



THE Tax Tipper

October 2, 2017

We take your taxes personally!

Issue 58

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Thanksgiving Message!

President and Founder
 Neel Roberts
 PTC Canada
 Box 1347
 Vulcan, Alberta
 TOL 2B0

Phone 866-485-2683
 Fax 866-485-2761
taxes@ptccanada.com
<http://ptccanada.com>

Our Readers Respond

My husband and I are recently retired, and we are wondering if we should be pension splitting. I finished reading PTC Canada's booklets on income tax information and found them very informative. I'm glad to be receiving your monthly updates, and I really enjoy your newsletters, as I learn from them. Thanks, Neel.

Marlene Hill, retired
 Hampton, PEI

Check out our [testimonials page](#) and [media room](#).

Need tax help right away?

[Click here](#) to get started now!

We [welcome your comments](#) on the **Tax Tipper!**

Dear Clients and Friends,

This summer has got to be the driest out west I can remember. With forest fires still sweeping most of B.C. and some of Alberta, we country folks have been on edge wondering if we're next. While the smoky skies have receded a bit, it was a killer for those with breathing issues like asthma and emphysema. The fire bans were so restrictive, many areas banned BBQs, let alone campfires. We can't wait for the snow for relief. Of course, that means snowmobile season, one of my winter pastimes on the farm.

One of this year's highlights was the [solar eclipse](#) on August 21, seen best in the U.S. but making headlines all over the world. [I had the opportunity to see it](#) north of Weiser, Idaho, at a country store with thousands of others. To my surprise, [I was front-page news in the Lethbridge Herald](#) the day it happened, and one of my faithful followers called me to let me know the story had run. It was my first time seeing a total eclipse. What an amazing experience! The next one will be April 8, 2024, which will go over eastern Canada. I highly recommend checking it out.

This year, some of the big issues were poor service from CRA and [proposed tax changes from the Trudeau government](#). CRA has experienced long processing times for returns: as much as six months for current years, including e-filed returns. Also, the call centre is overloaded, and it can take days to get through. Many taxpayers have filed complaints and are dissatisfied with the answers, especially when their tax refunds are still not processed. At a meeting with senior management at CRA, we learned that a few changes contributed to this. First, seven of the national processing centres were consolidated

into three with no extra staff. This caused backlogs to the ceiling. Second, the overall electronic system was significantly upgraded to offer more online services, but the upgrades didn't pan out as hoped, so it's back to the drawing board. Lastly, the call centre is an old system that can no longer be upgraded and needs to be replaced. The plan is to replace it with a much more contemporary system, but that won't happen until 2018 at the earliest because of the cost, which will go into the millions. CRA is attempting to move as many services online as possible, since most taxpayers and professionals interact this way and it does make good business sense.

Before I get to the proposed tax reforms: one class of taxpayers CRA is targeting for "pre-filled" tax returns is the million or so taxpayers with so-called "simple" returns. Along with most professionals, I've opposed this idea for ethical reasons, as it sidesteps your constitutional right to representation. While many people do their own returns, the law guarantees you the right to professional, objective help in your favour, whether you choose to accept it or not. It's much like going to court. I want you to know that I will always represent you, the client, and will continue to oppose this practice.

The [recent tax proposals](#) have met with [great opposition](#), not only from [the official Conservative opposition](#) but from the population in general, including many Liberals. Canadian tax rates are at unsustainable levels, pushing too many into poverty. With [fabricated science like climate change](#), the government is trying to wring more dollars out of us while successfully going broke

continued . . .

pushing propaganda. One of the biggest pedlars of this agenda is the fake news being pushed by mainstream and social media. It's delightful to know that free media companies like Project Veritas and Infowars are successfully fighting back, as people have had enough of government trolls. This exposure has had immediate ramifications: large news companies are downsizing while the free media keeps hiring.

Donald Trump's recent tax reform may force Canada to get its act together—fast! Proposals to reduce the U.S. corporate rate from 35% (one of the highest in the developed world) to 15% will send many of our companies south. Not only will the tax cut extend to all personal returns, but the forms will be so simple: only a page long, requiring no receipts. This is an absolute bombshell and will light their economy like rocket fuel. I find it smart that Trump is removing much of the stigma of intimidation from the IRS. As President Ronald Reagan put it, "Most Americans would rather be mugged than audited." This speaks volumes about the IRS's reputation. While Canada is not as bad, we must ensure that we stay away from this. Many experts are not optimistic about our current course and are even predicting disaster without the proposed increases.

Whether or not you agree with Donald Trump, he's right, and he's winning a lot of people over to him, both nationally and around the world. People are refreshed by a politician from the outside batting for the little guy while killing elitism.

Make no mistake: this is very much going to affect us here north of the border. The U.S. has been our trading partner since confederation, and nothing in the foreseeable future will change that. Not only is Trump predicted to win in 2020, but there's the possibility of a Trump dynasty given his kid's involvement. I don't agree with everything President Trump says and does, but when you consider the past and what's out there, there's simply no comparison.

This Thanksgiving, I'll be having deep fried turkey with friends out on Vancouver Island. There's nothing like the aroma of cooking this out in the woods with the lake in the background. I've been doing this since 2012, and everywhere I go and try it on people, they are instantly hooked. If you haven't tried it, surprise the gang and look like an innovator. Not only does the turkey cook fast (usually under an hour), but it's to die for when done. I was lucky enough to find a KFC coating this year that pushed it over the top.

I'd like to thank all the regulars for your years of loyalty since 1998, and I want to take this opportunity to wish you, your family, and all your loved ones a safe and restful Thanksgiving while you enjoy the latest **Tax Tipper** with your turkey—wherever that may be!

Neel Roberts
President and Founder

What's Happening

Canada's Personal Tax System Officially 100 Years Old



It's hard to believe that we've been paying personal taxes for over 100 years. The changes since 1917 are stunning, to say the least. According to the Fraser Institute, personal income taxes went from just 2.6% of federal revenue in 1918 to an expected 51% in 2017. A factor of almost 20!

The number of Canadians who pay personal income taxes has also gone through the roof. As late as 1938, only 2.3% of the population filed income taxes. Now it's almost 75%, or 32 times in less than 80 years! A recent Knowledge Bureau article correctly points out that what started as a temporary measure to help finance World War I has become an out-of-control monster showing no signs of turning back. Now that we pay over 42% in taxes, many Canadians wonder if taxation has become theft. So Happy Birthday—to WHOM?!

2017 Tax Service Now Available



As some of you were alerted back in the summer, 2017 tax preparation service is now available. Those of you who have all your information or are filing zero income can take advantage of this service and avoid the rush. You can get the paperwork from the forms website. Most people, however, will have to wait until early March 2018 when they have all their T-slips, etc.

One of the bonuses is that the 2018 calculations are also available (based on current information, of course). So for example, if you foresee a sizable amount of money coming from a buyout with the option to defer, I recommend that you book a consultation to use the most tax-advantageous strategy. I have done several of these and have saved clients untold thousands with a brief planning tactic. Unfortunately, many people end up paying too much tax on severances because they are not properly informed on how to address this.

E-File Available All Year

For those of you who have been following my newsletters over the years, it's exciting to know that E-file is now available year-round for personal returns.

Now you can file previous returns if you're behind up to four years, meaning you can go back to 2013. This is also available for corporate and GST returns. For further information, check out the [E-File webpage](#) or contact the call centre at 1-800-959-8281.



CRA Watching Real Estate Transactions Closer than Ever

As of 2016, Canadians must report all real estate sales, including personal residences whether they are taxable or not. Generally, [personal residences that meet the criteria](#) are still exempt from capital gains, as in previous years, but those not reporting can [incur stiff penalties](#). A recent [Investment Executive article](#) explains that an audit of 21,000 files netted the agency \$330 million, with \$17 million in penalties or interest.

A [Knowledge Bureau article](#) breaks down the source of the CRA windfalls, from personal taxes, GST refunds, and rebates. Important to note from these investigations is how you justify the funds used to buy the real estate in the first place. If that was an unreported source of income, or if your lifestyle or a large down payment is not compatible with the income you report, or if you are a low-income taxpayer who is "hiding" a wealthy taxpayer, there may be enough suspicion to prompt an audit or reassessment.



Renting Out Part of Your Home? Know the Rules!

The [Knowledge Bureau](#) recently explained the change in rules pertaining to renting part of your personal home or running a business and paying the taxes. Until lately, the sale of a principal residence and any gains made from the sale have always been tax-exempt in Canada. Not anymore! CRA's new [rules](#) state that if you change all or part of your principal residence to a rental or business operation, you are deemed to have sold all or part of your property at fair market value and to have reacquired it at the same amount. Any net capital gain or loss must be reported in the year the change of use occurs.



Wages-to-Loan Tax Scheme Latest Con for Employees and Employers

Just when you thought you'd seen it all, another scam bursts into bloom. [In the latest one](#), a promoter has started a rumour that wages can be deemed a loan, exempting employers from CPP/EI deductions and employees from wages. Targeted groups may include new Canadians, seniors, and students. Students are especially vulnerable because the scheme is often promoted as a way to pay down debt by freeing up cash.

Scheme participants and promoters face serious consequences, including penalties, court fines, and even jail time, says CRA. Also, as a participant, you could end up being assessed additional taxes as well as paying a fee to the promoter. So you'll end up WAY BEHIND!



Improved CRA Services for Small and Medium Businesses

[Canada Newswire reported](#) in the summer that CRA was overhauling its service model to ensure tax fairness for all Canadians and particularly to help small and medium businesses. The CRA's 2017–2019 [Serving You Better action plan](#) contains over 50 action items aimed at small and medium businesses. Here are the top ten improvements, allowing businesses to do the following:

1. Receive a CRA security code by email.
2. Call a new dedicated telephone service for tax preparers that helps with more complex technical issues.
3. Request a Liaison Officer visit.
4. Provide T4 information slips to their employees in electronic format (certain conditions apply).
5. Use T2 Auto-fill through commercial software.
6. Create their own filing and balance confirmation letters online.
7. View short "how-to" videos that explain the services on My Business Account.
8. Experience telephone service improvements from CRA.
9. Share feedback about their audit experience in a new post-audit survey.
10. Have their objections resolved faster.

To find out more about the CRA's action plans to serve small and medium businesses, go to canada.ca/cra-serving-you-better.



More on What's Happening

Now Pay Your Taxes with Cash or Debit at Canada Post



As of this year, you can pay your taxes at any Canada Post outlet with cash or debit. CRA stopped taking cash years ago, and while you can pay online via My Payment at no cost, Canada Post charges \$3.95 per \$1,000 payment.

Balances that can be paid include individual tax, benefits and credit repayments, Part XIII non-resident withholding tax, source deductions, T2 corporation tax, GST/HST, and advance instalments. The credit usually shows up within two business days. With almost 20% of Canadians living in rural areas and 16% without smartphones, this service has the potential to service over 7 million taxpayers.

New "My Business" App Launching This Month

CRA is launching an improved app for small businesses. The current business reminder app is very limited, but that all changes in October 2017 to "CRA Small Business App." I saw the pilot at a CRA management meeting last month, and it's close to what you can do online at My Business webpage. Stay tuned for further developments. For more information, contact the business line at 1-800-959-5525.



Just Asking ... Just Answering

Northern Worker Can't Claim Northern Residency—UNLESS!

Real People with Real Questions About Real Situations



Dear Neel,
I've worked in Fort McMurray for years in the oil sands and travel back to my home in St. John's, Newfoundland, on days off. I don't spend much time at home since I work well over 300 days, and I feel ticked that I can't claim the Northern Residency deduction like my co-workers. Can I do something about it?

Sean H.

Dear Sean,
The Northern Residency Deduction form T2222 is very specific. "To qualify, you must have *lived on a permanent basis* in a prescribed northern zone (Zone A) or in a prescribed intermediate zone (Zone B) for a continuous period of at least six consecutive months." In other words, you can work there all you want, but, whereas your colleagues are "actual" residents of Fort McMurray, you are not.

One possibility is to move there so it becomes your permanent residence. A few advantages on top of the

northern claim are that your moving expenses are deductible and Alberta has an overall lower tax burden than Newfoundland.

Those claiming the northern deduction are not restricted in the year if they've completed six continuous months in the designated residence. As a bonus, there are some travel deductions for your personal travel home, so this move is definitely in your favour. Good luck!

Are You *Just Asking* tax questions?
Neel can *Just Answer* them.



It's a Photo Finish! Real Coloured Turkeys!



Courtesy of <https://www.facebook.com/pages/Gozzis-Turkey-Farms/161877753830600>

Are you bored with normal “white” feathered turkeys? Check out Gozzi’s Turkey Farm in Guilford, Connecticut. It attracts families from across the nation who watch in awe as brightly tinted fowls gobble and cluck for the crowd. According to an article in Today that appeared in Nov. 2015, the multi-generational farm since the 1940s has been showing off the coloured birds for America’s most celebrated holiday, Thanksgiving. “My grandmother started it years ago as a fun thing for the kids in the neighborhood, and it caught on. Just busloads of kids come now,” said current owner Steve Gozzi. When asked how they do it, he responded, naturally, “Can’t tell you. Family secret,” though he allowed that genetics are not involved. “Kids ask, Is it in the egg? Is it in the feed? We just let everybody use their own imagination!”

Send us your fascinating photo or story.

Did You Know?



Wild turkeys can fly?



Sorry I can't stay for Thanksgiving din-din!



Don't miss ...

The Leonids meteor shower peaking Friday, November 17, 2017. Astronomy fans and enthusiasts can follow Neel's monthly columns the first Wednesday of every month!

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The **Tax Tipper** is professionally finished by Joyce Gram and Elizabeth Kendler of Gram Editing Services.

www.gramediting.com Email: email@joycegram.com