

REVENU
QUÉBEC



NOMINATION FILE
Institute of Public Administration of Canada
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THE RESTO PROJECT

Mandatory Billing in the Restaurant Sector

EXECUTIVE SUMMARY

Using cutting-edge technology, the Resto project offers a truly unique approach to fiscal monitoring in the restaurant sector. This will result in more than \$2 billion in recovered revenue for the Québec government.

THE RESTO PROJECT

The Resto project, often referred to as the “mandatory billing in the restaurant sector project,” is integral to the government’s plans for balancing the budget and fighting tax evasion. It is the result of ten years of research geared to wiping out tax evasion and under-the-table work in Québec’s restaurant sector, which cost us an estimated \$419 million in tax revenue every year.

The project was implemented from 2008 to 2011. Its main goal is reducing the loss of tax revenue in the restaurant sector by requiring restaurateurs to report their real sales figures and remit all the taxes paid by their clients to the government.

Based on the principle of tax fairness, under which all taxpayers must pay their fair share to fund public services, the Resto project fosters healthy competition in the restaurant sector, while having few repercussions on the day-to-day activities of restaurateurs.

Four measures form the basis of the Resto project:

- the mandatory billing requirement that applies to all restaurateurs
- the requirement, for most restaurateurs, to produce bills using a sales recording module (SRM)
- the intensification of Revenu Québec’s inspection activities
- a public awareness campaign



THE RESTO PROJECT: TRULY INNOVATIVE

A unique approach to fiscal monitoring

The SRM, a device developed by Revenu Québec and installed in most Québec restaurants, is at the core of the Resto project's technological solution (Figure 1).

The SRM is an ultra-secure microcomputer that plugs into a cash register or point-of-sale system and a receipt printer.

The device receives data, records transactions (including sales and taxes) in its secure memory and transmits the information required to print bills bearing a barcode and a unique digital signature that guarantee each bill's authenticity (Figure 2).

Combined with a cutting-edge hand-held computer developed to automate the inspection process, the SRM is a revolutionary fiscal monitoring tool. Its usefulness is augmented even further by the fact that the SRM connects to Revenu Québec's central database.

The Resto project's approach to fiscal monitoring is truly unique!

IMPRESSIVE RESULTS

Significant recovery of revenue

Revenu Québec is proud of the revenue recovered thanks to the Resto project (Figure 2). By 2018-2019, Revenu Québec will have recovered \$2.4 billion in consumption taxes and income tax that would otherwise have been unpaid by restaurateurs — a tremendous return on the investment (Figure 4)!

In 2011-2012, the project helped bring in over \$160 million (\$60 million more than expected), which covers the costs related to the ten years of research required for development, the three years of work required for project implementation, and the subsidies offered to restaurateurs.

More efficient organizational practices

Beyond the recovered revenue, the Resto project has yielded the following results (Figure 3):

- The cost of inspection of a restaurant has decreased from \$4,400 to \$190 (a 96% reduction).
- An inspection that used to take 70 hours now takes only 3 hours.
- The number of annual inspections has increased from 120 to 8,000, while inspection personnel has merely doubled.
- It now only takes three years for all restaurants in Québec to be inspected.
- Restaurateurs that fail to report a portion of their income are more easily discovered because the data collected by the SRM are compared with those in Revenu Québec's central database.
- Inspection files are now complete and precise.

Revenu Québec can now

- more easily uncover fraud;
- determine which restaurants should be prioritized for inspections and audits; and
- base its audit activities on reliable books of account.

Minimal repercussions on clients

The project's success is in large part attributable to the relationship of trust Revenu Québec has been able to establish with restaurateurs, which has meant that the significant fiscal reform implemented under the Resto project has been very well received in the restaurant sector.

To achieve its aims, Revenu Québec decided

- to intervene as little as possible in restaurant sector business relations, opting for a business model based on the practices of actors in the sector;
- to seek to minimize repercussions on restaurateurs by developing a technological solution that can easily be integrated into their operations, function under all conditions and be adapted to the systems used in restaurants;
- to closely collaborate with five restaurateur associations (which represent 10,000 members), giving them the opportunity to
 - defend the interests of their members and forward pertinent information to them,
 - participate in the pilot project, and
 - show their support for the project in the media (Figure 5);
- to win the support of restaurateurs by holding press conferences, putting out ad campaigns and assisting restaurateurs in tangible ways in dealing with the application of Resto measures. Such assistance has taken the form of
 - the provision of information in various forms,
 - the creation of a section for restaurateurs on Revenu Québec's website (revenuquebec.ca/resto), and
 - the creation of a helpline.

Strictly observed schedule

The announced deadlines were observed. For instance:

- A pilot project was carried out from November 2009 to May 2010.
- A bill was adopted by the National Assembly, and orders in council were made in April and July 2010.
- The mandatory-billing requirement came into effect on September 1, 2010.
- A subsidy program for restaurateurs was introduced.
- 31,000 SRMs were installed in 18,000 restaurants in less than 14 months.
- The requirement for certain restaurateurs to produce bills using an SRM came into effect on November 1, 2011.



SUPERIOR QUALITY MANAGEMENT IN PARTNERSHIP WITH THE INDUSTRY

To surmount the formidable challenge posed by the implementation of such a project, Revenu Québec has adopted an approach to project management inspired by the practices recommended by the Project Management Institute. They are distinguished by

- a strategic plan and clear principles that provide structure and direction, which facilitate sound decision-making;
- a unique business model supported by the expertise of actors in the restaurant sector, including sales recording system developers, SRM installers, restaurateur associations and IBM Canada (the exclusive supplier of the SRM), which ensures that very short production deadlines are met (Figure 6);
- close collaboration with various partners, which allows synergy among stakeholders and the delivery of a quality solution within fixed deadlines;
- effective management of relations with restaurateurs, which facilitated their support for the project and the introduction of SRMs in their establishments;
- co-management of a project with business and logistics components, which contributes largely to meeting budget and time constraints, and objectives;
- the creation of committees, internal monitoring mechanisms and management indicators to help closely manage risks, problems and changes.

A team united to attain common objectives

The building of a solid project team brought together the expertise required to implement the multiple components of the Resto project.

The core team was made up of 200 people from various fields (managers, tax experts, legal experts, inspectors, investigators, communications specialists, IT specialists, retail equipment specialists, etc.).

It was supported by the following partners: IBM Canada, CGI Group Inc., R3D Conseil, Systematix, STR Électronique, the École nationale d'administration publique, Cossette inc., the Centre de recherche informatique de Montréal, and the Université du Québec à Trois-Rivières, along with 70 sales recording system developers and 296 SRM installers.



GREAT POTENTIAL FOR FURTHER APPLICATIONS

The Resto project provides the Québec government with a tool to effectively fight tax evasion and under-the-table work in the restaurant sector (Figure 7).

A solution for the future

The Resto project's technological solution was developed in such a way that it could be applied in other sectors, such as the service and retail sectors. There are already a number of new projects being studied to further increase the return on the initial investment.

Renown outside Québec

The Resto project's renown puts Revenu Québec at the forefront of the fight against tax evasion throughout the world. The project has attracted the attention of several organizations, such as

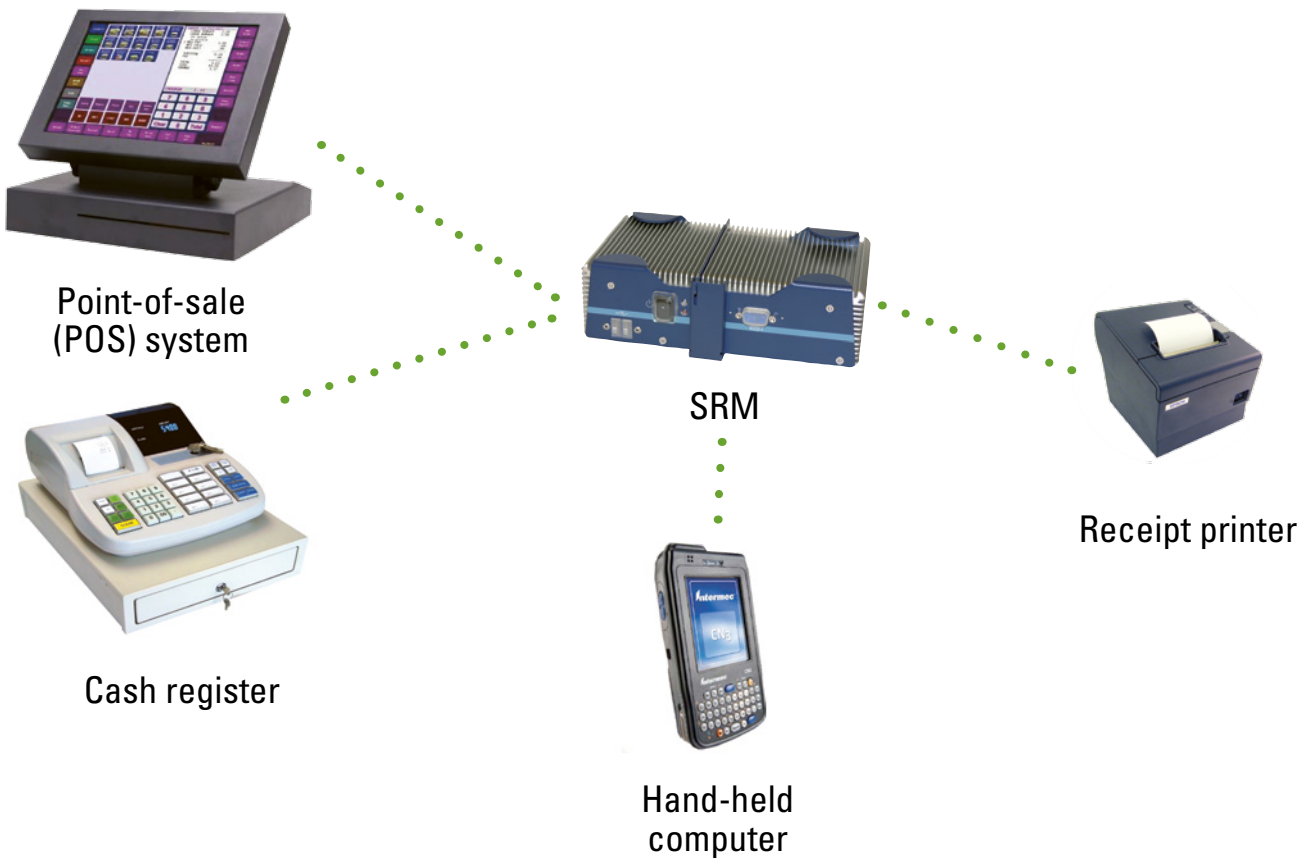
- the Canada Revenue Agency;
- the United States Internal Revenue Service;
- tax authorities in Australia, Sweden, Belgium, British Columbia and Ontario; and
- the Federation of Tax Administrators, which serves the tax authorities of the American states (Figure 8).



RESTO : Facturation obligatoire dans le secteur de la restauration

FIGURE 1

THE RESTO PROJECT: A COMPLETE AND EFFICIENT TECHNOLOGICAL SOLUTION IN THE FIGHT AGAINST TAX EVASION IN THE RESTAURANT SECTOR

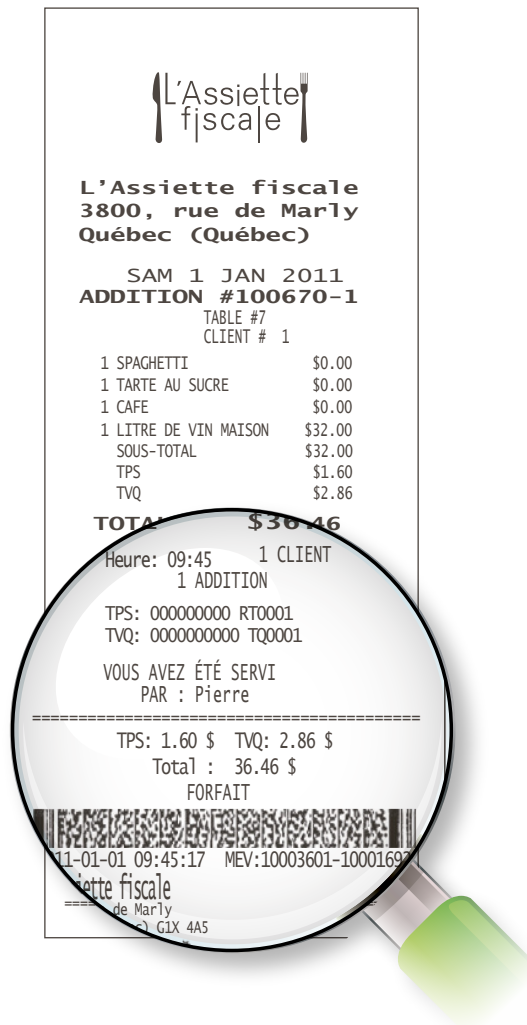




THE RESTO PROJECT: Mandatory billing in the restaurant sector

FIGURE 2

EACH BILL PRODUCED WITH AN SRM SHOWS ALL THE REQUIRED INFORMATION, INCLUDING A BARCODE AND A UNIQUE DIGITAL SIGNATURE.





THE RESTO PROJECT: Mandatory billing in the restaurant sector

FIGURE 3

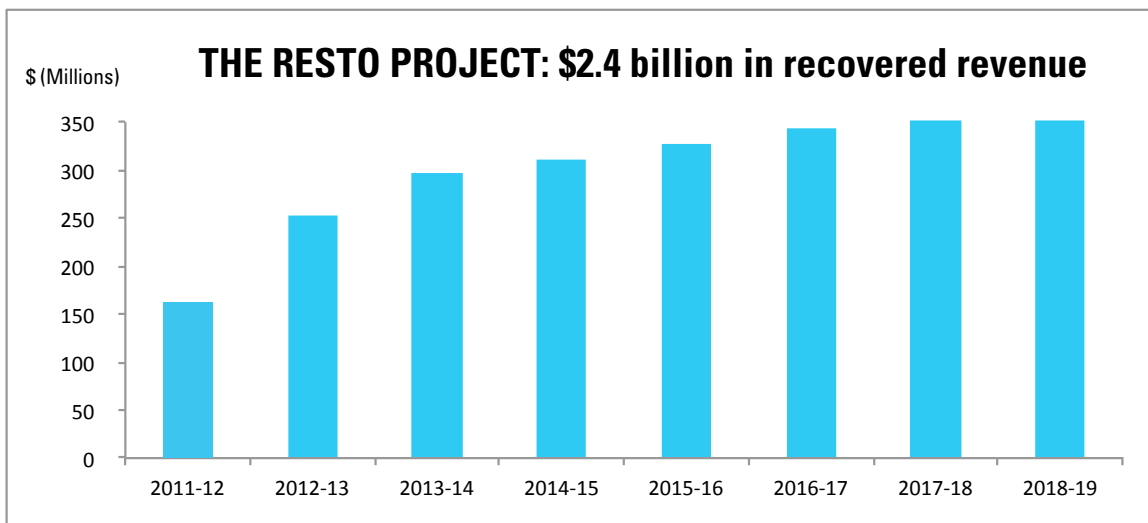
HAND-HELD COMPUTER: A MUST-HAVE TOOL TO AUTOMATE THE INSPECTION PROCESS





FIGURE 4

THE RESTO PROJECT: A WORTHWHILE INVESTMENT!



Additional revenue	\$2,387.5 million
Minus	
Implementation costs	\$34.4 million
Subsidies to restaurateurs	\$60 million
Operations over 7 years (salaries and other costs)	\$92.8 million
Net Profit	\$2,200.2 million



Raymond Bachand, Minister of Finance, Minister of Revenue and Minister responsible for the Montréal region

“Thanks to information technology and the SRM, the Québec government will recover more than \$2.4 billion over the next seven years, while promoting tax fairness for individuals and businesses.”



FIGURE 5

THE RESTO PROJECT: A MAJOR REFORM WELL RECEIVED BY THE RESTAURANT SECTOR



François Meunier, Vice-President of Public Affairs of the Association des restaurateurs du Québec

Source: *Journal de Montréal*, September 19, 2011

“...the measures were put into place gradually. The government allowed us an adjustment period and things are now running smoothly from our perspective.”



Marcel Veilleux, former President of the Association des restaurateurs du Québec and owner of the Pub D'Orsay in Québec City

Source: *Québec Hebdo*, November 16, 2009

“I believe in this project. Legitimate and professional restaurateurs will survive, while dishonest entrepreneurs will be caught.”



Denis Boutin, manager of the Delta Sherbrooke Hôtel et Centre des congrès

Source: *La Tribune*, January 16, 2010

“It's a great idea and very effective. Before, ten inspectors had to come out for two weeks to uncover tax evasion practices. Now, it's just one inspector, for fifteen minutes.”



THE RESTO PROJECT: A MAJOR REFORM WELL RECEIVED BY THE RESTAURANT SECTOR (CONTINUED)



Alain Gauthier, owner of the Taverne Magnan in Montréal

Source: *Journal de Montréal*, September 19, 2011

"I argued for this measure. I even wrote to the Minister of Finance to tell him the restaurant sector needed to be cleaned up. ... People pay taxes when they eat at a restaurant, but those taxes don't always find their way to the government."

LaTribune

Michel Ménard, owner of the restaurant Le Cartier Pub Saint-Malo in Sherbrooke

Source: *La Tribune*, January 16, 2010

"It's hard to compete with restaurants that do business under the table. We're legit and we'd been waiting for this project to come along. That's why we decided to participate in the pilot project. Once everybody is running without steroids, it won't take long to feel the difference."

FIGURE N° 6
**THE RESTO PROJECT: A WINNING
BUSINESS MODEL**

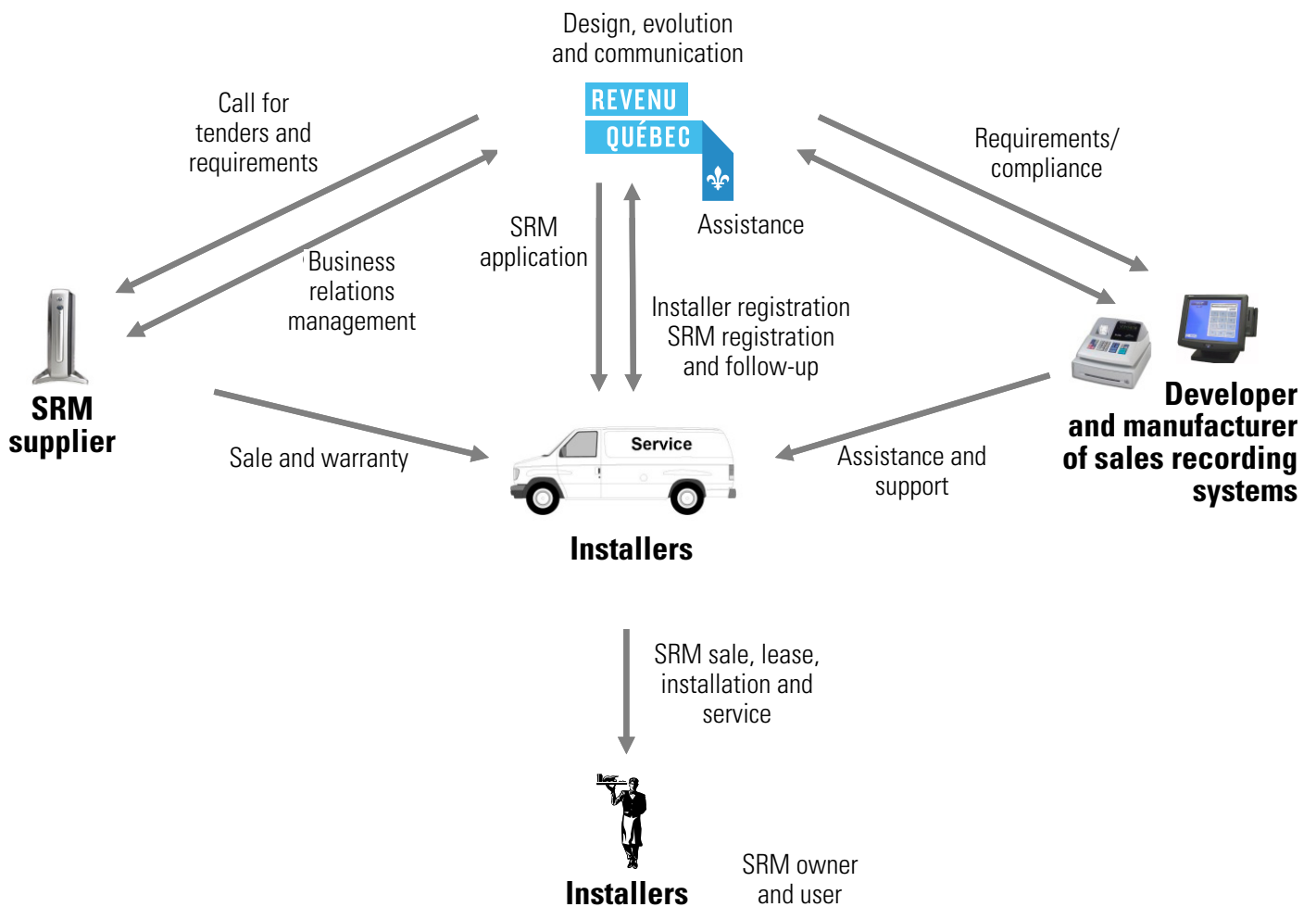


FIGURE N^o 7

THE RESTO PROJECT: A NEW APPROACH TO FISCAL MONITORING IN THE RESTAURANT SECTOR

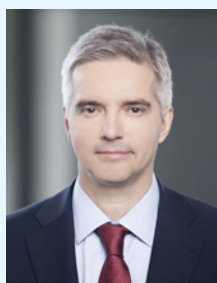


Jean-Marie Lévesque, Vice-President of Revenu Québec and General
Director of the Direction générale du traitement et des technologies

“The sales recording module, the inspection tools and the automated systems for the detection of at-risk businesses are the result of ten years of research and development completed by Revenu Québec in partnership with many tech businesses.”

FIGURE N^o 8

THE RESTO PROJECT: A SOLUTION FOR THE FUTURE



Jean St-Gelais, President and Chief Executive Officer of Revenu Québec

“Revenu Québec has become a world leader in the use of information technology to fight tax evasion. The State of New York and the Government of Canada have expressed interest in the exceptional potential of our concept. Moreover, in April 2011, the SRM was presented to the United States Senate Committee on Finance as a major initiative to counter sales concealers, or ‘zappers,’ in the restaurant sector. The Resto project is a showcase beyond compare for Revenu Québec!”