry is currently working with BC Assessment to incorporate the principles of the *Taxpayer Fairness and Service Code* and service excellence into the property assessment functions.

The ministry also completed discussions with the Property Assessment Appeal Board to ensure there is a similar commitment to customer service in Board operations.

All employees of the ministry's private sector service provider have received training based on the *Taxpayer Fairness and Service Code*, supporting the ministry's commitment to a customer's right to timely customer service, courtesy, respect, fair treatment and confidentiality.

To ensure the ministry is delivering high quality services to British Columbians, the ministry has established consultative processes to provide effective forums to hear directly from customers. For example, the permanent Small Business Roundtable, the Revenue Programs Advisory Committee and the British Columbia Provincial Sales Tax Review consultations.

²³ Refer to Appendix D for a list of legislation administered by the Ministry of Small Business and Revenue.

The ministry represents British Columbia in its relationship with the Canada Revenue Agency (CRA), which administers the Province's personal and corporate income taxes under the authority delegated to the Government of Canada through the British Columbia-Canada Tax Collection Agreement (TCA). This arrangement allows a single administration and collection agency for provincial corporate and personal income taxes, thereby increasing efficiency and simplicity for the Province and taxpayers. Each year, a detailed British Columbia Work Plan is developed jointly by the ministry and the CRA. This work plan and the TCA help to ensure revenue due to the Province is identified and received.

The ministry also works with the Canada Border Services Agency, with respect to the *Social Service Tax Act* and the *Tobacco Tax Act* it administers on behalf of the ministry. The agency identifies and collects taxes due on purchases brought into the province by British Columbians. The ministry manages this relationship through an administrative agreement.

A Centre of Excellence for Tax Administration and Revenue Management

The Ministry of Small Business and Revenue provides revenue management services to other ministries. The ministry has implemented processes and accountabilities for transferring accounts receivable to the ministry to ensure continued high levels of service to its client ministries and their customers. The ministry also collects taxes and fees for other agencies such as the Greater Vancouver Transportation Authority, local service areas (for example, regional improvement districts) and local governments throughout the province. The ministry's relationship with these clients is managed through transfer and service agreements, and memoranda of understanding.

In late 2004, the ministry entered into an agreement with EDS Advanced Solutions Inc. for the management and delivery of information and technology services, and to work with the ministry to build and operate a centre of excellence for revenue management. The ministry manages the agreement through a benefits and performance-based service contract structured to ensure performance and service levels are sustained and improved.

Property Assessment and Review Processes

The Minister of Small Business and Revenue is accountable for BC Assessment, the Property Assessment Review Panel and the Property Assessment Appeal Board. The Minister is charged with the administration of the *Assessment Act* and the *Assessment Authority Act*.

BC Assessment²⁴ operates as an independent, provincial Crown Corporation governed by a Board of Director. Its mandate is to establish and maintain uniform real property assessments, on an annual basis, for all property owners throughout British Columbia in accordance with the *Assessment Act*. The Minister reviews and approves the agency's annual three-year Service Plan and annual Service Plan Report.

The Property Assessment Review Panels and Property Assessment Appeal Board operate under the *Assessment Act*. The panels provide property owners in British Columbia with

²⁴ For more information, view online at <http://www.bcassessment.bc.ca/>.

a first level of appeal in an accessible, affordable and equitable forum. Year-end reviews identify opportunities for improvement to process and quality of customer service.

The Property Assessment Appeal Board operates as the second level of appeal for property owners who disagree with the assessment of their property. The Board's objectives are to resolve appeals justly and consistently, in accordance with the principles of procedural fairness and natural justice, and to complete appeals as quickly as possible, at minimum cost to all parties. The Board reports on performance to the Minister through quarterly and annual reports.

Appendix D: Legislation Administered by the Ministry

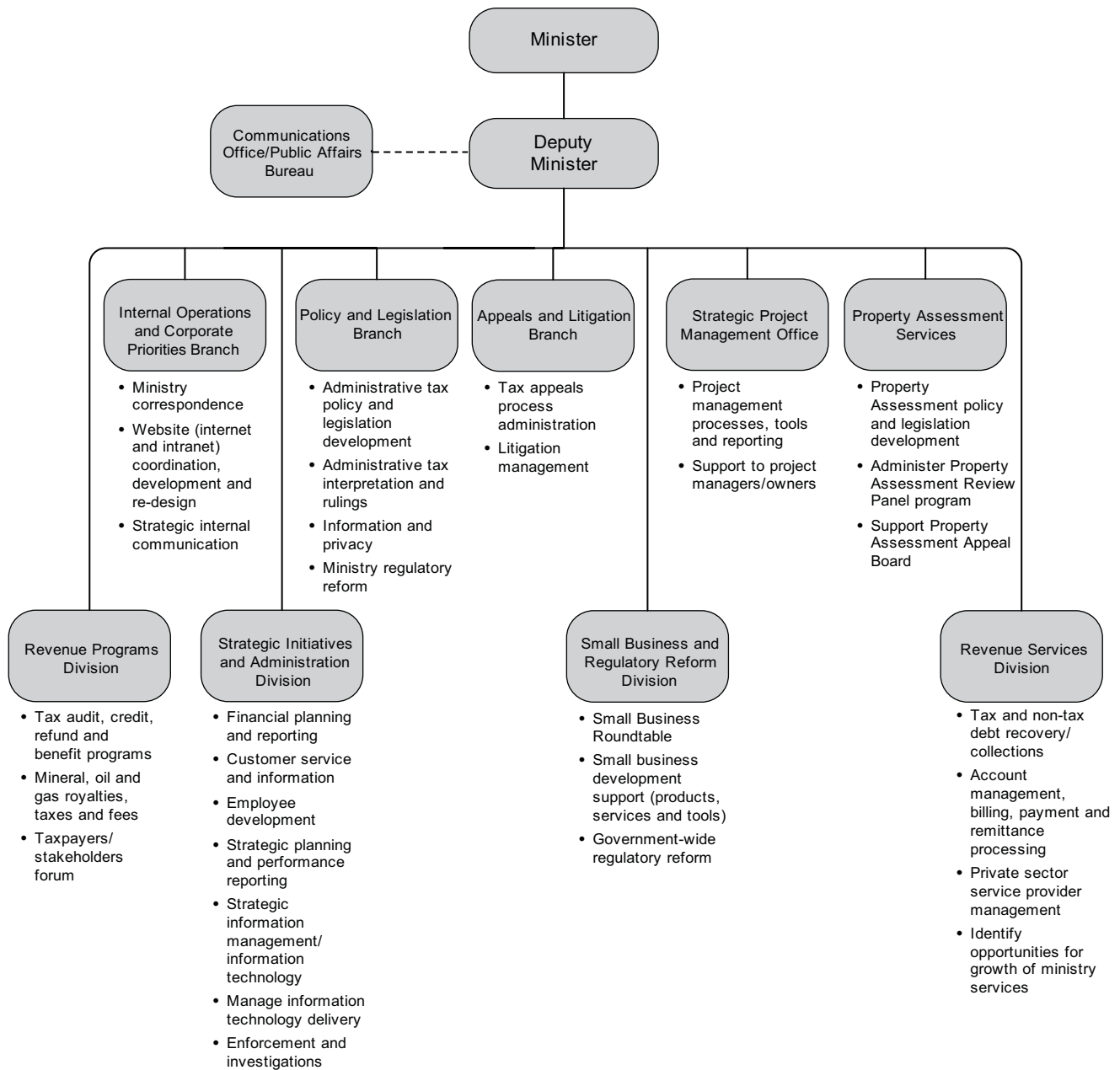
The Minister of Small Business and Revenue and Minister Responsible for Regulatory Reform is charged with the administration of the following enactments, presented alphabetically.

<i>Assessment Act</i>	<i>Medicare Protection Act</i> ss. 5 (1) (b), 7 (5), 8 (4), 8.1, 8.2 and 32
<i>Assessment Authority Act</i>	
<i>Corporation Capital Tax Act</i>	<i>Mining Tax Act</i>
<i>Esquimalt and Nanaimo Railway Belt Tax Act</i>	<i>Motor Fuel Tax Act</i>
<i>Home Owner Grant Act</i>	<i>Petroleum and Natural Gas Act</i> ss. 74 – 77
<i>Hotel Room Tax Act</i>	<i>Property Transfer Tax Act</i>
<i>Income Tax Act</i>	<i>Sechelt Indian Government District Home Owner Grant Act</i>
<i>Indian Self Government Enabling Act</i>	<i>Social Service Tax Act</i>
<i>Insurance Premium Tax Act</i>	<i>Taxation (Rural Area) Act</i>
<i>International Financial Activity Act</i>	<i>Tobacco Tax Act</i>
<i>Land Tax Deferral Act</i>	<i>Tourist Accommodation (Assessment Relief) Act</i>
<i>Logging Tax Act</i>	

The Minister of Small Business and Revenue and Minister Responsible for Regulatory Reform is charged with the administration of the following enactments, in areas related to revenue management processes only.

<i>Forest Act</i>
<i>Forest and Range Practices Act</i>
<i>Forest Practices Code of British Columbia Act</i>
<i>Forest Stand Management Fund Act</i>
<i>Ministry of Forests Act</i>
<i>Mineral Land Tax Act</i>
<i>Mineral Tax Act</i>
<i>Petroleum and Natural Gas Act</i>
<i>Range Act</i>
<i>School Act</i>
<i>South Moresby Implementation Account Act</i>
<i>Wildfire Act</i>

Appendix E: Ministry Organizational Structure and Key Responsibilities



Appendix F: Changes to Goals, Objectives, Performance Measures, and Targets

Since the publication of the 2005/06–2007/08 Service Plan Update, the ministry has undertaken a review of its goals, objectives and performance measures. The ministry has made changes to better focus the plan on:

- the ministry’s service to the public;
- the key outcomes expected from ministry activities and;
- the few critical aspects of the ministry’s performance of interest to the public, stakeholders and Members of the Legislative Assembly.

These changes are intended to improve service planning and performance reporting, and support increased accountability.

In summary, the ministry has moved from six goals to four. The following table provides the details of the changes made to goal statements and the resulting changes to the objectives aligned with these goals. There has been no significant change in strategic direction.

Former Goals, Objectives, and Strategies	Status	Reason for Change	New Goals, Objectives, and Strategies
Goal: Small business development.	Unchanged		
Objective: Facilitate economic opportunities for small business.	Reworded	More clearly identifies ministry accountability in the area of small business development.	Enhance and encourage economic opportunities for small business.
Goal: A regulatory climate that supports economic and business competitiveness.	Reworded	More clearly identifies ministry accountability in the area of regulatory reform.	Goal: A streamlined and simplified regulatory environment.
Objective: Improve regulatory quality.	Removed	Captured in a new performance measure — requirements to access government programs and services, and comply with regulations.	
Objective: Minimize the regulatory burden on British Columbians.	Unchanged		
Goal: Maximize voluntary compliance. Goal: Collection of all outstanding amounts owed to British Columbians.	Consolidated	Former goals were consolidated and reworded. The new goal better reflects the outcome expected from the ministry’s tax administration and revenue management activities.	Goal: Amounts owed to government are paid.

Former Goals, Objectives, and Strategies	Status	Reason for Change	New Goals, Objectives, and Strategies
Objective: Individuals and businesses understand their entitlements and obligations, and pay the correct amount on time.	Unchanged	Individuals and businesses identified as 'customers'.	Customers understand their obligations and entitlements, and pay the correct amount on time.
Objective: British Columbians receive the revenue they are due. Objective: British Columbians receive the debt recoveries they are due.	Consolidated	Former objectives related to revenue and debt recoveries were consolidated and reworded. The new objective more concisely captures the outcome expected from the ministry's audit, compliance and debt collection activities.	Objective: The Province receives the outstanding amounts due.
Objective: Maximize use of new electronic technologies to facilitate ease of transactions.	Maintained as a strategy		
Goal: Continuous performance improvement and accountability.	Reworded	The new goal clarifies the ministry's commitment to service excellence. The continuous improvement aspect of the former goal is captured in strategies and the performance measures and targets related to ministry service excellence standards.	Goal: Service that meets the needs of customers, stakeholders and partners.
Objective: Continuously improve, streamline and simplify work processes.	Maintained as a strategy		
Goal: Fair, efficient and equitable administration that meets customers' needs.	Reworded and maintained as an objective	The new objective reflects the ministry's commitment to service excellence.	Objective: Fair and efficient administration, and quality service.
Objective: Improve the tax and property assessment appeals process for administrative fairness and due process.	Maintained as a strategy		

A summary of changes to the ministry's performance measures is provided below. Measures were removed from the Service Plan where a better performance measure has been identified or where the measure is focused on internal administrative matters primarily of interest to the ministry. Those measures removed from the Service Plan that continue to be of importance to the ministry will be monitored internally as part of a suite of measures the ministry uses to support decision-making. Measures included in the ministry's 2005/06–2007/08 Service Plan Update are reported in this Annual Service Plan Report.

Former Performance Measures	Status	Reason for Change	New Performance Measures
Established a small business roundtable.	Reworded	The new measure more accurately tracks performance towards the objective and measures the outcome expected from a key initiative underway in the ministry.	Implement a small business strategy.
Percentage of new legislation and regulations meeting regulatory reform criteria.	Removed	This measure will be monitored internally.	
Regulatory burden — Government-wide regulatory requirements.	Unchanged		
Requirements to access government programs and services, and comply with regulations.	New	The new performance measure will track government-wide efforts to streamline and simplify access to government programs and services, and reduce the steps required to comply with regulations. The measure will be developed and a baseline established in 2006/07. Performance reporting will begin in 2007/08.	Requirements to access government programs and services, and comply with regulations.
Percentage of revenue administered without intervention.	Replaced with new measure	Replaced with a measure that more accurately reports on the ministry's success in collecting amounts owed to government.	Percentage of identified revenue collected.
Percentage of revenue received through electronic payments.	Removed	This measure will be monitored internally.	
Percentage of on-time payments.	Unchanged		

Former Performance Measures	Status	Reason for Change	New Performance Measures
Incremental revenue.	Reworded	The new measure reports on both the percentage of the revenue target achieved and the dollar value as set out in the <i>Balanced Budget Ministerial Accountability Act</i> .	Percentage of incremental revenue target achieved.
Number of audits and reviews performed.	Unchanged		
Average tax assessment per audit position.	Unchanged		
Debt collections.	Replaced with new measure	The new measure will report on the ministry's success in managing the accounts receivable portfolio. The ministry will establish a baseline and targets in 2006/07 and begin reporting on performance in 2007/08. Total debt collections will be reported in conjunction with this measure.	Percentage of overdue accounts collected.
Percentage of total government accounts receivable more than 90 days overdue.			
Average recovery per tax collection position.	Removed	This measure will be monitored internally.	
Elapsed time from receipt of tax appeal to final decision.	Unchanged	This measure is one of 12 <i>Taxpayer Fairness and Service Code</i> service excellence standards to be monitored by the ministry.	
Receipt to deposit turnaround time.	Removed	This measure will be monitored internally.	
Cost per transaction.	Removed	The ministry has transitioned payment/transaction processing and non-tax debt collection services to a private sector service provider, where the terms of the contract provide payment on a consolidated, transformed suite of services, not on a service by service basis.	
Cost to collect \$1 of debt.	Removed		
Success in meeting service standards.	New	This new measure reports on the ministry's performance in meeting the 12 service excellence standards detailed in the <i>Taxpayer Fairness and Service Code</i> .	Success in meeting service standards.

Appendix G: Performance Measure Data Methodology

The following section provides an overview of the data methodology and data sources of the performance information provided in this report.

Benchmarking

A key part of performance monitoring and measurement is benchmarking — finding out how the ministry's performance measures, targets and results compare to other jurisdictions with similar mandates. The ministry conducted exploratory work to identify benchmarking opportunities for tax administration and revenue collection programs in other jurisdictions.

The key findings from the ministry's exploratory work are:

Differences in tax structure: Different provinces structure their tax regimes differently. Tax rates and exemptions for sales, income, property and resource taxes vary widely across the country making direct comparison of performance information difficult.

Differences in focus due to organizational structure: Most jurisdictions have very few publicly reported performance measures dealing with tax and debt administration. Tax administration and revenue collection functions usually rest with finance ministries and the ministries managing the specific program (for example, mineral taxes are managed by the ministry responsible for the mining industry). Revenue management is one of a number of responsibilities of these organizations, and published information specific to tax and debt collection is scarce.

Challenges of Benchmarking Tax and Debt Administration

“Each Revenue authority faces a varied environment within which they administer their taxation system. Jurisdictions differ in respect of their policy and legislative environment and their administrative practices and culture... Care should always be taken when considering a Country's practices to fully appreciate the complex factors that have shaped a particular approach.”

Source: [Compliance Measurement Practice Note](#), May 2001, OECD.

Data Methodology

Regulatory Quality

This measure reports on compliance with the Regulatory Reform Policy that requires all proposed legislative and regulatory changes to be evaluated according to the Regulatory Criteria Checklist. The regulatory criteria reflect internationally recognized best practices in regulatory decision-making.

Methodology: Regulatory Criteria Checklists for all proposed regulatory requirements are signed-off by the Minister responsible and submitted to the Ministry of Small Business and Revenue.

Regulatory Count.

This measure reports the progress made across government to reduce red tape and maintain a zero net increase in regulatory requirements. All changes to regulatory requirements are entered into the regulatory requirements database by each ministry. Progress is reported in the Regulatory Reform Quarterly Report by the Minister Responsible for Regulatory Reform.

Methodology: Net change in regulatory count between June 2004 (237,893) and March 31st of the fiscal year reporting.

Percentage of ministry revenue received without enforcement action.

This measure reports on the percentage of revenue identified by the ministry (e.g., issuing a Medical Services Plan premium bill) or self-identified by individuals and businesses (e.g., by filing a tax return for provincial sales tax) without audit or compliance intervention. The measure is calculated for the fiscal year.

For this measure, total ministry administered revenue includes:

- taxation (provincial sales tax, fuel tax, tobacco tax, property taxes, property transfer tax, corporation capital tax, insurance premium tax and hotel room tax, logging tax, mineral tax, and mineral land tax);
- non-taxation (e.g., Medical Services Plan (MSP) premiums);
- fees and royalties (natural gas royalties, petroleum royalties, permits and fees and interest on late stumpage payments) and;
- other revenues (e.g., registration and administration fees).

This measure excludes personal and corporate income tax collected by the Canada Revenue Agency on behalf of the ministry. All revenue information is available through ministry data systems and is audited as part of the Public Accounts.

A limitation of this measure is the impact of ministry success in identifying incremental revenue on performance. The latter is the amount of monies identified, or remitted in response to audit and compliance activities.

Methodology: Total ministry administered revenue (excluding personal and corporate income tax collected by the Canada Revenue Agency on behalf of the ministry) less incremental revenue divided by total ministry administered revenue (excluding personal and corporate income tax).

Percentage of client-initiated electronic payments received by the ministry.

This measure reports on the proportion of revenue received electronically by the ministry during the fiscal year. All payments received are recorded in ministry data systems, including the payment portfolio (e.g., provincial sales tax, rural property tax, MSP debt collections), the amount and the method of payment (e.g., cheque, PC banking, electronic funds transfer). Payments include both tax and non-tax payments and can be voluntary, result from an audit assessment (incremental revenue) or debt collection. Electronic payments include those received through electronic funds transfer, electronic data interchange payments from financial systems, credit card payments, personal computer and telephone

banking, preauthorized payments, pay direct e-banking and group e-banking and those made at a financial institution or Government Agent offices and transferred to the ministry electronically. Non-electronic payments (referred to as physical payments) include cash, cheques and bank drafts.

Methodology: Total revenue received through electronic payment channels divided by total revenue received through physical and electronic payment channels.

Percentage of on-time payments

This measure reports on the proportion of tax payments received on-time and for the amount owing. Those received on or before their legislated due date are considered on-time. There are three tax areas where the ministry is able to identify both the number of payments that should be received and the payment due date — provincial sales tax, rural property tax and mineral, oil and gas taxes. In 2005/06, these areas represented 76 per cent of revenue paid to the ministry and 19 per cent of the total number of payments received. Data is collected and maintained in ministry data systems and reporting is for the fiscal year. Reporting of this measure lags by three months (i.e., January is reported in April) to give time for late returns to be submitted and included in the calculation.

Methodology: Monthly tax returns filed on or before their legislated due date and for the amount owing divided by total tax returns received for that month filed within 3 months of the due date.

Incremental revenue

Incremental revenue is money identified by ministry action (primarily audit and compliance activities) that would not otherwise have been received. The information for this measure is tracked through ministry business information systems and is reported for the fiscal year. Incremental revenue is identified for ministry tax programs including consumption, income, property, and mineral, oil and gas taxes and others (e.g., Corporation Capital Tax and Insurance Premium Tax).

Methodology: Revenue identified or remitted in response to audit and compliance activities of the ministry.

Debt collections

This measure reports on the amount of outstanding receivables recovered by the ministry through its debt collection programs during the fiscal year. This measure is tracked through ministry business information systems. This measure includes debt collection related to tax statutes administered by the ministry — income and capital taxes, consumption taxes, property taxes and stumpage revenues — as well as the collection of debts associated with Medical Services Plan Premiums, the Immigrant Sponsorship Program, the B.C. Ambulance Service, the British Columbia Student Assistance Program, Employment and the Assistance Program and court fines.

Methodology: Total monies collected on overdue accounts receivable by the ministry and its private sector service provider.

Number of audits performed

The ministry undertakes a variety of audit activities counted as audits. Audits vary from the review of grant claims, tax expenditures and exemptions and compliance with legislation to the examination of financial records and legal documents. Audit data is collected and maintained by ministry staff in business information systems that report on the total number of audits performed during the fiscal year.

Methodology: Number of audits conducted by the ministry.

Annual tax assessment per audit position

The ministry has allocated specific positions to the audit function and determines the average number of audit positions occupied on a rolling monthly basis. Tax assessments are a subset of incremental revenue generated by ministry audits, and is available through ministry business information systems and reported for the fiscal year.

Methodology: Incremental revenue identified through audit assessments for the fiscal year divided by the average number of audit positions filled over the year.

Average payment recovered per tax collection position

The ministry has allocated specific positions to the tax collection function and determines the average number of collection positions occupied on a rolling monthly basis.

The payments recovered by these collection positions make up the tax portion of the ministry's debt collection result and are tracked through ministry business information systems and reported for the fiscal year.

Methodology: Tax debts collected for the fiscal year divided by the average number of tax collection positions filled over the fiscal year.

Percentage of total government accounts receivable more than 90 days overdue

This measure reports on the percentage of debt owed to government that is over 90 days past due. The ministry is not directly responsible for all government receivables, but the success it achieves in overdue debt contributes to the improvement of this overall measure.

Data reflects input from all ministries with debt administration responsibilities. Data are provided by the Office of the Comptroller General on a quarterly basis. The annual figure is a point in time measure as of March 31st of the fiscal year.

Methodology: Total government receivables more than 90 days overdue divided by total government receivables.

Elapsed time from receipt of tax appeal to final decision

This performance measure reports on the average elapsed time from the receipt of an appeal to the final decision as of March 31st of the fiscal year. The ministry appeal process involves:

- receiving appeals to the minister, analyzing the basis for the original assessment disallowance of refunds or decisions;
- analyzing the grounds for the appeal;
- verifying that the submission contains all the required documentation, gathering additional information and/or documentation;
- contacting taxpayers to ensure a full understanding of their position;
- assessing the merits of the appeal;
- resolving the appeal or making recommendations to the minister regarding disposition of appeals and;
- managing litigation arising from appeals.

Appellants may withdraw from the appeal process at any time. The progress of an appeal through the administrative process is tracked electronically and the data for this measure is calculated by this system.

Elapsed time to resolve a tax appeal includes the total number of days from the day the appeal is received in the ministry up to and including the date of decision on the appeal. This excludes those days when an appeals file is on hold for reasons beyond the ministry's control. For example, the days a taxpayer has requested an extension to submit further information to support their appeal are excluded from the calculation.

Methodology: Sum of elapsed time for all resolved appeals divided by the total number of appeals resolved during the fiscal year.

Receipt to deposit turnaround

The receipt to deposit turnaround is a point in time measure at March 31st of the fiscal year. Performance is measured based on the physical monitoring of transaction volumes and estimated time for deposit of payment following account update. This measure includes all payments made by cheque for Medical Services Plan premiums and provincial sales tax. In 2005/06, these areas constituted 77 per cent of all cheques processed by the ministry and are the only payment streams experiencing a continuous high volume of payments over the year. Turnaround time is calculated from the date a payment enters payment processing until it is deposited.

Methodology: Sum of (day money is deposited minus day it entered payment processing for each transaction) divided by number of transactions.

Cost to collect \$1 of debt

This measure reports on the average cost to recover \$1 of overdue tax accounts receivable during the fiscal year. Costs include salaries and benefit costs associated with tax collection activities, and building and infrastructure costs, excluding data system maintenance or

amortization which cannot accurately be attributed at the business unit level. Costs are based on actual expenditures, while debt recoveries are recorded in ministry business information systems.

The ministry has transitioned payment/transaction processing and non-tax collections functions to a private sector service provider where the terms of the contract provide for payment on a consolidated, transformed suite of services, not on a service by service basis. Therefore, in 2006/07, the ministry has revised the cost to collect \$1 of debt measure to include only the tax-collection portfolios managed by ministry staff.

Methodology: Cost of tax debt collection divided by tax debt collected.

Appendix H: Taxpayer Fairness and Service Code Standards

Twelve service excellence standards have been identified to monitor the ministry's progress in meeting the commitments set out in the *Taxpayer Fairness and Service Code*. This first set of standards focus on the timeliness and accessibility of ministry services. Over time, the ministry will add to and improve these standards based on consultation with the small business community and feedback from taxpayers.

Prior to determining the ministry's service excellence standards, research was conducted to review similar work in other jurisdictions. The ministry did not adopt specific standards from other jurisdictions due to differences in business processes, technology and level of resources applied, but made efforts to include common service aspects. Based on this research, standards were developed in partnership with several small business organizations to reflect those standards the small business community felt were most important to them.

The following table lists the service excellence standards and their performance targets. The 2006/07 targets reflect baseline data available for nine of the twelve standards, with future years' targets reflecting the ministry's commitment to maintaining high levels of customer service with a focus on continuous improvement. Baselines for the remaining three standards will be established in 2006/07.

The ministry will monitor performance using existing ministry business information systems, with reporting beginning in 2006/07. A standard will be considered to 'be met' if, over the twelve months of the fiscal year, the performance meets or exceeds the established target.

Service Aspects	Service Standards ¹	2006/07 Target	2007/08 Target	2008/09 Target
Inquiries and rulings	Respond to general email inquiries regarding sales, hotel, fuel and tobacco tax sent to CTBTaxQuestions@gov.bc.ca within 2 business days of receiving all of the necessary information.	Establish baseline in 2006/07.	TBD.	TBD.
	Respond to complex email inquiries and written rulings on sales, hotel, fuel or tobacco tax issues within 20 business days of receiving all of the necessary information.	77%	80%	82%
Account registrations and clearances	Register sales and hotel tax accounts within 2 business days of receiving all of the necessary information.	90%	90% ²	90% ²
	Respond to requests to confirm if any sales or hotel taxes are owed by the business to be bought within 5 business days of receiving all of the necessary information.	85%	85% ²	85% ²

Service Aspects	Service Standards ¹	2006/07 Target	2007/08 Target	2008/09 Target
Refunds	Process sales, hotel, fuel or tobacco tax refunds within 30 calendar days of receiving all of the necessary information.	85%	TBD ³	TBD ³
Correspondence	Respond to correspondence sent to the Minister, Deputy Minister and Assistant Deputy Minister within 14 days of receipt.	Establish baseline in 2006/07.	TBD	TBD
Accessibility	Receive email anytime and be accessible by telephone from 8:30 am to 4:30 pm., Monday through Friday (except holidays).	100%	100%	100%
	Provide walk-in service at the ministry's public offices in Victoria and Vancouver from 8:30 am to 4:30 pm., Monday through Friday (except holidays).	100%	100%	100%
	Have helpful information about the ministry's programs available on the website 24 hours a day, every day.	99.7% ⁴	99.7% ⁴	99.7% ⁴
Audit	Review the audit process and <i>Taxpayer Fairness and Service Code</i> rights before starting an audit at the place of business or representative's office.	100%	100%	100%
Reviews	Deputy Minister information reviews — provide written decision within 30 business days of receiving all of the necessary information and where required, the opinion of an objective third party.	Establish baseline in 2006/07.	TBD	TBD
Appeals	Provide a written decision on issues appealed to the minister within the average annual response time.	5 months	4.5 months	4.5 months

¹ The statement in the service standards dealing with Service BC-Government Agents was provided to inform customers that information about ministry programs is available from Service BC. This was excluded in the above list as the ministry is not accountable for service provided by Service BC, but the ministry will ensure they have the information required to fulfill this commitment.

² A significant increase in account registrations and clearances are anticipated due to the upcoming 2010 Olympic and Paralympic Winter Games in Vancouver. The goal is to maintain a high level of performance despite a significant increase in workload.

³ The Consumer Taxation Programs Branch (a key contributor to the standard) is currently streamlining its refund process to improve response times. It is anticipated future targets will be higher.

⁴ Based on a Common Information Technology Services standard of 24/7 service, which excludes scheduled downtime for system maintenance on Sundays between 6:00 a.m. and 9:00 a.m.