



# THE Tax Tipper

October 7, 2013

We take your taxes personally!

Issue 38

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## Our Readers Respond

"Neel, I fell off my chair with joy from the results you got for me and my husband. You are my absolute favourite tax professional, and I am singing your praises while recommending PTC Canada to everyone I know. Thank you for all your help and support!"

Wendy Filemeno  
 Sales & Marketing Administrator  
 Montorio Homes Ltd.  
 Edmonton, Alberta

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!**

## Thanksgiving Message

Dear Clients and Friends,

Fall is an amazing time of year. This year, I noticed the leaves starting to change as early as late July, which makes me wonder if we're in for a rough winter. No matter, though. I grew up with four seasons and wouldn't have it any other way, so let the winter come. When I visited Quebec City last month for our annual meeting with other professionals and CRA, the richness of the changing leaves was breathtaking. Having lived on the Prairies for the last 20 years, I do miss the dense eastern forests. Not raking the leaves, of course, but watching them! I've already started to closet the summer clothes and get my winter gear ready, as this is the right time to do it.

Whatever part of the country we live in, most Canadians have to make changes in our daily lives because of the weather. This is even truer when it comes to taxes. Before you know it, tax season 2014 will be upon us, so now is the time to start preparing. While you may think it's early, it isn't if there has been a dramatic change in your personal situation. I am often hired to consult on major changes like a new job, investments, and especially starting a new business.

The trend toward self-employment continues to grow as companies outsource, downsize and generally eliminate jobs. The bright spot that most people miss is that the work still has to get done, so the opportunities remain. I don't foresee this trend reversing itself, so the sooner you accept this, the better you can prepare.

After being a corporate refugee myself more than once, I started my own business in 1998, so I understand what this involves. When I launched PTC Canada, I set it up to be

business friendly, especially for those of you just starting out. Whether you are incorporating or starting a partnership or sole proprietorship, you need to prepare yourself long before you begin your new journey. Today, I do more consultations than ever, because taxes are not the only issue. There are legal and financial considerations, as well as a new work ethic, taking place all at the same time.

I find that the two most common mistakes newbies make are, first, being too optimistic, and second, rushing to get started. While things can sometimes be forced on you, you should never be rushed if possible. It's natural to be optimistic about going out on your own, but never lose sight of reality. I have written many articles and given lots of lectures on getting started the right way. The business owner must have a product or service that a total stranger is willing to pay for, and there must be a proper marketing plan to make progress with sales.

The overall plan must be profitable in the long term, all factors considered. The most common mistake I find at this stage is the business owner working for free—forever! While this usually has to happen in the beginning, it can't continue if the business is to amount to anything. Depending on the nature of the business, you should start seeing a profit within a few years while you stay on course paying yourself a reasonable salary. The fortunes of this world take at least a decade or two to materialize. Experts in the business can help you lower your learning curve while enlightening you on what to expect.

*continued . . .*

I always look at the changing seasons as an opportunity for new ventures, whether a door in your life is closing or not. One of my goals 15 years ago when I saw this massive transition coming was to have a service ready for people to jump into with little adjustment. Thousands of clients later, this foresight has paid off and will do so for many more years. If you're a new client, welcome aboard and check out all the updated stuff on [www.ptccanada.com](http://www.ptccanada.com). I remember reading this short note, which caps this off well:

*Dear Optimist, Pessimist and Realist:*

*While you guys were busy arguing about the glass of water, I drank it.*

*Signed, The Opportunist*

I'd like to thank all you regulars for your years of loyalty and 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

### E-file Finally Available All Year

For those of you who have been following my newsletters over the years, it's exciting to announce that as of 2013, E-file will be available year-round for personal returns. This year it will only be available until November 30, but after that it will not shut down outside of normal maintenance. Does it get any better? Here's the bonus. Also, as of the New Year, you can file previous returns if you're behind up to four years—with only one catch: 2012 will be the first year you can backfile, so if you happen to be behind up to 2016, then you can do all four years in one shot and thereafter. Now that CRA has you confused, the simple rule is this: you can E-file up to four years, but they only accumulate starting in 2013. For further information, contact the call centre at 1-800-959-8281.



### First Time Giving to Charity? You Get an Extra 25% Tax Credit!

Have you never given to charity but have been meaning to do so? Now CRA is making it easier with their [First-Time Donor's Super Credit](#). Announced in the [2013 Economic Action Plan](#) earlier this year, the extra 25% tax credit will lower your tax burden provided you have never claimed the non-refundable charitable donations tax credit in the past. The effective date was March 20, 2013, and most taxpayers are eligible. For further information, check out the [news bulletin](#) or contact the call centre at 1-800-959-8281.



### Flood Relief in Alberta

As a resident of this beautiful province for almost 20 years, I could not have been more proud of how our folks pitched in and got going after the floods. In fact, there was such an outpouring of manpower and supplies that people and goods had to be turned away four days after the waters thrashed through the mountains. Nevertheless, the massive cleanup continues and will do so for many years. Damage is in the billions, and while government will help, it can't do everything. Businesses and individuals who are unable to meet their tax obligations because of the flooding can [apply for taxpayer relief](#). CRA announced in a [news bulletin](#) that they will expedite requests through their general enquiries line at 1-800-959-8281 or the business enquiries line at 1-800-959-5525 on a case-by-case basis. Also, there are various organizations accepting donations. I suggest you check them out before you give. Most are legitimate, like the new <http://www.yychelps.ca/>, but unfortunately scams continue to thrive and the Alberta government has passed [legislation to deal with this](#). Consult with the [Canada Anti-Fraud Centre](#) at 1-888-495-8501 and [Service Alberta Consumer Charity Organizations](#) 1-877-427-4088 before parting with your hard-earned cash.



## 2013 Tax Service Now Available



As I alerted some of you in the summer, 2013 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](#). Unfortunately, most people will have to wait until early March 2014 when they have all their T-slips, etc. One of the bonuses is that the 2014 calculations are also available (based on current information, of course). So, for example, if a client foresees a sizable amount of money coming from a buyout with the option to defer, it's recommended they book a consultation to utilize 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.

## Victim Surcharge Fee Just Made Late Filings More Expensive



In the summer, [CRA announced](#) that a Fort St. John resident was slapped with an additional \$300 in "victim surcharges" on top of the regular \$2,000 fine for failure to file his 2004 and 2008 personal taxes. Once the [Increasing Offenders' Accountability for Victims Act](#), passed on April 30, 2013, is enforced, victim surcharges will become compulsory and the cash amount of victim surcharges will be doubled. For further information, contact Dave Morgan, communications manager for CRA, at 1-613-587-2533.

## Old Age Security (OAS) Recipients Can Now Opt to Defer Benefits



If you've got too much money or think you'll live to be 100+, as of July 1 this year you can choose to receive larger OAS payments, as much as 36% if you wait to age 70. Currently, the maximum deferral period is 5 years, and every month delayed yields an increase of 0.6% per month to be received later. For further information, check out the [news bulletin](#) and [OAS website](#) or call [Service Canada](#) at 1-800-277-9914.

## New Requirements for Canadians with Offshore Property and Income



Over the summer, CRA took new measures with investments outside Canada. As of 2013, taxpayers with overseas holdings will be required to fill out a new [Foreign Income Verification Statement \(Form T1135\)](#) including more detailed information on each specified foreign property. The increased reporting requirements include the name of the specific foreign institution or other entity holding funds outside Canada, the specific country to which the foreign property relates, and the income generated from the foreign property. Also, the Economic Action Plan of 2013 proposed new measures to combat international tax evasion. These include the new Stop International Tax Evasion Program, mandatory reporting of international electronic funds transfers over \$10,000 to the CRA, and streamlining the judicial process that provides the CRA authorization to obtain information from third parties such as banks. For further information, check out the [news bulletin](#) or contact the call centre at 1-800-959-8281.

## Former Mobster Receives Refund for Almost \$400K Despite Owing Over \$1.5 Million in Taxes, Sending Corruption Fears About CRA



Last week, CBC [broke a story](#) they had been working on for some time. Mafia head Nicolo Rizzuto, assassinated in 2010, mysteriously received a tax refund of almost \$400,000 despite owing over \$1.55 million in back taxes. The cheque was issued in 2007 while he was in jail. Rizzuto, no stranger to the police or public, had a long rap sheet, and Jean-Pierre Paquette, retired anti-organized-crime investigator with over 35 years of experience, is baffled, saying there is no way this should have happened. Although media relations spokesman Noël Carisse is trying to assure everyone that the CRA did their due diligence, it's little comfort to the public and those in the business that CRA has not been infiltrated by corruption. Stay tuned for more details on this developing story.

# More on What's Happening

## New CRA Video for Business Owners



The CRA has announced improved services for businesses. These enhanced online features will allow users better access to [direct deposit](#), [hiring credit for small business](#), [representing a client](#) and [web forms](#). There is also a variety of videos for other topics, so it's worth checking out [the gallery](#) if you have time. For further information, check out the [news bulletin](#) and [business webpage](#), or call the business line at 1-800-959-5525.

## New Online Mail Service for Canadian Small Businesses



Business owners can now get some traditional correspondence via email rather than the conventional way. By signing up, Canadian businesses can receive their notices of assessment and reassessment and some letters online for the accounts they select, such as the corporation income tax and goods and services tax/harmonized sales tax accounts. Minister Kerry-Lynne Findlay explained, "This initiative will allow businesses to eliminate unnecessary paperwork and introduces time-saving measures for managing CRA correspondence. This is one more step toward faster, more efficient, and less costly paperless transactions with the CRA." For further information, check out the [news bulletin](#) or [business website](#), or call the business line at 1-800-959-8281.

## Ombudsman Emphasizes Upholding Taxpayer Rights



Over the summer, J. Paul Dubé, Taxpayers' Ombudsman, met with members of the local business community in Edmonton to discuss the Government of Canada's commitment to supporting the rights of Canadian taxpayers. I have met and spoken with Mr. Dubé a few times at our association meetings and felt he was not only knowledgeable as a criminal lawyer but also committed to promoting fairness in the CRA system. I encourage all taxpayers who feel they have not been treated properly to call the Taxpayers' Ombudsman's office at 1-866-586-3839 or check out the [Ombudsman's website](#). For further information, read the [news bulletin](#).

## New Rules for Aggressive Tax Avoidance Schemes



As summer started, so did new rules passed by the Government of Canada requiring disclosure of reportable transactions to the CRA. The law addresses concerns about how aggressive tax avoidance transactions affect the fairness of the income tax system. Specifically, the CRA now wants more information on the transaction and everyone involved, resulting in higher accountability. As a result, form [RC312 Reportable Transaction Information Return](#) is now required to be filled out as far back to 2010 for all involved. For further information check out the CRA [news bulletin](#) and [tax avoidance planning page](#) or contact the tax evasion hotline at 1-866-809-6841.

## New Plans to Catch Users of "Tax Avoidance" Software



Amazingly, the [BC Court of Appeal](#) ruled this summer that there is nothing illegal in the development and selling of tax-evading software and it is up to Parliament to consider a prohibition of zipper-type software. As a result, the CRA announced last month new measures to combat the underground economy and the use of electronic suppression of sales (ESS) software. Under the new proposals, businesses that use, possess or acquire ESS software will face penalties of \$5,000 on a first infraction and \$50,000 on any further offences. Those who manufacture, develop, sell, possess for sale, offer for sale or otherwise make available ESS software will face monetary penalties of \$10,000 on a first infraction and \$100,000 on any subsequent infraction. For further information, check out the [news bulletin](#) or [tax avoidance planning page](#), or contact the tax evasion hotline at 1-866-809-6841.

## New Job, New Location, New Tax Issues

Real People with Real Questions About Real Situations

Dear Neel,

I'm excited about my new engineering job offer, and after being out of work for over a year in Toronto, I'm willing to relocate to Fort McMurray. However, I'm illiterate when it comes to signing an employment contract, and the thought of this big change with the move does scare me. At 27 years of age, I love the \$150K a year salary, but this is my first time away from home and I think the culture shock, etc., will be big. I appreciated all I saw on your website and thought you could help with how to deal with the high cost of living and what I can claim, etc.

Quinn K.

Dear Quinn,

A decision this big is never easy, but at least you don't have a young family to take care of, so it's easier to make your own decisions. Career-wise, you are making a good decision, because it sounds like you weren't having much luck back home. While you'll be experiencing longer winters with a more local culture and higher price tag, there are some tax breaks. For example, you are entitled to the [Northern Residents Deduction](#) and moving costs, less any reimbursement by the employer. If you're not sure how to

negotiate the terms of your employment contract, seek the advice (preferably in Fort McMurray) of someone who can assist you with that.

You should try and get as many tax-free allowances as possible, like a living allowance, reimbursement for use of personal auto on the job, supplies used, etc. If your employer doesn't agree to this, check out the [Employment Expense Guide](#) from CRA, which outlines all the things that can be claimed and the regulations around them. A good tax professional will explain this to you.

Lastly, don't be discouraged by your new home. Most people coming to Fort McMurray are arriving from the East for the same reason you are, so you'll be far from alone. Experts believe the town will boom for many years and possibly decades, so assuming you're good at what you do, you can expect to be steadily employed for many years. Good luck!

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



## Did You Know?

The first Thanksgiving's feast table did not have mashed potatoes, pumpkin pie, popcorn, milk, corn on the cob or cranberries. Rather it had lobster, rabbit, chicken, fish, squashes, beans, chestnuts, hickory nuts, onions, leeks, dried fruits, maple syrup and honey, radishes, cabbage, carrots, eggs and goat cheese! **Now, that's a switch!**



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Send us your fascinating photo or story.

# It's a Photo Finish!

## One-Ton Pumpkin a New Record



Courtesy of [www.yahoo.com](http://www.yahoo.com)

Some people may be dreaming of a white Christmas this early, but these folks are checking out the reality of a one-ton pumpkin. The Massachusetts mammoth topped the scale at 2,009 pounds, and Rhode Island farmer Ron Wallace, the winner at the Topsfield Fair, claimed a prize of \$15,500. This year when [Linus Van Pelt](#) waits for the [Great Pumpkin](#) at Halloween, he may be a bit late to the pumpkin patch!

[Send us your fascinating photo or story.](#)



### Don't miss ...

The [Leonids meteor shower](#) peaking Sunday, November 17, 2013. Astronomy fans and enthusiasts can follow Neel's monthly column [Sky's the Limit](#) in the [Vulcan Advocate](#), the first Wednesday of every month!

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