



# THE Tax Tipper

October 4, 2009

We take your taxes personally!

Issue 18

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Dear Clients and Friends,

I'm currently in Boston for a family wedding – my first time to this historic city. It seems that in Alberta the summer just came and went almost the same day. We experienced record drought combined with this most recent snowfall all over the province. Now, with winter coming, and especially if you had an early flurry, we're pulling out those heavy coats to weather the cooler temperatures.

Change in general, not just in the seasons, affects us all whether we like it or not. Human beings seem to be naturally resistant to change, yet when you think about it, change is not only necessary but sometimes the only thing that keeps us going. Abraham Lincoln, before his days in politics, was a farm worker, and his old mule was followed by horseflies biting the poor animal. Passersby would ask him, "Why don't you shoo the things off? He must hate those pesky insects." Lincoln was no fool and quickly replied, "Shhh, don't tell him that. It's the only thing keeping him going!"

In this business, the taxman is like those flies, especially if you're behind a few years and CRA catches on. The difference between those who stay ahead of the game and those who fall behind lies in how well prepared you are. It has become quite obvious to me that those getting bitten all the time are the ones who simply don't get organized. That's why I have so many resources on [www.ptccanada.com](http://www.ptccanada.com). Many people have said it's one of the most information-loaded tax-preparation sites they've seen. One thing is for sure: there's enough free information to get you going, no matter what. And, for those on top of things, one of my commitments is to help you stay there with regular news updates and the latest forms, etc. I've always had a desire to run a smooth operation, and passing this on to you is a bonus!

These challenging times are forcing all of us to be more creative in making ends meet. One of my clients, who owns a small repair shop, posted a notice that read:

### EFFECTIVE IMMEDIATELY

We are asking that somewhere between starting and quitting time, and without infringing too much on the time usually devoted to lunch period, coffee breaks, rest periods, ticket selling, vacation planning, rehashing yesterday's TV programs, chit chats and chit chats about the last chit chat, each employee endeavour to find some time that can be set aside and known as the

### WORKBREAK

To some, this may seem a radical innovation, but we honestly believe the idea has great possibilities. It can conceivably be an aid to steady employment, and it might also be a means of assuring regular paycheques. While the adoption of the WORKBREAK PLAN is not compulsory, it is hoped that each employee will find enough time to give the proposal a fair trial—OR ELSE!

Don't you love free enterprise? If you're a stargazer like me, today is the Harvest Moon, and you can catch it rising in the NEE horizon at about 6:30 p.m. (Mountain Time). On that note, I wish you, your family and all loved ones a safe and restful Thanksgiving while you enjoy the latest **Tax Tipper!**

Neel Roberts  
 President and Founder

# What's Happening

## E-file Over for 2008 Personal Returns

E-file for 2008 personal returns shut down on Wednesday, September 30, 2009, so all returns filed from now on will go via paper, which means they will take longer to process. Corporate returns, on the other hand, are still allowed back four years. This means those unfiled from a 2005-year-end can in fact be E-filed. CRA is looking at offering this service for personal returns, but it's an ongoing issue!



## 2009 Tax Service Now Available

As I alerted some of you in the summer, 2009 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 2010 when they have all their T-slips, etc. One of the bonuses is that the 2010 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!



## Many Canadians Cashing In on One-time Home Renovation Tax Credit

Are you one of the many homeowners getting stuff fixed around the house? Whether it's a simple repair or a major overhaul, be sure to cash in on the one-time [Home Renovation Tax Credit](#) being offered for costs incurred between January 28, 2009, and January 31, 2010, up to \$10,000 (minimum \$1,000). In the summer, the government ran a series of ads called [Renovate your home and help the economy](#) designed to help 2009 filers get a break of up to \$1,350. This can be claimed for eligible expenditures for renovations and alterations of an enduring nature to a dwelling eligible to be a principal residence, which may include a house, condominium, cottage and the land that forms part of it. "The HRTC alone provides about \$3 billion in tax relief and is part of the \$62 billion in stimulus delivered through the Economic Action Plan. For an estimated 4.6 million Canadian families, this means that they will be able to put their tax dollars back into their homes." For more information about the Home Renovation Tax Credit, go to [actionplan.gc.ca](#) or [cra.gc.ca/hrtc](#), or call 1-877-959-1-CRA (in French 1-888-959-1-ARC)!



## CRA Listening to Ponzi Victims

In these tough economic times, we have seen lots of folks lose their life savings to swindlers like [Bernie Madoff](#) and, in Canada, [Earl Jones](#). Recognizing that this may put many investors in a tax liability with no funds to pay, CRA is asking those affected by these or similar situations to contact them at 1-800-959-8281. While breaks cannot be guaranteed, all cases are being considered on an individual basis.



## Your Data Will Outlive You!

In this age of identity theft, many of us do a good job of keeping our information protected, especially passwords. However, one of the things not mentioned enough in estate planning is login information to your files. Recently, [www.livescience.com](#) did a feature called [After You Die, Your Data Lives On](#), on how those who had passed on had forgotten to leave behind critical passwords, like banking, etc. I suggest you place the latest information in a safety deposit box and make sure your executor understands what needs to be done!



### Are Your Refunds “On Hold”?

Quite often you may be entitled to a refund only to find that the refund is on hold due to a claim by another government agency. The compliance refund hold legislation became effective on April 1, 2007. In accordance with subsections 164(2.01) of the *Income Tax Act* and 229(2) of the *Excise Tax Act*, the CRA is required to withhold the payment of rebates and refunds until all required returns under the *Income Tax Act*, the *Excise Tax Act*, the *Excise Act, 2001*, and the *Air Travelers Security Charge Act* have been filed. These legislative provisions may have an administrative impact on corporate entities that are exempted from paying federal income tax under subsection 149(1) of the *Income Tax Act*, in that those entities are, nevertheless, required to file income tax returns pursuant to subparagraph 150(1)(a)(i) of the Act. The CRA implemented an administrative position in 2008 to ease this burden. Pursuant to this position, tax-exempt incorporated municipalities, universities, schools, hospitals, non-profit organizations, federal crown corporations and Indian band councils did not have their refunds or rebates withheld because of outstanding T2 corporation income tax returns. This administrative position is being extended to include all tax years up to and including 2010 to allow a CRA internal review to be completed. For more information about filing a T2 corporation income tax return, go to [www.cra.gc.ca/t2return](http://www.cra.gc.ca/t2return) or contact the business line at 1-800-959-5525!



### eBay Sellers Being Monitored

More and more taxpayers are doing business online, and eBay seems to be a common source for selling items for both personal and business purposes. While personal sales are generally not taxable, it is important to know that CRA now has the names of all sellers and the onus is on the recipient of funds to report them. CRA began auditing various sellers in the summer, and if the income is taxable, the appropriate rates with penalties/interest will apply. Most of these transactions are considered business income, and you can use our [Small Business Tax Booklet](#) with [CRA Business Income Guide](#) to prepare your return. For further information, you can contact the [business line](#) at 1-800-959-5525.



### Slumping Economy Delaying GST Remittances From Businesses

Recently, the Canadian Press ran [an article](#) saying that small businesses have been putting off filing returns and remitting GST funds to improve their own cash flow. The inside CRA report stated that almost a quarter of registrants have overdue returns, meaning about \$5 billion in missing revenue. These numbers, both monetarily and statistically, are staggering. Spokesman Noel Carisse stated, “The CRA is reviewing ways of increasing prosecutions of non-compliant GST/HST registrants.” Financial pressure tempts us to do things we shouldn’t, but I always advise my clients to comply, no matter what! If you have overdue returns, ask your tax professional immediately about a tax amnesty.



### RRIF Recontribution Deduction for 2008 Taxes Adjustment

If you took advantage of the new measure announced in the [Government’s 2008 Economic and Fiscal Statement](#) to claim a [recontribution](#) deduction on your 2008 income tax return, but didn’t claim it – it isn’t too late. Basically, the new economic measure allowed registered retirement income fund (RRIF) annuitants to reduce the minimum amount required to be withdrawn for the 2008 tax year by 25%, or to recontribute an amount equal to that 25% reduction back to their RRIF. The annuitants had until April 14, 2009, to make a recontribution to their RRIF. Individuals who did not claim the recontribution amount on line 232 of their 2008 income tax return can request an adjustment to their return. As there are many different income tax return forms, individuals are encouraged to call the CRA for all questions. For more information about RRIFs, visit the CRA website at [www.cra.gc.ca](http://www.cra.gc.ca) or call 1-800-959-8281.



### New Study Finds Procrastination Causes Undue Stress

Have you ever heard the expression, “Better late than never”? I remember it from when I was a kid, so it's been around a long time. New research has found that anxiety caused by procrastination has a multitude of consequences that are far worse than just doing the necessary task. The conclusion reached was that the saying should be more like “Too Late? Too Bad!” I deal with many people who are behind, and I can't tell you how often they wished they hadn't bought into that expression, because when they look back, they could easily have completed their taxes on time. One of my central beliefs is, find out the facts for yourself. Carleton University professor Timothy Pychyl, who specializes in the study of procrastination, offers three tips:



1. Just get started. “Don't waste more time planning and thinking about the task,” he says on his website. “Usually, that's just another way to avoid the task.” Often, once you get started on a task, it can be better than you expected.
2. Keep focused on your goal. Don't give up. “You should not try to make yourself feel better. You should get to work,” Pychyl writes.
3. Be honest with yourself. Do not engage in self-deception.

Some of you may have heard the procrastination club's motto, “We're behind you all the way.” Better than that, we have materials like 10 Reasons People Don't File a Tax Return and The Fine Art of Procrastination to help you master your priorities!

### Overseas and Owe No Canadian Taxes? Now You Can Phone It In!

Did you know that by calling 1-866-971-4644, you can report your nil remittance of non-resident withholding tax over the telephone? Non-Resident TeleReply is available to Canadian payers, agents and the authorized representatives for a non-resident account. It is fast and easy, and saves you from having to mail in your nil remittance vouchers. Non-Resident TeleReply is available from 6 a.m. to 9 p.m., Eastern Time. Remember, before you call, you will need to have your non-resident account number available. At the end of the call, you will receive a confirmation number. Write it down and keep it for your records. Your non-resident tax account will be updated immediately with your nil remittance information. If you want to change the information you provided, please contact the International Tax Services Office at 1-800-267-3395. For more information about non-resident TeleReply, go to [www.cra.gc.ca/nonrestelereply](http://www.cra.gc.ca/nonrestelereply).



### Hiding Money Overseas? Think Again. CRA Can Now Look Offshore!

In the summer, the Honourable Jim Flaherty, Minister of Finance, announced that Canada has signed its first Tax Information Exchange Agreement (TIEA) with the Kingdom of the Netherlands in respect of the Netherlands Antilles, which are part of the Kingdom. The agreement sets out a framework for exchanging information relevant to the administration and enforcement of the domestic tax laws of each party. “This agreement will help authorities combat tax evasion and enforce tax laws,” said Minister Flaherty. “We look forward to signing similar agreements with other jurisdictions who commit to the Organisation for Economic Co-operation and Development (OECD) standard for the exchange of tax information.” The standard, set by the OECD, encourages member countries to enter into TIEAs with non-tax treaty jurisdictions to combat tax evasion and the use of tax havens. In support of the standard, the Government of Canada introduced incentives in its 2007 budget to have non-treaty countries enter into TIEAs with Canada, and required that all new tax treaties and revisions to existing treaties include the OECD standard.



### Joint Venture or Partnership?

Are you working with one or more other companies or individuals on a project or in a working relationship? When it comes to taxation and more, it is imperative to know if you are in a “partnership” or “joint venture.” Generally speaking, from CRA’s point of view a partnership is a relationship between persons carrying on business in common with a view to profit. A joint venture is an arrangement in which two or more persons work together in a limited and defined business undertaking, which does not constitute a partnership, a trust or a corporation, and in which the expenses and revenues will be distributed in mutually agreed portions. CRA has a bulletin called [Distinguishing between a Joint Venture and a Partnership](#), which gives very good information to help you draw the line. However, you should consult both your lawyer and your tax consultant to make sure you know where you stand!



### Late Filer Becomes a Tax Professional

H & R Block Canada ran a story in their August newsletter about how they recruited one of their clients to work for them. While this may not sound like a big deal, Ewa Kolinska of Toronto had an embarrassing secret – she was 14 years behind on her taxes. “I didn’t want to admit that I hadn’t filed my returns in such a long time and that now I needed to deal with this outstanding balance that was causing me so many headaches,” explains Kolinska. “My background is in process management, so it is not my nature to not get things done.” However, after meeting with a consultant, she became convinced that she needed to learn how to do her taxes herself, and in the process she learned a lot about the business. She enjoyed the training so much that she applied for an opening and was accepted. Today, she shares her story, not only with her clients but also with professionals like me, about how she turned herself around. “I wasn’t planning on becoming a tax associate at 53, but now I am helping people who were like me,” she says. “I know the stress of unfiled returns, so I can completely relate.” If she could give you one piece of advice, it would be this: “When you have lived through the CRA putting your account into collections and calling your current employer about it, you can really understand people having the same kinds of issues. You can’t ignore your taxes. You need to be proactive and take charge of getting caught up – no matter what!” One can certainly appreciate Ewa’s bold approach and wish her the best in her new occupation!



### Gifts—Taxable or Not? It Depends!

In late August, [CBC ran a story](#) that got a lot of attention about a Montreal exotic dancer walking off tax-free with over \$2 million in gifts from a local businessman. In a [ruling from the Tax Court of Canada](#), Judge Robert Hogan agreed that the CRA had wrongly taxed Martine Landry for the merchandise she received over 11 years from a client, publisher Marc-Aimé Guérin, now 80 years old. Viewing the relationship like that of a “father/daughter,” Hogan allowed Ms. Landry to keep the \$1.3 million in cash, two cars, a bar, a house, furs and jewels, like a Christmas present. While Landry’s lawyer Yves Ouellette is pleased with the decision, it’s still not in the bag, as the federal Ministry of Justice said the ruling is being studied and may be appealed. Ms. Landry also has a case pending with Revenue Quebec, which is seeking more than \$600,000 in unpaid taxes. CRA doesn’t seem to have clear-cut rules regarding gifts outside of charities, and is handling these cases on an individual basis. Many tax experts agree that the magnitude of this award, if not appealed, may send the wrong message to the public!



## Are You Really Being Picked On By the Taxman?

Real People with Real Questions About Real Situations

Dear Neel,

I'm so disillusioned with the whole Canadian tax system. I work with a bunch of guys who haven't filed in years, and they laugh about it! Meanwhile, if I'm even two months behind, I get a "demand to file" notice without fail every year. Can I do something about this? How is it some people can get away with this while others can't? It seems so unfair, and I can't help thinking someone is calling the snitch line on me!

Yan H.

Dear Yan,

I'm a little confused but also empathetic to your situation. While I don't know how the system works to track down late filers, you have to realize that CRA is doing the right thing by requesting that you file on time, especially if you owe them money. If your facts are correct, your colleagues should know that CRA is getting tougher by the year on late filers. It's also possible that CRA *owes them* money but they are not worth pursuing for the time being. Whatever the case, my understanding is that CRA does not have a

100% foolproof method for finding every delinquent taxpayer. This is especially true for the self-employed, those who have stopped working or moved out of the country, and the deceased.

The enforcement division will eventually catch up to almost all of them. If there's money owing, the penalties and interest can be massive, not to mention the possibility of imprisonment, etc. Many Canadians do in fact contact the investigations office because they are just as disheartened as you are about others not complying. My suggestion is, don't follow your friends' example. File your return so you can relax. If you need help, look up a professional online or check out our booklet, 10 Reasons Taxpayers Hire a Professional. The cost will be nominal compared to what you will save. All the best!

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



### Our readers respond!

I have been a proud client of PTC Canada for over eight years. Thanks to their personalized, fast service and attention to detail, I have been stress-free over my taxes for just as long. Thank you, Neel.

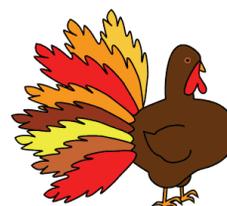
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Check out our media room. We make the press now and then!  
Ever wondered what others say about us? Take a look at our testimony page!  
As always, we welcome your comments on the Tax Tipper!  
Send us an email.



### Did You Know ...

**A mature turkey has over 3,500 feathers?  
Now that's a lot of plumage!**



# It's a Photo Finish! So You Think Your Turkey Is Big?



Courtesy Guinness World Book of Records!

Did you know that the world's largest cooked turkey was over 86 pounds, the size of a large dog? It took a modified propane oven to cook it, with a stainless commercial roasting pan that barely fit, even after taking out some parts of the oven to allow air to circulate. The bird was not stuffed, and the roasting pan had to be emptied several times over the course of the day to prevent overflowing. Besides the novelty of cooking such a massive bird, it is almost impossible to get good results because it takes over 8 hours, and when the fowl is finally done most of the meat is fairly dry. But if someone wants a drumstick, it's like having your own bird!

Send us your fascinating photo or story.



Don't miss the Leonids Meteor shower peaking Tuesday, November 17, 2009. Astronomy fans and enthusiasts can follow Neel's monthly column, The Sky's the Limit, in the Vulcan Advocate, printed the first Wednesday of every month!



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