

## **Survey of Regulatory Compliance Costs: Corrections**

### **Note to readers**

Corrections have been made to estimates from the *Survey of Regulatory Compliance Costs* for the reference year 2005. All statistical tables produced by Statistics Canada from the earlier database have been corrected and are now available from Statistics Canada.

These new data correct an error in calculating time conversion involving information from 2005 respondents who reported time using the 'person-days per year' option. These data were processed using a conversion factor of 24 hours in a day instead of an eight-hour day.

These corrections will impact the figures presented in the November 2007 Survey briefing: *Measuring the Costs of Red Tape for Small Business*. Corrected data have not been incorporated into the briefing. Key conclusions remain essentially the same, but the time and cost data as it pertains to most regulations will have decreased. Estimates of total compliance costs, for instance, were corrected downwards from \$1.5 billion to \$1.1 billion. Estimates of average costs per business were corrected downwards from \$2,839 to \$2,008.

All 2005 figures presented in the 2010 survey briefings will reflect the corrected numbers.



# Measuring the Costs of Red Tape for Small Business

Briefing #2, November 2007

[www.reducingpaperburden.gc.ca](http://www.reducingpaperburden.gc.ca)

## HIGHLIGHTS

- Red tape is still a problem, despite government efforts to simplify and streamline interactions with business.
- This second briefing provides baseline time and cost data from the Statistics Canada Survey of Regulatory Compliance Costs for small and medium-sized businesses to comply with 12 information obligations.
- Over 30 million hours are spent annually by internal staff to comply with some or all of these 12 information obligations (based on a sample that represents 540 399 businesses or approximately 23 percent of Canadian businesses).
- Businesses with fewer than 20 employees are disproportionately affected by compliance: a small business with 1 to 4 employees incurs at least seven times more costs *per employee* than its larger counterparts (i.e., those with 20 to 99 employees).
- The most costly information obligations covered in the survey are T1/T2, payroll remittances and GST/PST.
- The majority of businesses use an external service provider to prepare their personal (T1) or corporate (T2) income tax returns, reflecting, in part, the complexity involved in complying with these requirements.
- Data from the Survey of Regulatory Compliance Costs represent Canadian private sector businesses with fewer than 500 employees, generating between \$30 000 and \$50 million in annual revenue, and operating in five key sectors.
- The survey population accounts for 21 percent of businesses in Canada without employees and 39 percent of employer businesses.

## INTRODUCTION

Governments rely on regulations to meet policy objectives that serve and advance the public interest, and instill confidence in Canadian markets and institutions, while supporting a fair and competitive market economy. Unfortunately, the administration of these regulations often results in direct costs incurred by businesses to comply with government requirements. As well, indirect and/or implicit opportunity costs increase this burden.

Until recently, the costs of regulatory compliance to business had been largely unmeasured in Canada. Small business stakeholders and analysts have argued that such unacknowledged compliance costs impose a “hidden tax” on business competitiveness.

In its first progress report, the Advisory Committee on Paperwork Burden Reduction (ACPBR) noted that Canada lacks recent and relevant qualitative and quantitative data on the impact of red tape or regulations on small business. Without such data, making informed policy decisions to alleviate the burden for business or track any measurable improvements is challenging. (For more information on the joint public–private sector ACPBR, created to oversee the Government of Canada’s efforts to reduce paperwork burden, visit [www.reducingpaperburden.gc.ca](http://www.reducingpaperburden.gc.ca).)

Measuring compliance costs is not an easy task. First, there is no widely accepted definition or agreement as to what should be counted. Second, challenges arise when trying to measure the full magnitude of the burden imposed on the Canadian economy while obtaining robust and detailed estimates on selected regulatory areas.

This second survey briefing contains estimates of the costs of complying with 12 key information obligations, which small businesses have confirmed as being among the most burdensome. These estimates are based on the time, wages and fees reported by small and medium-sized enterprises (SMEs) through the Statistics Canada Survey of Regulatory Compliance Costs.

The cost estimates are broken down by employment size and include the *external* costs paid to service providers and the *internal* costs incurred when using internal staff. The briefing highlights which information obligations are most costly and the variation in compliance costs for SMEs.

It is important to note that the survey results do not reflect the full costs borne by businesses when complying with information obligations. The survey results represent the costs associated with only 12 information obligations.

Survey Briefing #1 — *Small Business View of Red Tape* reported on the perceptions of small business toward changes in regulatory compliance costs, the reasons for perceived increases in compliance costs, and the number of submissions prepared annually for the information obligations covered in the survey.

For a copy of Survey Briefing #1, visit [www.reducingpaperburden.gc.ca](http://www.reducingpaperburden.gc.ca).

## GLOSSARY OF TERMS

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### COMPLIANCE COSTS

Compliance costs refer to the time and wages spent by business owners, managers and/or other staff, and the fees paid to external service providers (e.g., accountants, tax specialists or payroll service providers), to comply with requirements or obligations stemming from government regulations. The costs include expenditures on activities that go above and beyond the daily operations of running a business. The activities examined in this study include preparing information in order to complete government forms, obtaining assistance to understand or comply with information obligations, following up with government and training staff involved in undertaking compliance activities.

### INTERNAL COMPLIANCE COSTS

Internal compliance costs refer to the costs borne by those businesses that undertake their own activities when complying with government information obligations.

### EXTERNAL COMPLIANCE COSTS

External compliance costs refer to the professional fees paid by businesses to external service providers (e.g., accountants, tax specialists or payroll service providers) who are hired to comply with the information obligations on behalf of their business clients.

### SMALL AND MEDIUM-SIZED BUSINESSES

Small businesses are those with fewer than 100 employees; medium-sized businesses are those with between 100 and 499 employees.



# MEASURING COMPLIANCE COSTS

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There are numerous ways to measure compliance costs. Some approaches focus on the costs incurred by government to develop and administer the regulations. Others focus on the costs borne by business when conforming with government regulations.

Measurement approaches may also vary based on the definition of compliance costs or the method used to collect the data. Some measures include only the direct costs (e.g., time, wages or fees spent on compliance), whereas others include indirect or other related costs (e.g., opportunity costs or impacts on cash flow or competitiveness). Although direct expenses omit other significant costs related to compliance, indirect costs are often more difficult to quantify. Whatever the approach might be, however, the benefits of any measurement tool are best summarized by the old adage “you need to measure what you want to manage.”

Although few attempts were made in the past to estimate the private sector costs of complying with information

obligations, such exercises are becoming increasingly popular across jurisdictions. Those that have made notable efforts include Nova Scotia and Quebec, as well as countries such as Australia, the Netherlands, New Zealand, the United Kingdom and the United States. The European Union and the Organisation for Economic Co-operation and Development are also building a capacity to support governments in measuring the cost of compliance for business.

Various non-governmental organizations are also measuring compliance costs for business. Among them are the Fraser Institute and the Canadian Federation of Independent Business (CFIB). Past federal budget documents cite CFIB’s \$33 billion estimate for the total annual costs of regulatory compliance incurred by Canadian businesses. CFIB’s estimate includes the direct costs of complying with regulations, in addition to capital expenditures and the opportunity cost of lost sales, for all businesses.

## STATISTICS CANADA’S SURVEY OF REGULATORY COMPLIANCE COSTS

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The Statistics Canada survey measures the direct costs to a subset of Canadian businesses of complying with 12 information obligations. The costs are derived using the following components:

- time, in hours, spent on preparing submissions, obtaining assistance with the submission and/or dealing with follow-up;
- salary/wages of staff involved in complying with information obligations, and/or fees paid to external service providers when complying on behalf of the business; and
- number of submissions prepared annually.

Businesses were asked to provide an estimate of the time and annual salary for internal staff involved in complying with information obligations. If businesses used an external service provider (e.g., accountants, tax specialists or payroll service providers), they were asked to report the total fees paid to those providers. External service providers were also surveyed about the time they spent complying on behalf of their business clients. Their results were used to determine the external costs incurred by the business for each of the 12 information obligations.



When surveying businesses about compliance costs, it is important to note the challenges of estimating such amounts. For the Statistics Canada survey, businesses were asked to estimate the time spent on and costs of three main compliance activities (i.e., preparing the submission, obtaining assistance and/or dealing with follow-up). Each of these activities, however, involves a number of sub-activities that a business must undertake.

The time spent on such activities is often unrecorded and can be difficult to quantify. Respondents may provide estimates based only on their most recent experience or on one that they can best remember. Table 1 shows a spectrum of activities often associated with compliance, and may help to explain variances in cost amounts.

**Table 1: Spectrum of compliance activities**

Understanding the obligations	Preparing the information	Submitting the information	Dealing with follow-up
<ul style="list-style-type: none"> <li>Monitoring and identifying regulatory requirements and/or changes</li> </ul>	<ul style="list-style-type: none"> <li>Collection, retrieval and review of information</li> </ul>	<ul style="list-style-type: none"> <li>Completing information required in forms</li> </ul>	<ul style="list-style-type: none"> <li>Communicating regulatory changes to the organization's management and employees</li> </ul>
<ul style="list-style-type: none"> <li>Understanding and assessing information obligations</li> </ul>	<ul style="list-style-type: none"> <li>Calculation, revision and reconciliation of required data</li> </ul>	<ul style="list-style-type: none"> <li>Reporting, submitting and filing information</li> </ul>	<ul style="list-style-type: none"> <li>Reviewing and correcting inconsistencies identified by government</li> </ul>
<ul style="list-style-type: none"> <li>Hiring and training staff</li> </ul>	<ul style="list-style-type: none"> <li>Development and documentation of policies and processes to comply with regulations</li> </ul>	<ul style="list-style-type: none"> <li>Settlement or payment</li> </ul>	<ul style="list-style-type: none"> <li>Discussing, reconciling and "negotiating" with government officials</li> </ul>
<ul style="list-style-type: none"> <li>Engaging professional services (internal and/or external)</li> </ul>	<ul style="list-style-type: none"> <li>Programming and testing of computer systems to comply with regulatory changes</li> </ul>	<ul style="list-style-type: none"> <li>Training staff</li> </ul>	<ul style="list-style-type: none"> <li>Training staff to deal with follow-up internally and externally</li> </ul>
	<ul style="list-style-type: none"> <li>Meeting with professional service providers (internal and/or external)</li> </ul>	<ul style="list-style-type: none"> <li>Obtaining assistance</li> </ul>	
	<ul style="list-style-type: none"> <li>Training staff</li> </ul>		

## MOST COSTLY INFORMATION OBLIGATIONS

Not all information obligations impose burden or the same level of burden on business. Table 2 provides data on the average annual compliance costs per business for each of the 12 information obligations examined in the survey. These results may be used to compare the

costs associated with each obligation and determine which are most costly. The results also provide baseline data against which results from subsequent surveys may be benchmarked.

**Table 2: Average annual compliance costs by information obligation**

Information obligations	Average annual compliance costs per business (\$)		
	Overall*	Internal	External
<b>Employment-related</b>			
Payroll remittances	555	351	773
Record of employment	178	119	217
Workers' compensation — remittances	128	111	135
Workers' compensation — claims	142	148	123
<b>Tax-related</b>			
T1/T2 income tax filing	1171	1161	1067
Federal/provincial sales tax	514	443	488
Corporate tax installments	199	207	161
T4 summary/individual T4	282	172	324
<b>Other regulations</b>			
Corporate registration	50	49	45
Mandatory Statistics Canada surveys	142	133	134
Municipal operating licences and permits	277	54	556
Provincial operating licences and permits	165	80	246
<b>Weighted average**</b>	<b>2839</b>	<b>1093</b>	<b>2177</b>

Source: Statistics Canada, *Survey of Regulatory Compliance Costs — Main & Supplementary*, 2005.

\*The overall average cost estimates are computed as weighted averages of both the internal and external cost estimates.

\*\*The weights applied to the weighted averages account for the number of businesses that comply with each of the obligations. A higher weight is assigned to those obligations with which more businesses comply.



Assuming a business complies with all 12 of the information obligations covered in the survey, the cost of compliance per business is estimated at roughly \$3800.<sup>1</sup> A business could potentially spend just over \$1000 for four employment-related obligations, approximately \$2200 on key tax-related obligations and \$634 on obligations such as registration, permit requests and mandatory Statistics Canada surveys.<sup>2</sup> Given that most businesses are not required to comply with all 12 information obligations, however, the cost of compliance is most accurately estimated by the weighted average cost of \$2839.

Table 2 shows that the tax-related obligations are among the most costly for businesses despite requiring, in many cases, that businesses file fewer submissions. Personal (T1) and corporate (T2) income tax filing are clearly the most costly tax-related requirements, followed by federal/provincial sales tax, T4 summary/individual T4 and corporate tax installments.

The higher costs for the tax-related obligations suggest a relationship between the level of complexity and the cost of compliance. Survey Briefing #1 — *Small Business View of Red Tape* showed that of those businesses that perceived an increase in regulatory compliance costs over the past three years (30 percent), the most common reason cited was “complexity of regulations.” Complexity can significantly increase the time businesses invest in compliance, often making the business case for seeking assistance from external service providers. T1/T2 income tax filing is a good example of this. Although it involves one annual submission, the majority of businesses (65 percent) hire an external service provider to file their T1/T2 submission.

Payroll remittances are the most costly employment-related obligation. Among the other information obligations covered in the survey, municipal and provincial licences and permits impose greater costs than corporate registration or mandatory Statistics Canada surveys. It is interesting to note that the costs of complying with *municipal* licences and permits are generally greater than the costs of complying with

*provincial* licences and permits. It is unknown if the difference in costs is due to more complex activities associated with a municipal permit or a reflection of a larger number of requirements at the municipal level.

These cost findings corroborate results from a 2005 member opinion survey conducted by CFIB. According to the results from the CFIB survey, over half of the businesses surveyed identified GST/HST, payroll taxes and income taxes to be among the most burdensome obligations for them. As presented in Survey Briefing #1 — *Small Business View of Red Tape*, payroll remittances and GST/HST involve the highest number of submissions per year compared with all other obligations covered in the survey.

The most costly information obligations covered in the survey are T1/T2, GST/PST, payroll remittances, municipal operating licences and permits, and T4 summary/individual T4.



<sup>1</sup> This estimate represents the summation of the 12 overall average cost estimates.

<sup>2</sup> These figures represent the summations of the overall average cost estimates for the four employment-related, four tax-related and four other regulations respectively.

# COMPARING EXTERNAL AND INTERNAL COMPLIANCE COSTS

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Another way to evaluate the costs of complying with information obligations is to compare the costs of preparing submissions and claims using internal staff with those of hiring an external service provider.

Table 2 shows that the costs per business vary depending on whether a business undertakes its own compliance activities or whether it employs an external service provider.

For the majority of the information obligations, the external costs are greater than the internal costs. Taking into account the number of obligations businesses comply with internally and externally, and the volume of submissions per obligation, the average external cost of compliance is approximately \$2200 — almost \$1100 more than the average internal cost.

When comparing the proportions of external to internal costs for the three types of obligations, the proportion is highest for the other obligations compared with tax- or employment-related obligations. Examples where the external costs of compliance are noticeably greater than the internal costs are for municipal and provincial operating licences and permits.

There are various reasons why differences exist between internal and external cost results. First, the higher external cost results may be due to larger businesses, which typically incur greater costs of compliance and are more likely to seek outside assistance given larger volumes of requirements and complexity. Second, they could be due to businesses' general lack of staff and/or expertise, and hence their greater reliance on external assistance. Finally, the higher external costs could simply be due to the fact that the internal cost measures do not account for indirect and/or implicit opportunity cost. Had it been methodologically possible to accurately measure these costs, the internal/external cost differences would likely be much smaller.

A business may choose to hire an external expert based on factors such as the:

- complexity of the obligation;
- desired assurance that the business is in full compliance with the rules;
- related services offered by the expert;
- opportunity cost of time spent on compliance rather than on core business activities;
- resources or expertise available within the business to comply; or
- level of knowledge required, uncertainty or annoyance associated with the obligation.

There are also cases where the external costs are lower than the internal costs, as is the case for T1/T2, workers' compensation claims and corporate tax installments. For these obligations the data suggest that, for many businesses, hiring an external expert can be cheaper than tackling the compliance challenges internally. Experts may have more experience in dealing with the obligations, thus making it easier for them to fulfill the requirements at a lower cost. Some external service providers also offer cost reductions to businesses purchasing bundled service offerings.

# COST OF COMPLIANCE FOR SMALL AND MEDIUM-SIZED BUSINESSES

As shown in Survey Briefing #1 — *Small Business View of Red Tape*, for the information obligations covered in the survey, the number of employees in a business accounts for large variances in the number of submissions it reports to government. The survey results also show that the annual costs per business vary significantly with employment size. Regardless of whether the business complies internally or hires an external service provider, average costs are higher the larger the business.

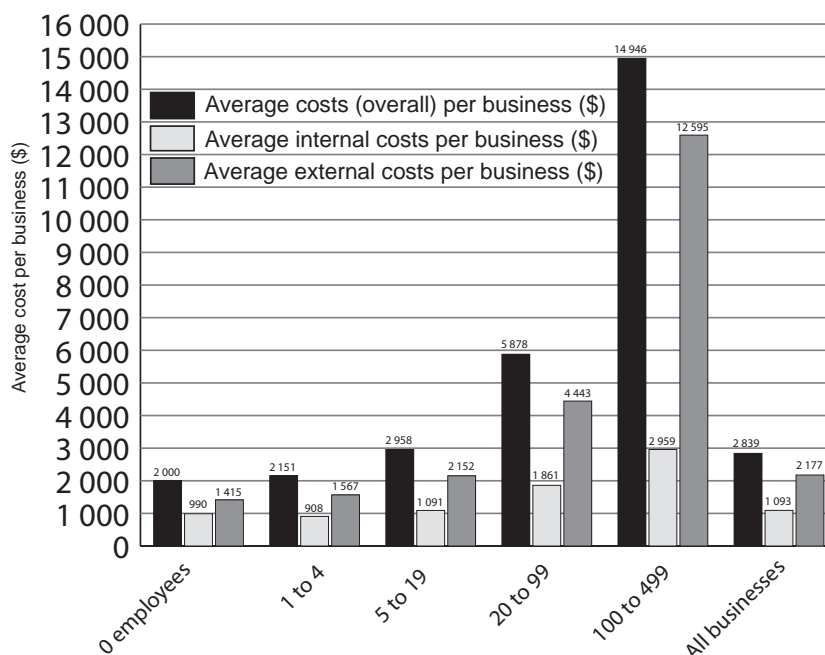
As shown in Figure 1, average annual costs per business vary with the number of employees, ranging between \$2000 for businesses without employees and almost \$15 000 for medium-sized businesses (100 to 499 employees). The cost for businesses with 20 to 99 employees is at least twice the cost for businesses with fewer than 20 employees. The costs for medium-sized businesses are at least five times greater than for those businesses with fewer than 20 employees.

When making the same comparisons based on the external costs, the variation across employment size is

more noticeable. While the external and internal costs for businesses with fewer than five employees differ by less than \$660, the external costs are much higher than the internal costs for businesses with 20 or more employees. For these businesses, the cost difference ranges from \$2582 to \$9636 more than the internal costs.

Upon examining the costs across employment size by information obligation, the increased costs for larger businesses are always apparent, particularly for those with 20 or more employees. For those information obligations where the amount of paperwork or volume of submissions is not directly linked to the number of employees, the costs are still higher for larger businesses. Examples of such obligations include T1/T2, GST/PST, corporate tax installments, Statistics Canada surveys and corporate registration. For many of these obligations, the volume of submissions is linked to activities such as sales or number of transactions.

**Figure 1: Average annual cost per business, by employment size, for the information obligations covered in the survey**



Source: Statistics Canada, *Survey of Regulatory Compliance Costs — Main & Supplementary*, 2005.

# DISPROPORTIONATE COST OF RED TAPE FOR SMALL BUSINESS

Although annual costs per business are higher for larger businesses, the survey results confirm that small businesses are disproportionately affected by compliance. When looking at the costs that businesses incur in relation to their employment size, small businesses spend significantly more on compliance than larger businesses.

Table 3 shows a decreasing trend in costs *per employee* for larger businesses. Although the *per employee* costs of complying with the obligations are estimated at \$306, such costs range between \$982 for businesses with 1 to

4 employees and \$87 for medium-sized businesses (100 to 499 employees).<sup>3</sup> The cost for businesses without employees is based on fewer obligations since the employment-related obligations are not relevant to such businesses. The cost to the business owner without employees, when complying with tax-related and other obligations, is \$2000.

As seen in Table 3, the costs per employee for businesses with 1 to 4 employees are seven times greater than for businesses with 20 to 99 employees and 11 times greater for medium-sized businesses.

**Table 3: Average annual costs per employee, by employment size, for the information obligations covered in the survey**

Employment size	Average annual costs per employee (\$)		
	Overall*	Internal	External
0 employees	2000**	990**	1415**
1 to 4	982	415	703
5 to 19	326	120	235
20 to 99	146	46	111
100 to 499	87	17	73
<b>All businesses</b>	<b>306</b>	<b>118</b>	<b>209</b>

Source: Statistics Canada, *Survey of Regulatory Compliance Costs — Main & Supplementary*, 2005.

\* The overall average cost estimates are computed as weighted averages of both the internal and external cost estimates.

\*\*Average costs per employee for businesses with no employees are equal to the average costs per business.

Although businesses with 20 or more employees face significantly higher compliance costs, businesses with fewer than 20 employees are disproportionately affected by compliance when one considers the *per employee* costs. The costs per employee for businesses with 1 to 4 employees are seven times greater than for businesses with 20 to 99 employees.

<sup>3</sup> Costs per employee were calculated by Statistics Canada using the actual number of employees reported by the businesses surveyed.

# STATISTICS CANADA'S COST ESTIMATES ARE ONE PIECE OF A LARGER PIE

The Statistics Canada survey results were not intended to represent the entire burden of regulatory compliance for the Canadian economy.

According to CFIB, the total annual cost of complying with regulatory and information obligations is estimated to be \$33 billion. This estimate is based on all businesses, from all sectors, in all parts of Canada, complying with all regulatory requirements — be they a request for information on earnings or a requirement to invest in new equipment for health and safety purposes.

The estimates from the Statistics Canada Survey of Regulatory Compliance Costs help to provide additional information on the costs contributing to broader measures of compliance costs (e.g., CFIB's \$33 billion estimate). The survey estimates represent one part of the total “burden” that is placed on Canada's economy — they are one piece of a much larger pie. Table 4 explains what is included in the survey estimates.

Costs are not the only way to understand the compliance burden borne by business in Canada.

**Table 4: What's in and out of Statistics Canada's compliance cost data**

What is included in the cost data?	What is not included in the cost data?
<p>A portion of the Canadian business population with specific characteristics (size, revenue, sector and region)</p> <ul style="list-style-type: none"> <li>Although 665 480 businesses in the Statistics Canada <i>Business Register</i> possess these characteristics, cost data are based on a sample that represents 540 399 businesses — approximately 23 percent of Canadian businesses</li> </ul>	<p>Businesses that do not meet the specific characteristics of the targeted businesses</p> <ul style="list-style-type: none"> <li>Excluded are all non-commercial businesses and commercial businesses that generate less than \$30 000 or more than \$50 million in annual revenue, that are based in the territories, that employ over 500 people or that operate in sectors beyond the five covered in the survey</li> </ul>
<p>Cost of complying with 12 information obligations</p>	<p>Cost of complying with all other information obligations and regulatory requirements</p>
<p>The direct costs incurred by the business</p> <ul style="list-style-type: none"> <li>Wages × time × submissions — for those that comply internally</li> <li>Professional fees — for those that hire an external service provider</li> </ul>	<p>The indirect and other costs incurred by business</p> <ul style="list-style-type: none"> <li>opportunity costs of lost sales</li> <li>capital costs</li> <li>regulatory fees</li> </ul>
<p>The cost to prepare, obtain assistance and follow up on submissions associated with the 12 obligations</p>	<p>The cost to undertake other types of compliance activities such as understanding the requirements</p>

The total cost figures from the Statistics Canada survey are not intended to represent the entire burden imposed on the Canadian economy. They are one piece of a larger pie and under-represent the aggregate burden imposed on Canadian businesses. Furthermore, readers are cautioned against extrapolating the cost results beyond the survey population given that the sampled businesses are not representative of the Canadian business population as a whole.

Another way of evaluating the burden is through the total *time* they spend on compliance. Time measures provide an indication of compliance burden that is not influenced by differences in wages or salary amounts. Based on a subset of 540 000 Canadian businesses (approximately

23 percent), the total time spent by those businesses that undertake some, if not all, of their own compliance activities using internal staff is estimated at over 30 million hours a year.

## CONCLUSION

The Statistics Canada Survey of Regulatory Compliance Costs is a key component of the government's efforts to understand and reduce compliance burden for small businesses. In *Advantage Canada*, the government committed to reducing the administrative burden on business by measuring the compliance burden and identifying targeted cost and compliance action priorities based on the Statistics Canada survey.

Results from the survey suggest that the *complexity* of red tape is a problem for business, particularly smaller businesses that undertake the majority of their own compliance activities. According to the survey, the most costly information obligations are T1/T2, GST/PST,

payroll remittances, municipal operating licences and permits, and T4 summary/individual T4.

Survey results also show large differences in compliance costs across businesses of different employment sizes. Although it may not be surprising to see higher compliance costs for larger businesses, it is interesting to note significant differences between businesses with 20 or more employees and those with fewer than 20 employees. Compliance also imposes a disproportionate burden on small businesses when examining the costs they incur on a per employee basis. *Per employee* costs are at least seven times greater for businesses with 1 to 4 employees compared with those with 20 or more employees.

## ABOUT THE STATISTICS CANADA SURVEY OF REGULATORY COMPLIANCE COSTS

The Statistics Canada Survey of Regulatory Compliance Costs is a triennial survey that was developed as part of the Government of Canada's Paperwork Burden Reduction Initiative (PBRI). The survey focuses on small businesses, given their importance to the Canadian economy, and the challenges they face in complying with information obligations stemming from government regulations. For more information on the PBRI, visit [www.reducingpaperburden.gc.ca](http://www.reducingpaperburden.gc.ca).

The survey has two primary objectives. The government seeks to:

- improve understanding of how small businesses comply with information obligations stemming from government regulations and the cost of compliance; and
- establish a baseline measure of the compliance costs imposed on small businesses against which government can benchmark its progress in lessening the burden.

The survey was designed in partnership with Industry Canada and with the assistance of the Advisory Committee on Paperwork Burden Reduction. It consists of two parts:

- a *Main Survey*, which was distributed to over 30 000 small and medium-sized businesses, in fall 2005, to collect data on the time and salaries spent on complying with the obligations internally; and
- a *Supplementary Survey*, which was distributed to over 5000 external service providers, in winter 2006, to collect data on the time spent on complying on behalf of their business clients. (External providers include accountants, payroll firms and bookkeepers.)

The survey examined the information obligations stemming from a set of key regulations. The federal, provincial and municipal obligations examined in the survey relate to:

- employees — payroll remittances, record of employment and workers' compensation (claims and remittances);
- taxation — T4 summary/individual T4, T1/T2 income tax filing, federal/provincial sales tax and corporate tax installments;
- provincial and municipal operating licences and permits;
- corporate registration; and
- mandatory Statistics Canada surveys.

## PROFILE OF RESPONDENTS

The Statistics Canada Survey of Regulatory Compliance Costs — Main Survey was distributed to 32 736 small and medium-sized businesses drawn from the 2005 Statistics Canada *Business Register* that:

- have fewer than 500 employees;
- generate between \$30 000 and \$50 million in annual gross revenue;
- operate in the manufacturing; retail; professional, scientific and technical services; accommodation and food services; and other services sectors; and
- operate in Atlantic Canada, Quebec, Ontario, the Prairies or British Columbia.

Almost 9500 of these businesses responded to the 2005 Main Survey, resulting in a 29 percent response rate. The majority of the 9500 respondents to the 2005 Main Survey employ either no employees or fewer than five employees (70 percent), operate primarily in Ontario or Quebec (62 percent), generate the majority of their revenue from professional, scientific and technical services or retail (59 percent), and have been in operation for more than 10 years (48 percent).

Compared with Canada's overall business population, the survey sample has a similar distribution of businesses by region and industry, but slightly fewer establishments without employees, more with 1 to 19 employees and more in operation for over 10 years.

The survey population was stratified by region and employment size for sample selection and weighting procedures to ensure that the results were representative of the 665 480 businesses in Canada with similar characteristics as those covered by the survey. The 665 480 businesses represent approximately 30 percent of the 2.3 million establishments in Canada.

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