



"We take your taxes personally!"

Ten Ways to Avoid a Tax Trap

By Neel E. Roberts



Revised March 2024

© 2024 PTC Canada

Table of Contents

Ten Ways to Avoid a Tax Trap	2
Free Tax Booklets	10
Our Free Services	10
Other Services by PTC Canada	11
Reference Books and Guides	12
Contact Information	13
CRA Contacts	14

Ten Ways to Avoid a Tax Trap

Have you ever received a notice out of the blue that you owe taxes? If the amount is sizable, this can really change your financial position. Nothing is worse than an unforeseen cash call, especially when you have taken measures to avoid it. If payment is due now and interest is compounding, do you know how to handle it? This handout will help you avoid a tax trap or deal with it if it shows up. We suggest you keep it handy!

1. Get a detailed account of the tax liability.

Suppose you get a letter from CRA for taxes owing that you weren't aware of. Start by contacting the collections department at 1-800-332-1312 and getting a detailed printout of what happened (or go onto [My Account](#)). This should include the years that have been reassessed, reasons for reassessment, and penalties and interest for each incident. Also, find out how much time you have to deal with the letter. Usually, you have one month, but this can easily be extended, depending on circumstances. If you are dealing with a person at CRA, get all their contact information, including name, title, department, mailing address, phone/fax numbers, and e-mail address.



2. Find out if returns have been filed correctly.

Make sure that what CRA says is accurate for each tax liability. If you disagree with their claim, you can always appeal. I will explain that later. Assuming that returns have been filed, see if they were done correctly. Simple basic returns like T4s for employees are pretty hard to get wrong, but if you are self-employed, or have rental income, or investment or employment deductions, check to see if any deductions have been missed or underclaimed. You can review returns as far back as ten years, even if CRA is not disputing them.

3. See if you have any tax windfalls available.

If you decide to check other returns not being disputed and find deductions you can use, you can adjust the appropriate returns. See PTC Canada's *10 Ways to Find a Tax Windfall* for details. CRA will consider all claims, subject to regular review and assessment. All windfalls can be used to offset any amounts owing, and if you have a net refund, you are entitled to get them back, with interest in some cases.

4. Use the appeal process.

After checking to see if you have any windfalls, you may still want to dispute CRA's assessment through their appeal process. Check out their webpage, [Resolving Disputes: How It Works](#). Most taxpayers will consult a professional at this point because of the complexity of the process. Nevertheless, I recommend you take the step of filing a [Notice of Objection, form T400A](#). Fill it out as best you can with all the pertinent facts. If the matter is fairly straightforward, CRA can usually resolve it without a hearing. If not, I recommend consulting a tax professional.

Look at it this way. The appeal process is almost like going to court. If you were disputing a parking ticket, there wouldn't be much at stake. Most people wouldn't hire a lawyer to handle such a small matter, and judges are used to dealing with the average citizen. But if you were facing a major offence, like fraud, with hundreds of thousands of dollars at stake, it would be unwise to try to handle it yourself. It's the same with disputed taxes. Suppose you were facing a tax bill of \$50,000 and the tax pro charged you \$5,000 to knock \$10-20,000 off the bill. That's a great return on your investment (100%-300% in less than one year), with peace of mind to boot. PTC Canada gives free or low-cost consultations to see if we can do something worthwhile for the client. If we can return at least 100% in less than a year, we will usually recommend an appeal; otherwise, it is up to the client.



5. **Make the right arrangements with CRA.**

If you still disagree with CRA after going through the windfall and appeal processes, you can go to provincial or federal court. This will get expensive, and you will need a tax lawyer to represent you. PTC Canada does not currently offer this service. I recommend you consult the provincial lawyer-referral services listed in the phone book.

If after everything you still have a tax liability and cannot pay right away, you can arrange to make payments with interest. As a rule, CRA will require payment in full within one year, but each case is judged on its merits. Some cases may qualify for consideration under the [Fairness Act](#). Consult PTC Canada's *10 Ways to Find a Tax Windfall* for details. The collections department will work with you as long as they feel you are co-operating. However, if you become regularly delinquent in your payments, they are within their rights to seize assets, garnishee wages, and do whatever is necessary to settle the balance. In some cases, a taxpayer may have to serve time in jail if they cannot pay.

6. **Be careful what you deduct or claim.**

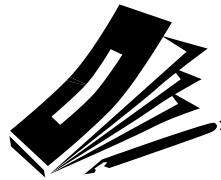
This is where a lot of unforeseen tax liabilities start. For example, when you receive a T4, T5, and other T-slip, CRA receives a copy too. If it is entered incorrectly, their computer will pick up the mistake and correct it—and send you a notice of reassessment. Those who are self-employed or have rental income, employment deductions, and investments keep their own records and are subject to review. Few people know how the nuts and bolts of the audit selection process work, but CRA clearly states that they have the right to review any returns up to six years from the filing date. Appropriate expenses must be proven by source documentation. See CRA's guide [Keeping Records](#) for details. PTC Canada offers tax booklets to help you clarify what can be deducted (see *Free Tax Booklets*, page 9). I also recommend *Make Sure It's Deductible* by tax guru Evelyn Jacks, available at most book stores, the [Knowledge Bureau](#), or 1-866-953-4769. Evelyn has been in the business most of her life and is a master on the subject of Canadian taxes.

Another reason to keep deductions reasonable and accurate is that CRA can go back six years and disallow expenses and losses. That can be a nightmare if the disallowance is substantial. CRA recently issued the “Cumulated Profit Rule” on the profitability of businesses, which says that a business must be able to show that it can produce a profit over time. If it can’t, CRA can disallow expenses up to six years, and the taxpayer will be liable for the taxes with interest.

7. **Maintain accurate and detailed records.**

As discussed, taxpayers are obligated to keep accurate records, with a clear paper trail of income and expenses. If you’re a business person and prefer to focus on your brilliance rather than bookwork, consider hiring someone to do this for you. They don’t have to know tax law that well, as they will usually be under the guidance of a tax pro, but they should neatly organize everything to substantiate your return. Most use a variety of bookkeeping software that works well. I recommend Microsoft Excel: it is conventional and has e-mail capability. A good bookkeeper costs \$25-\$35 per hour. PTC Canada can provide this service if needed.

One recordkeeping strategy I recommend in my tax booklets is to save every receipt, even if the expense is not deductible. There are two reasons for this: First, tax rules are always changing, and, if an expense becomes deductible retroactively, you can turn this into a tax windfall. Second, suppose you are audited and CRA questions an expense. A common example is meals and entertainment. If you have kept the receipts that were *not* claimed, as well as the ones that were, your claim will have more credibility. You will appear to be a diligent taxpayer who keeps good records, and the auditor will consider this. I keep all my grocery receipts. I don’t claim them, but I will show them as my personal expense if I ever get audited for my deductible meals and expenses. Audits are likely to disappear from your life if you can substantiate your expenses the first few times.



8. **Avoid tax clubs and organizations that seem unrealistic.**

In recent years, a variety of tax clubs, organizations, and businesses have begun promoting tax education to the consumer. The majority are not for tax pros, but for the average retail purchaser. (Organizations for the pros, like Intuit Greenpoint, are established and known within the business. Evelyn Jack's [Knowledge Bureau](#) is a wonderful company that services the taxpayer and pros. Her products are useful and well priced, with lots of variety.)

A while ago, a company called HBO Tax Academy came up from the United States with a business tax package. I took a look at it, and it did offer some value to a person starting out who had not retained a tax pro. But HBO was a multi-level marketing company, and my impression was that they were more interested in selling their product than giving value to the purchaser. PTC Canada's *The Small Unincorporated Business Tax Booklet* offers many of the same things and is free of charge.

You may have heard of tax clubs that try to tell you that you don't have to pay taxes in Canada. Here is my take on scams like these: sooner or later, they get busted and charged with evading taxes, fraud, and more. Avoid them at all costs, because they are deceiving you with their philosophy. No professional with a normal set of ethics will associate with them. If you enjoy your freedom and hate jail, stay away from them. PTC Canada's free mailing list is a great way to get started with a reputable tax organization. Anybody is welcome to join! (Have a look at our handout *10 Ways to Spot Tax Fraud*.)

9. **Get the right resources.**

Tax planning is a fairly involved process that affects your finances and more. A reputable tax pro will have a variety of services and products to complement your personal tax planning. These include financial planning, general accounting, corporate/U.S./overseas tax, bankruptcy/debt consultation, payroll, book/recordkeeping, and legal representation to the CRA. PTC Canada offers all of these and more. We also have a variety of free services, without obligation. Our guides, booklets, handouts, and seminars are available on our website, at www.ptccanada.com, or on request. A well-equipped taxpayer stands a better chance of paying their required fair share, rather than too much.

10. Consult a tax professional.

It is not difficult to see why retaining a good tax consultant will benefit you. More and more Canadians are seeking advice because they are interested in finding out what breaks are available to them. Wealthy Canadians, as in other developed countries, invest plenty in tax strategies and consulting. That's why they pay a proportionately lower share than other people.



PTC Canada tries to deliver many of the strategies the rich use, to help the average person get ahead. While we give away as much free stuff as possible, we know that paid consultation can result in opportunities for you. Every case is different, but suppose you paid \$500 for a strategy that generated \$1,000 in tax savings every year. That's a return of 100% in the first year and a \$1,000 bonus each year after that! When you consult a tax pro, it's important to distinguish between number punching and strategizing. "Number punching" refers to tasks that are repetitive and require little skill. "Strategizing" is the opposite, and is performed by a pro who has been in business for years and specializes in a few fields. The chances of returning higher value to you are greater, so your investment is worth more.

Here is a comparison of a number puncher and a strategist. In a car factory, the assembler's task is mostly repetitive, but the person who designs the car has years of training and experience. The designer returns more value to the company than the assembler. PTC Canada specializes in late filers, correcting filed returns, and planning for future taxes. We believe in returning high value to our clients. Be careful of those who say they specialize in everything. Nobody can be good at everything, and these people are likely trying to clean out your wallet. You can usually tell from their advertising what they are good at. Our advertising reads, "Are you really, really behind on your taxes?" Most people in this situation know what this means.

Now, some may ask what value they get from retaining a professional when they have been doing well on their own for years. My answer is quite simple. If you are doing well, without problems, you are likely organized and should stay the course. But consider this scenario. Many of my clients view their consultation fees as an investment, but I take it a step further—it's cheap insurance. Most people buy insurance on their car and home (plus life, disability, health, etc.). Suppose you pay \$1,000 for this service. Are you mad at the end of the year because you didn't use it? Of course not! Anyone would think you were crazy to react that way. Now, if you had a \$50,000 claim, would you be glad you had paid for this service? You bet!

On a personal note, I had been driving for over twenty years before I had an accident that was my fault. A couple of years ago, I had four accidents and three were my fault. Talk about bad luck, but was I glad I had insurance that year! As a bonus, my rates didn't even go up that much. My agent explained it this way: "Sometimes a person can go a long time doing well and all of a sudden hit a string of negative events. It's not really the client's fault, although it appears to be, but rather the random element working against him. A person who is diligent about their driving is likely to overcome this and turn it into a learning experience rather than a lifelong problem." In short, those who plan properly and use the right resources usually come out ahead and are not worried about shortfalls. So, my question to those who are doing well and don't need a pro is this: If you get a cash call from CRA and it's large, will you know how to handle it? And if it's pay-up time, will you pay or go into bankruptcy?



A while ago, I got a call from someone who had decided a few years earlier not to use my services (or anyone else's, for that matter) because he couldn't justify the cost. It turned out this was his second time in bankruptcy, and he was wondering what I could do for him. Without hesitation, I told him I could not help him, but in all honesty I wouldn't want to get involved in a case like that. In my experience, people who are stubborn about helping themselves are usually trouble-prone, and it's a thankless lose-lose situation. While I feel sorry for them, I can say on behalf of many of my colleagues in the industry, who have worked hard to build a good reputation, that no one with any credibility will get involved with people like that. They are a bad risk and end up being a nuisance. These are the people CRA goes after, not the people trying to earn an honest living.

This has been one of the more difficult handouts to put together, yet I feel it is important. If you or someone you know ever face one of the tax traps, it won't hurt to have this in your file. You have the privilege of access to information that is not readily available on the market. In fact, many tax pros may not have some of this. This is my style, as my mission is to serve you, the taxpayer, with cutting-edge material. This handout is the result of many years of tax research and client feedback. I invite you again to join our free mailing list, which gives you updates of 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 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, 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 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.
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:

Neel Roberts, President and Founder
PTC Canada
Box 1347
Vulcan, Alberta, Canada
T0L 2B0
Tel: 866-485-2683
Fax: 866-485-2761
E-mail: Neel_Roberts@ptccanada.com
Website: www.ptccanada.com



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	https://www.canada.ca/en/revenue-agency.html
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.**