

OCTOBER 28, 2025

CRA Expands Voluntary Disclosures Program Effective October 1, 2025

The Canada Revenue Agency ("CRA") has implemented significant changes to its Voluntary Disclosures Program ("VDP"), with new rules in effect for applications received on or after October 1, 2025. The changes are intended to improve transparency, simplify the application process and expand access to relief for taxpayers who voluntarily correct past non-compliance.

The VDP allows taxpayers to proactively correct errors or omissions in previous tax filings in exchange for relief from penalties, partial interest relief and protection from criminal prosecution. This includes non-compliance issues such as unreported income, incorrect deductions or unfiled tax returns.

Key Changes to the VDP

1. New Application & Relief Categories

The revamped VDP provides two tiers of relief – general and partial – based on whether the application qualifies as "unprompted" or is considered "prompted".

General Relief for Unprompted Applications

An application is generally considered unprompted when there has been no communication between the CRA and the taxpayer about an identified compliance issue related to the disclosure or where an application is made following an education letter or notice offering general guidance and filing information. Taxpayers who submit an unprompted application are eligible for **100% penalty relief** and **75% interest relief** for the 10 most recent taxation years (including for the three most recent taxation years). The interest relief under this category has been enhanced as previous guidelines did not provide interest relief for the three most recent taxation years and was limited to interest relief of 50% for years preceding the three most recent taxation years.

Partial Relief for Prompted Applications

The new guidelines permit "prompted applications" – a marked shift from the previous regime, which disallowed such applications because they were considered non-voluntary. The new guidelines permit an application to be made after a verbal or written communication from the CRA about an identified non-compliance issue or after the CRA has already received information from a third-party regarding non-compliance. Prompted applications are eligible for up to **100% penalty relief** but will receive only **25% interest relief** for the 10 most recent taxation years.

Under tax legislation, the CRA can only grant penalty and interest relief for the most recent 10 taxation years.

2. Expanded Eligibility Criteria

Under the revised rules, a taxpayer may remain eligible for the VDP even after receiving a communication from the CRA, such as an "education letter." Previously, many communications from the CRA regarding a potential non-compliance issue disqualified a taxpayer from being eligible to qualify for the VDP. However, depending on the nature of the communication, taxpayers may now be eligible to make a prompted application to obtain partial relief from the applicable penalties and interest.

In addition, the revised rules permit taxpayers to qualify for the VDP where errors or omissions to penalties or interest applying. This is a notable change from the prior framework which required the actual or potential application of a penalty. The revised rules also broaden access for repeat applicants, where the CRA may consider a subsequent application by the same taxpayer if the circumstances were beyond the taxpayer's control or the application concerns a different matter than a prior application.

3. Application and Supporting Document Requirements

The new guidelines require taxpayers making a voluntary disclosure to submit *Form RC199, Voluntary Disclosures Program (VDP) Application*. Applications must include supporting documentation looking back six years for

domestic income or asset-related disclosures, 10 years for foreign income or offshore asset disclosures and four years for GST/HST-related disclosures. Only years with errors or omissions need to be disclosed.

Additionally, all supporting documentation must be included with the form at the time the application is submitted. Under the previous rules, applications could also be made by way of a letter, and taxpayers were able in some circumstances to submit their supporting documentation at a later date.

The more stringent application requirements included in the revised guidelines may delay a taxpayer's ability to submit a VDP application as they take the appropriate time and care in preparing or compiling the supporting documentation. This increases the risk that the CRA may identify the error or omission and begin an audit or investigation before the taxpayer is able make a voluntary disclosure. A taxpayer who is under audit or investigation is ineligible to apply for relief under the VDP.

4. Broader Scope of Tax Programs

The revised VDP explicitly includes not only income tax and GST/HST, but also other regimes such as the **luxury tax**, **underused housing tax**, **digital services tax (DST)** and **fuel charge**.

VDP Before and After October 1, 2025

Date of Application	Before October 1, 2025	On or After October 1, 2025
Relief Tiers	General Relief and Limited Relief	General Relief (Unprompted) (Prompted)
Penalty Relief	General: Up to 100% Limited: None	General: 100% Partial: Up to 100%
Interest Relief	General: None for three prior taxation years; 50% for taxation years four to ten Limited: None	General: 75% for 10 most recent years Partial: 25% for 10 most recent years
Effect of CRA Contact	Most contact disqualified eligibility	Contact not determinative of eligibility; requests to file may be eligible for General Relief (Prompted) stream
Taxes Covered	Income tax and GST/HST	Expanded to include luxury tax, underused housing tax, DST and fuel charge

Taxpayers considering a voluntary disclosure should assess whether they qualify under the new rules and should act promptly to ensure full eligibility. Applications that were submitted before October 1, 2025, will be reviewed under the prior VDP policy.

If you have any questions with respect to the matters discussed above, or if you would like assistance with preparing a voluntary disclosure or determining your eligibility for relief, please contact [Mariam Al-Shikarchy](mailto:malshikarchy@wildlaw.ca) at malshikarchy@wildlaw.ca, [Adam Solomon](mailto:asolomon@wildlaw.ca) at asolomon@wildlaw.ca, [Leanne Stevens](mailto:lstevens@wildlaw.ca) at lstevens@wildlaw.ca or any other member of our [Tax practice group](#).

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If you would like further information regarding the issues discussed in this update or if you wish to discuss any aspect of this commentary, please feel free to contact us.

