

2025 Issue No. 46
22 September 2025

Tax Alert – Canada

CRA announces streamlined Voluntary Disclosures Program

EY Tax Alerts cover significant tax news, developments and changes in legislation that affect Canadian businesses. They act as technical summaries to keep you on top of the latest tax issues. For more information, please contact your EY advisor or EY Law advisor.

On 10 September 2025, the Canada Revenue Agency (CRA) released [Information Circular IC00-1R7, Voluntary Disclosures Program](#), and [GST/HST Memorandum 16-5-1, Voluntary Disclosures Program \(Applications Received On or After October 1, 2025\)](#), which overhaul the Voluntary Disclosures Program (VDP) effective 1 October 2025.

The CRA's new VDP policy replaces the 2018 framework, as outlined in IC00-1R6, *Voluntary Disclosures Program*, and GST/HST Memorandum 16-5, *Voluntary Disclosures Program (2018 Policy)*, by relaxing the "voluntary" requirement, introducing a two-tier relief model, and clarifying the CRA's documentation expectations.

Overview

The new policy applies to VDP applications received on or after 1 October 2025. IC00-1R7 applies to income tax VDP matters, while GST/HST Memorandum 16-5-1 applies to VDP matters relating to GST/HST, excise taxes, excise duties, the fuel charge, the luxury tax, the underused housing tax, the digital services tax, tax under the *Global Minimum Tax Act* (GMTA), the softwood lumber products export charge and the air travellers security charge.

Applications received prior to 1 October 2025 will be considered for VDP relief under the 2018 Policy.



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The key changes to the VDP can be summarized as follows:

- ▶ **Expanded eligibility:** Applications will be considered not voluntary, and therefore not eligible for relief under the VDP, only if an audit or investigation has been initiated against the taxpayer or registrant (or a related taxpayer or registrant) in respect of the disclosed information. Audits or investigations include those conducted by authorities other than the CRA. Under the new VDP policy, taxpayers and registrants who receive communications from the CRA about potential non-compliance issues may qualify for relief under the VDP.

This change softens the more restrictive 2018 Policy, under which the CRA often would not accept a VDP application from taxpayers or registrants who had been contacted by the CRA.

- ▶ **Two tiers of relief:** The new VDP policy replaces the existing “General Program” and “Limited Program” application streams with the following two tiers of relief:
 - ▶ **General relief (unprompted application):** Taxpayers and registrants who submit a VDP application without receiving prior communication from the CRA about an identified compliance issue related to the disclosure may qualify for 75% relief of applicable interest and 100% relief of applicable penalties. An application made following receipt of an education letter or notice offering general guidance related to a particular topic will be considered unprompted.
 - ▶ **Partial relief (prompted application):** Taxpayers and registrants who submit a VDP application following communication from the CRA about an identified compliance issue related to the disclosure¹ may qualify for 25% relief of applicable interest and up to 100% relief of applicable penalties. An application will also be considered prompted if it is made after the CRA has received information from a third party regarding the potential tax non-compliance.

The VDP continues to provide 100% relief of applicable penalties and interest for applications involving GST/HST “wash transactions”² that qualify for reduced penalties and interest under GST/HST Memorandum 16-3-1, *Reduction of Penalty and Interest in Wash Transaction Situations*.

For all VDP applications that are eligible for relief, gross negligence penalties will not apply and no referral for prosecution will be made on the disclosed issues.

¹ Communication may be written or verbal and can include letters or notices (excluding education letters) that identify a specific error or omission on the taxpayer or registrant’s account, or contain a deadline to correct an error or omission.

² A wash transaction arises when a taxable supply (other than a supply taxable at 0%) is made and the supplier does not remit net tax because the tax was not correctly charged and collected from a registrant who would have been entitled to a full input tax credit had the tax been correctly applied.

Under the 2018 Policy, taxpayers and registrants who qualify under the General Program are generally only eligible for relief from penalties and 50% of the applicable interest. For VDP applications concerning income tax, this partial interest relief was limited to assessments for years preceding the three most recent years of returns required to be filed. Under the Limited Program, no penalty and interest relief were available; however, for all VDP applications eligible for relief under the 2018 Policy, gross negligence penalties would not apply and no referral for prosecution would be made on the disclosed issues.³

- ▶ **Broader statutory coverage:** The new VDP policy in GST/HST Memorandum 16-5-1 expressly includes additional regimes, including the *Underused Housing Tax Act* (UHTA), the *Select Luxury Items Tax Act* (SLITA), the *Digital Services Tax Act* (DSTA) and the GMTA.
- ▶ **Clearer documentation scope:** For VDP applications involving multiple years of non-compliance, taxpayers and registrants should include supporting documents for the following periods:
 - ▶ Foreign-sourced income or assets: The most recent 10 years
 - ▶ Canadian-sourced income or assets: The most recent six years
 - ▶ GST/HST-related information: The most recent four years

Documentation is not required for any taxation years or reporting periods within the above periods that have no errors or omissions. Taxpayers and registrants should be prepared to provide additional documents to the CRA upon request.

- ▶ **Process improvements:** The CRA will release a simplified version of Form RC199, *Voluntary Disclosures Program (VDP) Application*, on 1 October 2025.

Under the 2018 Policy for income tax matters, relief was subject to the 10-year limitation period under subsection 220(3.1) of the *Income Tax Act* (ITA), and this limitation will continue to apply to VDP applications accepted under the CRA's new policy. For VDP applications made under GST/HST Memorandum 16-5-1, relief is provided in accordance with the limitation periods for relief and interest found in the relevant Acts.

Comparison

The following table compares key details of the new VDP policy to the 2018 Policy:

³ In general terms, the Limited Program offers limited relief for applications disclosing non-compliance involving intentional actions by the taxpayer or registrant. Applications by corporations with gross revenue exceeding \$250 million in at least two of their last five taxation years are generally considered under the Limited Program.

	New VDP policy (IC00-1R7; GST/HST Memorandum 16-5-1)	2018 Policy (IC00-1R6; GST/HST Memorandum 16-5)
Effective date	VDP applications received on or after 1 October 2025.	VDP applications received between 1 March 2018 and 30 September 2025.
Program structure	Two outcomes based on voluntariness: Unprompted (general) versus Prompted (partial).	Two tracks (income tax): General versus Limited (for intentional conduct/large corporations). Three tracks (GST/HST): General, Limited, and Wash Transactions.
Voluntary standard	Not voluntary only where an audit or investigation is initiated against the taxpayer/registrant (or a related taxpayer/registrant) on the identified issue. Education letters alone will not compromise an unprompted application.	Broader disqualifiers under 2018 Policy. Routine CRA outreach (e.g., certain requests or sector letters) could defeat voluntariness.
Penalty relief (income tax)	Unprompted: 100% of applicable penalties. Prompted: Up to 100% of applicable penalties. Relief subject to 10-year limitation period (ITA s. 220(3.1)). No gross negligence penalties on accepted disclosures.	General: Penalties cancelled (subject to 10-year limitation period). Limited: No gross negligence penalty but other penalties apply.
Interest relief (income tax)	Unprompted: 75% of applicable interest. Prompted: 25% of applicable interest. Relief subject to 10-year limitation period (ITA s. 220(3.1)).	General: 50% interest relief only for years before the three most recent (subject to 10-year limitation period). No interest relief for the three most recent years. Limited: No interest relief.

Penalty and interest relief (GST/HST)	<p>Unprompted: 100% of applicable penalties and 75% of applicable interest.</p> <p>Prompted: Up to 100% of applicable penalties and 25% of applicable interest.</p> <p>Wash Transactions: 100% relief (penalties and interest, per GST/HST Memorandum 16-3-1, <i>Reduction of Penalty and Interest in Wash Transaction Situations</i>).</p>	<p>General: 100% of applicable penalties and 50% of applicable interest.</p> <p>Limited: No interest relief; only gross negligence penalty waived.</p> <p>Wash Transactions: 100% relief (penalties and interest, per GST/HST Memorandum 16-3-1, <i>Reduction of Penalty and Interest in Wash Transaction Situations</i>).</p>
Documentation expectations	<p>6 years (domestic compliance issues)</p> <p>10 years (foreign-sourced assets and income)</p> <p>4 years (GST/HST/excise/other)</p>	<p>IC00-1R6: “all relevant taxation years”</p> <p>GST/HST Memorandum 16-5: For Wash Transactions and General Program, 4 prior years; for Limited Program, “all relevant years”</p>
Payment of estimated taxes	Estimated taxes owing must be paid up front or a payment plan must be requested (subject to final approval by CRA Collections).	Payment arrangements only accepted where taxes cannot be paid up front and taxpayer must provide full financial disclosure to support inability to pay.
Large corporations	No explicit revenue threshold in new guidance.	Corporations and their related entities with more than \$250 million in gross revenue in at least two of last five years generally processed under the Limited Program.
Additional VDP applications	A subsequent application may be considered if circumstances were beyond an applicant’s control or issues relate to different matters than prior applications.	Second applications only considered if circumstances are beyond applicant’s control and related to different matters than a previous disclosure.
Coverage of other statutes	GST/HST Memorandum 16-5-1 includes newer statutes (e.g., UHTA, SLITA, DSTA, GMTA).	GST/HST Memorandum 16-5 does not include newer statutes.

Key takeaways

The CRA's broadened view of when a VDP application is "voluntary" means that many taxpayers and registrants who were ineligible for relief under the 2018 Policy may now qualify for relief under the new VDP policy.

The new VDP policy provides stronger incentives to make an application for relief. These include the ability to obtain more generous relief of applicable interest for unprompted applications and the ability to obtain partial relief of applicable interest and discretionary relief of applicable penalties for prompted applications, which generally would not have been eligible for any relief under the 2018 Policy.

Finally, the CRA's clarified guidance on what documents to include in a VDP application, and the simplified Form RC199, will be welcome for taxpayers and registrants considering making an application under the VDP.

Next steps

- ▶ **Leverage pre-disclosure discussions:** The anonymous, informal and non-binding pre-disclosure channel continues to be available. Taxpayers and registrants may wish to participate in preliminary discussions with the CRA to gauge their eligibility for the VDP and the potential relief available.
- ▶ **Triage non-compliance issues now:** Taxpayers and registrants who have not yet received communication from the CRA about an identified compliance issue should consider filing a VDP application before receiving any letter or notice that could disqualify them from general (unprompted) relief.
- ▶ **Gather documentation in accordance with the new requirements:** The revised Form RC199 will be available as of 1 October 2025. Processes should be implemented to produce the documents for the relevant years expeditiously.

Learn more

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