



What the new Voluntary Disclosure Program means for your business

As of **October 1, 2025**, the Canada Revenue Agency (CRA) has implemented significant changes to its **Voluntary Disclosures Program (VDP)**. **If your business has any past reporting mistakes, omissions, or uncertainty about past compliance, these new rules may make it less costly to come clean.**

What is the Voluntary Disclosures Program (VDP)?

The VDP is a CRA initiative that allows taxpayers to voluntarily correct unreported or inaccurately reported income tax or GST/HST. The benefit is to receive **relief from penalties** and **interest**. Note, the new rules now allow applications to be made for issues relating to the Underused Housing Tax.

Until now, the program was fairly restrictive—many applications were denied on the grounds that they weren't sufficiently "voluntary" because the taxpayer had already been contacted by the CRA. The new rules relax many of those constraints. For many businesses, the new rules offer a more realistic pathway to correcting past non-compliance.

Here's an **action plan** to consider, followed by a summary of the differences between the old and new program.

- 1. Conduct a tax health check / internal review**
Identify any uncertain items, unfiled returns, or transactions (e.g. GST/HST, platform income) that may not have been fully reported.
- 2. Evaluate whether a VDP disclosure might help**
With the new rules, some exposures that weren't viable before might now be correctable under the VDP.
- 3. Time your application carefully**
If you have not yet been prompted by CRA, there is benefit in submitting **before** they initiate an audit.
- 4. Prepare a robust disclosure file**
Gather all required documentation for the relevant years. Even if your issue affects years outside those windows, you may need to disclose them and be ready to provide more records if CRA requests them.

[continued...]

5. **Seek advice / professional review**

The rules are still subject to interpretation. Consider consulting your Padgett Advisor to assess whether disclosure is optimal compared to taking other approaches (e.g. voluntary amendment without VDP, negotiation, risk acceptance).

6. **Stay compliant going forward**

Use this as an opportunity to strengthen internal practices, ensure timely filings, and improve bookkeeping so future risks are minimized.

The **key differences** between the old vs new rules are highlighted below:

	Old Rules (Pre-Oct 1, 2025)	New Rules (for applications on or after Oct 1, 2025)
Eligibility / "Voluntariness"	Very strict. If CRA had contacted you re: a compliance issue, or a third party tipped off CRA, your disclosure was often disqualified.	More flexible. "Prompted applications" (i.e. after CRA communication or third-party info) are now eligible, though with lesser relief. Only disqualified if an audit or investigation is already underway .
Relief / Penalties & Interest	Under "General" track: up to 50% interest relief on years before the 3 most recent years; full penalty relief in many cases. Under "Limited" track: often little or no relief.	Two new tiers: <ul style="list-style-type: none"> • Unprompted (General relief): 100% penalty relief + 75% interest relief • Prompted (Partial relief): up to 100% penalty relief + 25% interest relief
Documentation / Years covered	The rules included a 10-year limit for interest relief and discretionary look-back periods; the requirements for supporting documents were less prescriptive and often burdensome.	<ul style="list-style-type: none"> • Foreign income/assets → provide documents for the most recent 10 years • Canadian-sourced income/assets → most recent 6 years • GST/HST / related returns → most recent 4 years Additional documentation beyond those periods may be requested at CRA's discretion.

