



We take your taxes personally!

# Ten Ways to See if You Have Paid Your Fair Share of Taxes

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# Ten Ways to See if You Have Paid Your Fair Share of Taxes

**H**ave you ever wondered if you have overpaid your taxes? What happens if you have underpaid? Will you owe more down the road? How can you determine what your fair share really is? It is not surprising that many taxpayers get confused on this issue. While a fair number of Canadians do overpay, unfortunately quite a few accidentally underpay, because they were not advised properly or just didn't know the rules. This handout will help you find the right balance and save your money, while gaining peace of mind. We trust you will find it as useful as others have!

## **1. Understand who is really responsible for your taxes.**

Have you ever been surprised to learn that you owe money at the end of the year when you thought your boss was deducting enough tax? Did CRA reassess you because your accountant incorrectly reported a deduction or a dependant's taxes affected yours? You may have been left thinking that your employer, accountant, or dependant should have known better. But the reality of the Canadian tax world is that, regardless of who did what, you are responsible for your taxes (except in extenuating circumstances). Unless you can prove that the other party was deeply involved in your situation and made a difference to the result, CRA will come after you to settle the balance. Whomever you choose to be involved in your taxes, be aware of what they are doing and what result you can expect.

## **2. Find out what income is subject to tax.**

In Canada, certain income is tax-free and in some cases doesn't even have to be reported. Examples are lottery winnings, inheritances, gifts within reason, tax credits, social assistance, and workers' compensation. Bonuses, large gifts, and capital gains on non-personal property, on the other hand, are taxable. You may need to consult CRA's list or a tax professional to be sure. Be careful of items like reimbursement of employment expenses. If the reimbursements are added to income, then they are taxable, though the employee may be able to deduct them as employment expenses. If the expenses are directly reimbursed without being added to income, then they are neither taxable nor deductible. See PTC Canada's *Employment and Commission Expense Tax Booklet* under tax tips. Consult CRA or your tax professional for other circumstances that may apply.

### 3. Determine your tax credits.

The good news about tax credits is that every taxpayer who files a return in Canada is entitled to them. The bad news is that many taxpayers don't know how to use them. Tax credits are either refundable or non-refundable. If you have a surplus of refundable credits, then you are entitled to a cash refund; if the surplus is of the non-refundable kind, you get no refund. Refundable tax credits include GST credits, Child Tax Benefits, and provincial/territorial benefits. Non-refundable credits include basic personal exemption, spousal, disability, age claim, pension, employment insurance, and CPP claims. Both types of credits are subject to federal and provincial tax rules. In Quebec, for example, federal and provincial credits are separate, and taxpayers have to file two returns. Most refundable tax credits are automatically calculated by CRA when you file a return. You can check the list of non-refundable credits you may be entitled to by downloading the [appropriate CRA guide](#) or consulting PTC Canada's *Personal Tax Checklist*. Also, make sure you have utilized the appropriate transfer allowances between spouses and dependants. Some tax credits, such as tuition/education, may be carried forward into future years, when they can be used if not feasibly transferable.



### 4. See what can be deducted.

A taxpayer filing a basic T4 return has limited deductions compared to a self-employed taxpayer, who has considerably more. Why? The self-employed person is entitled to deduct all expenses incurred to earn income, including a portion of his home and car. If you are self-employed, or you earn income from rental properties or investments, or you have deductible employment expenses, I suggest you download PTC Canada's tax booklets. If not, then download our *Personal Tax Checklist* and appropriate tax guides for each year. These publications have detailed information on how to identify deductions and plan for breaks. If you are not sure how to spot deductions, call CRA at 1-800-959-8281. For further strategic deductions, consult your tax pro or certified financial planner.

**5. See if you can find a tax windfall.**

PTC Canada has come up with the term “tax windfall,” which is the discovery that your taxes have been overassessed. Either you have paid too much or you owe less than you thought. In many cases, you may be entitled to get something back with interest, or have the interest reduced on what you owe. Our handout *10 Ways to Find a Tax Windfall*, available on our website at [www.ptccanada.com](http://www.ptccanada.com), will help you find out if you qualify for a tax windfall.

**6. Use the appropriate rules for each year.**

As you may know, tax rules change from year to year. In 2000 alone, the capital gains rules changed three times! Capital gains exemption of \$100,000 was abolished in 1994, and legal fees for divorce became deductible in 2003. Tax programs like Quick Tax catch some of these, but for most of them, you have to read the tax guides for each year and figure out how to apply the rules. It's like reading a sheet of music: anyone can buy one, but you have to understand how it works.

In 2001, the federal government began changing the way the provinces assess taxes, moving from the TONI method (tax on net income) to the taxable income method (line 260), after credits and deductions. In Alberta, this actually resulted in lower tax revenue. The purpose of the new taxation method was to give the provinces more autonomy in assessing taxes for their budgets and campaign promises. Currently, Quebec is the only province that taxes personal income separately from CRA, but some political experts speculate that provincial powerhouses such as Ontario, B.C., and Alberta may move in that direction. In the late nineties, the federal government merged provincial sales taxes and the GST for the Maritime Provinces. This resulted in a lower net HST (Harmonized Sales Tax) for the consumer. The intention was to assist the Maritimes by using the federal government's central treasury to lower the retail tax.

**7. Be conservative on the “reasonable rule” for deductions.**

This advice is more for taxpayers claiming expenses relating to small business, rental income, employment, and investments. Basic T4 filers who receive printed slips can claim the amounts on the slips. CRA will usually accept these, because the information can be verified and there is little to be gained by auditing the taxpayer. With more complicated returns, the taxpayer does not submit the bookkeeping unless CRA asks for it. CRA can disallow any expenses they feel are not appropriate for the normal operation of a

business, going as far back as six years, and collect the interest. So, it is important to be reasonable when claiming expenses.

For example, I always caution my clients about the “in-home use for business” claim. Unless you have a retail store or something similar in your residence, keep this claim low. For an office in your home, used strictly for business, you can reasonably claim about 10% of normal expenses. If you try claiming anything above 25%, you will need strong justification, even if you are working full-time out of your house. The theory behind the in-home claim is to compensate for space you would normally have to rent, but for many taxpayers it is a gift and should not be overused.

#### **8. Make sure you are assessed correctly.**

It is important to check your notice of assessment each year. This is also true for your spouse and dependants. CRA relies on your information, together with what they have on you, to do the assessment. For example, if a senior parent over 65 has moved in with you and has a net income under a certain amount (check current figures), you may qualify for the caregiver’s tax credit. Also, if one of your dependants qualifies for the disability tax credit but cannot use it, you may be able to transfer it. On the other hand, if you have teenage kids who are working, this will affect your Child Tax Benefits, GST credits, allowable medical claims, and equivalent-to-spouse deduction. Find out their net income before submitting your return. Some institutions, like banks, use the notice of assessment and not the tax return to determine your borrowing power. An inaccurate notice of assessment can result in your being turned down. Go to [My Account](#) to see your tax history.

#### **9. Avoid tax traps.**

A “tax trap” is an unforeseen tax liability that you were not planning for. It is not so much a minor adjustment as a substantial pitfall that can alter your financial picture. Tax traps happen when a taxpayer has underpaid taxes he or she may have overlooked. The taxpayer may have been misinformed and deducted too much, and is now facing reassessment and a tax bill from CRA, with interest. Take a look at PTC Canada’s handout *10 Ways to Avoid a Tax Trap* for insight into how to avoid this or deal with it if it happens to you.

## 10. Consult your tax professional.

A tax professional can help you deal with any or all of the above suggestions. Whether you decide to have a pro do everything, or you handle much of it yourself, a reputable consultant will have lots of resources at their disposal. At PTC Canada, we do our best to assist the taxpayer at minimal cost. Why? Because we're taxpayers too! We provide lots of free stuff and, in many cases, free advice, without obligation. If you need more, most pros should be able to give you some idea of the outcome before you commit any money (no guarantees, of course). A consultation, even at \$1,000, will be well worth it if the pro can return at least twice that much in a relatively short time. Many top guns view tax planning as a game (a very serious one, mind you!). With someone well versed guiding you, your chances of winning are good. PTC Canada's win-win philosophy capitalizes on the rules so that clients can come out on top.

With so many rules and personal situations, topped by complicated changes, it is necessary to figure out what your fair share of taxes is. If you asked a group of people this question, you would get a variety of answers, all very different. You now have enough information to clear away some of the confusion and gain clarity on this topic. You will also gain peace of mind, while minimizing your taxes. The average person does not have the advantage you now have. Join our free mailing list today to receive updates on tax events and unique products and services to ease your tax burden. On the following pages, you will find a list of free resources and services. Then you can find out for yourself why PTC (Personal Tax Consultants) Canada *takes your taxes personally!*

Sincerely,  
*Neel*

Neel Roberts  
President & Founder

P.S. Tell us your success story. It means a lot to me and my clients!

*Since 1998, PTC Canada has helped thousands of Canadian taxpayers and clients around the world achieve optimal results with innovative tax preparation, planning, and consulting.*

## Free Tax Booklets

We offer other tax booklets, worksheets, and information that may be helpful to you. These include booklets for:

1. [Canadian Tax Secrets Guide](#)
2. [Employment and Commission Expense Tax Booklet](#)
3. [Investment Tax Booklet](#)
4. [Rental Property Tax Booklet](#)
5. [Small Unincorporated Business Tax Booklet](#)
6. [Farming Income](#)
7. [Personal Tax Organization Checklist](#) (Everyone can use this.)

You can download these and much more from our website ([www.ptccanada.com](http://www.ptccanada.com) under Resources) or we can arrange to have them sent to you.

## Our Free Services

1. Tax booklets, guides, worksheets, and preparation assistance
2. Seminars and information meetings
3. Investment opportunities
4. Mail and e-mail updates
5. 24/7 support via phone, fax, e-mail, courier, and mail
6. Internet filing and interactive website
7. Mobile tax services in certain areas
8. First consultation and personal assessment



**Tip:** If you are not a client but want regular updates, you can join our complimentary update service. Contact us and we'll start you today. There is no cost or obligation, and we love giving away free stuff!



## Other Services by PTC Canada

At PTC Canada, we are a network of Canadian tax and financial professionals who are specialists in our fields. We are committed to providing you with tax and financial expertise and assistance if you are affected by CRA (formerly Revenue Canada). Our goal is to provide insight and help to the taxpayer so that our clients can make informed decisions. Our philosophy is commitment to integrity and win/win solutions. Our services now consist of:

1. All types of tax preparation, planning, and consulting
2. Corporate tax returns
3. General accounting
4. Book and record keeping
5. Financial planning and investment services
6. U.S. and Quebec tax returns
7. Bankruptcy and debt consultation
8. Legal tax matters
9. Client representation to CRA
10. Overseas taxes and relocation assistance
11. Later-filer preparation
12. Previous years' corrections and adjustments up to 15 years

## Reference Books and Guides

I always recommend getting free stuff first and hope this booklet and other PTC Canada publications have been helpful. CRA also publishes a variety of [Tax Guides and Pamphlets](#) every year, which you can get by mail by calling the Forms Centre at 1-800-959-2221. You can also access their list of [forms and publications](#).

Here are a few more things worth looking into:

1. PTC Canada has a free *Canadian Tax Secrets Guide* that you can download from our website at [www.ptccanada.com](http://www.ptccanada.com), or contact us and we will send it to you.
2. I also recommend Tim Cestnick's *Winning the Tax Game 20\_\_* (for whatever year you are doing), available at your local bookstore or [www.chapters.ca](http://www.chapters.ca) for about \$25. The cost is deductible, and I believe you will find more than enough information to recover your investment of time and money. Go to [Tim's website](#), or contact Tim at [tim@timcestnick.com](mailto:tim@timcestnick.com) if you wish to discuss his work or other strategies.
3. Another book for about the same price is *The 30-Minute Tax Solution* by tax expert Evelyn Jacks of the [Knowledge Bureau](#). You can get it at your local bookstore or by calling Evelyn at 1-866-953-4769.

## Contact Information

In this booklet, I have given you some contact information that may interest you. Below is my contact information, as well as CRA's. If you are looking for something else, please contact me.

### **My contact information:**

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## CRA Contacts

Service	Toll Free Number
General Services	1-800-959-8281
Refund Enquiries	1-800-959-1956
Business Number Enquiries	1-800-959-5525
Child Tax Benefits	1-800-387-1193
GST Credit-Personal	1-800-959-1953
Forms	1-800-959-2221
Collections	1-800-332-1312
All other Government of Canada Services	1-800-622-6232
Alberta Family Employment Tax Credit	1-800-959-2809
Fax Number-Depending on your location	Call General Services
Web Site	<a href="http://www.cra-arc.gc.ca">www.cra-arc.gc.ca</a>
Overseas Tax Services-Ottawa	1-800-267-5177
Overseas Tax Services-Outside Canada	Collect 613-952-3741
Local Tax Center	Call General Services

✓ **Note: Toll free numbers work across Canada.**