

MEMORANDUM OF UNDERSTANDING
TO COMBAT THE UNDERGROUND ECONOMY
IN THE PRINCE EDWARD ISLAND FORESTRY GROUND HEMLOCK
SECTOR

BETWEEN

THE CANADA REVENUE AGENCY
as represented by the Assistant Commissioner, Atlantic Region
and herein referred to as the "CRA"

And

PRINCE EDWARD ISLAND DEPARTMENT OF ENVIRONMENT, ENERGY
AND FORESTRY
as represented by the Deputy Minister, Department of Environment, Energy and Forestry
and herein referred to as "PEIEEF"

Effective Date:

WHEREAS both the CRA and PEIEEF are interested in combating the underground economy activities, including the illegal harvest and sale of ground hemlock, in the Prince Edward Island forestry sector;

AND WHEREAS under section 61 of the *Canada Revenue Agency Act*, the CRA may enter into contracts, agreements, or other arrangements with the government of a province;

AND WHEREAS the CRA as part of its underground economy initiatives have audit staff currently conducting books and records audits to ensure compliance with the *Income Tax Act*, R.S.C. 1985, (5th Supp.) c.1 and the *Excise Tax Act*, R.S.C. 1985, c.E-15, (Federal Acts);

AND WHEREAS PEIEEF as part of its enforcement initiative may appoint Canada Revenue Agency authorities to inspect the records required to be maintained by a licensed ground hemlock buyer or an agent operating on behalf of a licensed buyer for compliance with the *Wildlife Conservation Act* R.S.P.E.I. 1988, Cap. W-4.1 and the *Wildlife Conservation Act Ground Hemlock Harvesting Regulations*, (Provincial Act and Regulations);

AND WHEREAS this MOU represents an extension of the Cooperative Agreement on the Underground Economy, Tax Evasion, dated September 7, 1994, between the Department of National Revenue (now the CRA) and the Department of the Provincial Treasury of Prince Edward Island;

Therefore the CRA and PEIEEF agree to cooperate as follows:

1. PURPOSE

- 1.1 The purpose of this Memorandum of Understanding (MOU) is to provide for extended and mutual assistance between the CRA and PEIEEF in:
 - (a) Combating underground activities in the Prince Edward Island Forestry Ground Hemlock sector that pertain to the illegal harvest and sale of ground hemlock;
 - (b) Administering and enforcing the Provincial Act and Regulations; and
 - (c) Establishing a cooperative and efficient working relationship between CRA audit staff and PEIEEF.
- 1.2 In the interest of working together cooperatively and efficiently towards combating underground economy activities in the Prince Edward Island Forestry Ground Hemlock sector, the Minister of the Prince Edward Island

Department of Environment, Energy and Forestry may appoint a CRA auditor to conduct a review of the books and records of a licensed ground hemlock buyer or an agent operating on behalf of a licensed buyer, which books and records are required to be maintained pursuant to the Provincial Act and Regulations.

2. RESPONSIBILITIES OF THE CRA AND PEIEEF

- 2.1 The CRA will, subject to its own operational demands and in consultation with PEIEEF, select licensed ground hemlock buyers or agents of a licensed buyer for audit purposes.
- 2.2 In conducting books and records audits to ensure compliance with the Federal Acts, the CRA will also determine if the content of the books and records of a licensed ground hemlock buyer or an agent operating on behalf of a licensed buyer are in compliance with the Provincial Act and Regulations.
- 2.3 The CRA will submit quarterly audit reports detailing the findings, noting instances where licensed ground hemlock buyers or agents operating a buying station were non-compliant with the Provincial Act and Regulations and the extent of the non-compliance. The CRA will prepare audit reports in sufficient detail to support its findings with respect to the adequacy or the inadequacy of the books and records of licensed ground hemlock buyers or their agent's and as required, attend a show cause hearing, court or other proceeding to explain its findings.
- 2.4 The CRA and PEIEEF will meet annually or as required to review audits that have been completed and that remain in progress. Where any follow-up books and records audits or further action may be required, PEIEEF will advise the CRA.
- 2.5 The CRA agrees to participate in the Ground Hemlock Buyer Education Program training sessions by presenting the licensed buyer or agent's books and records requirements under the Provincial Act and Regulations and the Federal Acts.

3. CONFIDENTIALITY OF INFORMATION

- 3.1 In accordance with any law of the Parliament of Canada or the Legislature of Prince Edward Island relating to public access to information, the information obtained by the CRA, from or on behalf of PEIEEF, will be treated as confidential by the CRA to the extent allowed by law.

- 3.2 In accordance with any law of the Parliament of Canada or the Legislature of Prince Edward Island relating to public access to information, the information obtained by PEIEEF from the CRA will be treated as confidential to the extent allowed by law.
- 3.3 The information provided to PEIEEF will be limited to the information obtained by the CRA in conducting books and records audits of the records licensed ground hemlock buyers or an agent of a licensed buyer are required to maintain pursuant to the Provincial Act and Regulations.

4. ADMINISTRATIVE DETAILS

- 4.1 This MOU will come into effect on the date of last signing and will remain in effect until terminated.
- 4.2 This MOU may be terminated at any time upon written notice from one party to the other by the persons occupying the position of the signatories to this MOU, or amended at any time by mutual consent.
- 4.3 All costs relating to resources and operating costs in conducting books and records audits will be the responsibility of the CRA.
- 4.4 The CRA and PEIEEF agree to conduct an annual review of this joint initiative.

5. COMMUNICATIONS

- 5.1 Any public communications material, including news releases, media material or other information prepared by the CRA or PEIEEF in relation to this MOU, will be submitted to the other party for concurrence before any of the communications material is released.

6. DISPUTE RESOLUTION

- 6.1 The persons occupying the positions of the signatories to this MOU shall resolve any unresolved disagreement with respect to this MOU.

7. NATURE OF THIS MOU

- 7.1 This MOU is an administrative understanding between the parties and is not intended to be legally binding or enforceable before the courts.

- 7.2 This MOU shall not be assigned or subcontracted in whole or in part by the CRA or PEIEEF without the prior, written consent of both parties.
- 7.3 This MOU shall apply to the benefit of and be binding upon the parties subject hereto and, subject to the above assignment and subcontracting clause, their executors, administrators, successors and assigns.
- 7.4 This MOU shall be interpreted and applied in accordance with the laws and in the Courts of the Province of Prince Edward Island.
- 7.5 This MOU constitutes and expresses the entire understanding of the parties hereto.

IN WITNESS WHEREOF, this Memorandum of Understanding was signed, in duplicate, each original being equally authentic.

FOR THE CANADA REVENUE AGENCY



PETER ESTEY

24/1/08

DATE

Assistant Commissioner, Atlantic Region

**FOR THE PRINCE EDWARD ISLAND DEPARTMENT OF ENVIRONMENT,
ENERGY AND FORESTRY**



JOHN MACQUARRIE

30 January, 2008

DATE

Deputy Minister