



# THE Tax Tipper

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We take your taxes personally!

Issue 32

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President and Founder  
 Neel Roberts  
 PTC Canada  
 Box 1347  
 Vulcan, Alberta  
 T0L 2B0

Phone 866-485-2683  
 Fax 866-485-2761  
[taxes@ptccanada.com](mailto:taxes@ptccanada.com)  
<http://ptccanada.com>

### Our Readers Respond

Neel, when I googled "tax problems," you came up #1 consistently. I'm glad I decided to use PTC Canada because you were the first and last person I contacted.

John Stais  
 Internet Entrepreneur  
 Vancouver, B.C.

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,

Finally, summer is here, and like you, I'm already enjoying it. It was a cool start for us out here in the West, and in fact, when I took my annual retreat to Osoyoos last week, I noticed there was still snow on some of the mountain peaks. Very unusual for this desert part of the Okanagan, which is often burning hot at this time of year. Until a few days ago, my furnace on the farm even kicked in at night, but the good part is that the bugs have been minimal, especially the mosquitoes.

If this is your first Tax Tipper, welcome, and remember you can always download previous editions from our [website](#).

Summer is a luxury in Canada, and we tend to cram in as much pleasure and vacation as possible. This is understandable, but keep in mind that winter isn't as far off as you may think. When I visited Inuvik, NT, 15 years ago, I was fascinated at how this culture reacts to the short but enhanced summer. Because there is almost no darkness, not much sleeping takes place. Seeing kids playing in the streets, people golfing, and even construction going on between midnight and six in the morning is very different from what most of us are used to.

I found it difficult to sleep in my tent when it was bright all the time, and on my way back home to Alberta, believe it or not I was relieved to see nightfall. Of course, the flipside is true during the winter months, when it's dark most of the time and people are relatively inactive. A friend who took me on a tour of the northern town told me, "That's why we're so crazy up here!" Her observation caught me off guard, but I laughed, not only because she was so spontaneous but also because of the many tax situations I have run into that could be described in much the same way.

The difference between the two situations

is that, in the case of the north, there's not much anyone can do but move, but in the case of taxes, there are always options—and that's why people call us. Many now find us via Google, and when we ask why they chose us, the answer is almost always the same—because they were "impressed with all the resources available free of charge." For me, that's a true compliment, as I never try to get people's business, preferring instead to put the right help into their hands. I can't count the number of times I have taken on clients who thought they owed tens of thousands of dollars when in fact the government *owed them!* Of course, this is transformational for the client and restores their faith that "Yes, there are solutions even for me." I never promise that their case will be resolved to their initial expectations, but when they say "We're glad we took the first step, and now this is behind us," I know there was no reason for them to live with the apathy that haunted them for years.

So, to those who wonder why their tax situation is so crazy, I say it's time to look at the problem honestly and get professional help. I'm delighted that PTC Canada has been able to offer that help for over 14 years, and I can assure you we will offer it for at least another 14 years!

I wanted to do something special for my clients and found an awesome cookie recipe. I baked a whole bunch of goodies and was going to send them as a Canada Day surprise, but they looked so good I ended up eating them all myself. So, you'll have to settle for the next best thing.

Happy Canada Day! Enjoy the latest **Tax Tipper** with your well deserved summer, my fellow Canadians!



Neel Roberts  
 President and Founder

## Tax Filing Deadline Come and Gone



The deadline for filing personal returns was April 30, and if you're self-employed it was June 15, 2012. As both of these dates are long gone, your return is technically late if you owe money. If you are expecting a tax refund or Personal GST Credits, you will not receive interest. Keep in mind that certain benefits like Child Tax Credits have a shelf life of 11 months, so if you have several years to file, you may be out of luck on the older ones. If you need to get caught up, call CRA at 1-800-959-8281 and find out how many years need to be filed. If you're really behind, like 20 years, CRA may only need the last 10, so confirm that with them. Also, have them send you all the T4s they have on their database for the appropriate years with carry-overs, RRSP limits, copy of last Notice of Assessment, etc., so you can get up to date properly!

## CRA Working on Easing Compliance Burden for Small Businesses



Back in the spring, CRA's Action Task Force on Small Business Issues addressed over 60 recommendations, making significant progress in reducing the paper burden for small businesses. The task force's recommendations focused on three main goals:

1. To simplify, improve, and where appropriate, reduce the frequency of small business interactions with the CRA
2. To improve how and when the CRA communicates with small businesses
3. To make burden reduction systemic within the CRA

For further information, check out the news bulletin. The Final Report on Action Items summarizes the actions taken by the CRA in response to all 61 recommendations, and is available on the CRA website at [www.cra.gc.ca/atfreport](http://www.cra.gc.ca/atfreport).

## 2011 Tax Review Notices Are Out



CRA conducts their review (post-assessment) of current tax returns during the summer of the year in which they are filed. If your return is selected, you will receive a letter requesting the information they require. It is essential that you respond to this letter even if you need time to track down receipts, etc. CRA can usually grant time extensions if the request is reasonable. However, if you do not respond to their letter, CRA will normally reassess you within 30 days, and you will be responsible for newly assessed balances owing plus interest. After that, you can use the appeals process to dispute the balance, but that can be more complicated than just responding in the first place.

## Nice Little Newsletter, Free for All Subscribers



Recently, a friend of mine, Nancy Ball, came out with a newsletter I quite enjoy. Nancy is one of the top realtors in Calgary and has had a very successful real estate business since she started over 10 years ago. I featured her story back in a 2007 Tax Tipper, and she has also been featured in the Globe and Mail. Her newsletter, At Home with Nancy, has useful information (especially if you live in the Calgary area) and is an easy read. She has agreed to give all my recipients a complimentary copy. You can sign up yourself here, so no need to say "Neel sent you." For further information, you can contact Nancy directly at 1-403-510-6000.

## CRA's Homeowner Webpage



Many taxpayers are not aware that CRA has a dedicated webpage for ordinary homeowners. Whether you're buying, selling, renting or working out of your principal residence, it's worth checking to see if you qualify for any tax credits or deductions. For further information, contact the call centre at 1-800-959-8281 or check out the Homeowner's webpage.

## Claims That Could Lead to an Audit



Quite often, people wonder why they get selected for an audit. You can check out the [CRA Audit webpage](#) for the various types of audit, but remember, CRA are free to select anyone at any time. [Moneyville](#) recently published an article, [5 Triggers that Could Lead to an Audit](#), outlining the kinds of returns that may be more susceptible. If you are dealing with a challenging audit, I have expert contacts that can help you immediately.

## Five Things You May Not Know About TFSAs



Since their inception in 2009, Tax Free Savings Accounts have raised many questions from both users and the curious. Recently, [Brighter Life](#) published an [article](#) outlining items the ordinary person may not be aware of, such as contribution room, investment types and transfer/distribution rules. For further information, contact 1-800-959-8281 or check out the [TFSA webpage](#).

## Just Asking ... Just Answering

### From Renting to Selling “Part” of Your Home

Real People with Real Questions About Real Situations



Dear Neel,  
I have rented out part of my single bungalow since my divorce, and because the tenants really liked the location, etc., I was able to divide the title and sell the portion off to the tenants. So my question is, am I now subject to capital

gains? My understanding is that you aren't subject to capital gains on your principal residence?

Val J.

Dear Val,  
I have to admit that I've never seen this situation before, but it seems to fall under the “tax exempt” rules of principal home ownership. The theory behind this is, if you sell the whole house, it's tax free, and whether it gets subdivided later into other titles or not, it's still not reportable. The fact that you got some of the proceeds in advance does not change the

issue: it's tax free because you originally bought the property in one piece and sooner or later you would have parted with it.

I was not able to find any case exactly like this, so my recommendation is to retain your records for this sale past the normal six-year retention requirement. If CRA wants to audit you down the road, especially when you sell the final portion, the auditor will need a clear paper trail with explanations of everything that happened. I suggest you check out the [General Requirements for Books and Records](#). Good luck!

Are You *Just Asking* tax questions?

Neel can *Just Answer* them.



## Did You Know?



That torn dollar bill may still be worth something. The Bank of Canada in Ottawa says that damaged Canadian paper money—even bills that have been burned in a fire—can be worth all or part of their face value, depending on how bad the damage is.

Torn bills are worth full value if three-fifths of the note remains intact. If between two-fifths and three-fifths is intact, the bill is worth half its value, and if you have less than two-fifths of the bill, it's worth nothing.

Bank of Canada officials determine how much a damaged bill is worth by placing it on a piece of plastic the same size as the bill. The plastic is divided into a grid, or series of squares, that allows the bank to accurately calculate how much of the note is intact. Bills that are burned to ashes in a fire can also be worth their full face value. If a stack of bills goes up in smoke, the Bank of Canada has special scientific tests that can determine how many bills were burned and the denomination of each lost bill. The tests are often used when stores or other businesses lose money in fires.

So, if your Canadian bills go up in smoke, don't throw away the ashes!



Courtesy [The Trivia Guys](#)

# It's a Photo Finish! Fireworks Over the Pier



Courtesy [Burrard Inlet Fireworks Show](#)

Wherever you celebrate Canada Day, there are a variety of events you can attend in person or watch online. The Burrard Inlet Fireworks Show in Vancouver has a unique twist on all the others. You can actually listen to it on the air at [104.3 Shore FM](#). This may seem old-fashioned, like the old-time radio shows, but hearing the live simulcast while watching the explosions gives you an extra stereo effect, especially if you're on the ocean in your boat. Those of you who have visited this event will agree that the view is one of the most spectacular displays in our nation.

Whether you are setting off your own fireworks or visiting one of our nation's spectacular events, I hope that your Canada Day is one of relaxation as you commemorate our 145th birthday. If you miss the show, here's the next best thing . . .

## Live Fireworks Over the Pier

Enjoy!

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

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