



THE Tax Tipper

October 12, 2008

We take your taxes personally

Volume 13

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Dear Clients and Friends,

Is fall really here? Now that summer is well past us, it seemed to be more moderate than usual across Canada. These days we're more focused on winter, pulling out those heavy coats and clothes to weather the cooler temperatures, especially if you have had an early snowfall. I have limited livestock on the farm this year, and it's much easier to prepare for the mercury dropping. Nevertheless, work has to be done for the inevitable change. I am grateful for the team of talented people who help me make my business and personal life possible, given that there's always too much to do.

When I started my tax business in 1998, one of the many things I wanted to offer my clients was a variety of resources to make taxes more manageable so that my clients could get on with their lives. It's no secret that most people hate taxes because of all the work involved. Even if you're getting a big refund, it can be quite tedious and even a turnoff if it takes several days to put your information together. Some clients for whom I did several years' taxes in one shot and got tens of thousands in refunds told me they simply didn't have what it takes to put it all together. Intrigued, I looked further and found that while some people are impatient, most were looking for a more user-friendly approach to taxes with the right guidance.

For those who prefer to hand things over to a bookkeeper, that is always an option in today's busy world. However, I encourage clients to do as much as possible on their own to save their hard-earned money. Our tax booklets for small businesses, rental properties, employment expenses, and investments help clients "fill in the blanks" once they've gathered the numbers. These booklets come with an Excel spreadsheet to help with bookkeeping if you don't want to buy a bookkeeping program. The final numbers can be easily transferred into the worksheet section of the booklets for easy submission. We also have a personal tax checklist and a corporate tax checklist to save a lot of running around and guesswork. These are just a few of the free resources PTC Canada offers, whether you're a client or not, and taxpayers tell us our resources have saved them untold anxiety. Our tips and strategies even get picked up by the press!

Many readers are quite taken by the adventures I hear about on my clients' routine visits. One client explained how a drinking problem led him to be several years behind on his taxes, and finally he had a revelation that got him motivated to get his life together. Curious, I asked what that eye-opener was, thinking it was a health problem. To my surprise he said, "Heck, no, I passed out behind the wheel at an intersection and the police officer had to get out of his patrol car to wake me up!" Now you know why I don't need *Ripley's Believe It or Not*. On that note, enjoy the fall **Tipper!**

Neel Roberts
President and Editor

What's Happening

E-file Over for 2007 Personal Returns

E-file for 2007 personal returns shut down on Sunday, September 30, 2008, so all 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 2004-year-end can in fact be E-filed. CRA is looking at offering this service for personal returns, but it's an ongoing issue!



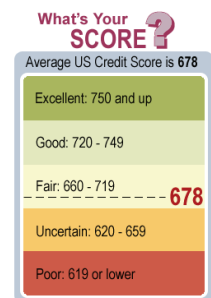
New Bankruptcy Laws and Taxes

Under the recent [Bill C-12](#), there are a variety of [changes to the bankruptcy laws](#). On the positive side, RRSPs are exempt in most cases from seizure, and most student loans are automatically discharged after seven years. On the negative side, there are more restrictions for automatic discharge when the taxes owed are more than \$200,000. Also, a new law called the [Wage Earner Protection Program](#) provides wage compensation to employees left out in the cold by a bankrupt employer.



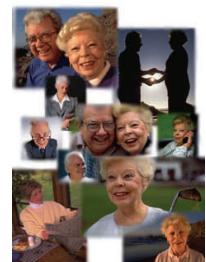
What's Your Credit Rating?

Do you check what others are saying about your credit? Is what they say accurate? As shocking as this may seem, many people have no idea what their credit history looks like or what comments are on file, thereby restricting their ability to obtain credit. Financial experts recommend you check your credit rating at least once a year. You can get a free report from [Equifax](#) by calling 1-800-465-7166 or [TransUnion](#) at 1-800-663-9980. You not only have the right to correct errors (including back-taxes), but you can also place your own comments to explain deficiencies that might work against you!



More Tax Relief for Seniors

As of July 1, 2008, seniors get another tax break if they still work part-time while collecting [Guaranteed Income Supplement benefits](#). The exemption has been raised to \$3,500 from the current \$500, meaning a single senior collecting [Old Age Security](#) while employed will net an additional \$41,500 in tax-free dollars. Before, every dollar earned over \$500 lost 50% in GIS penalties. For further information, refer to the [seniors' webpage](#) or contact the call center at 1-800-959-8281!



Personal Tax Installment Threshold Now Higher

As of this year, those who pay personal taxes by installments will now only be required to do so if the net amount due is over \$3,000 a year, compared to \$2,000 in the past. Payments are still due March, June, September, and December 15, with applicable penalties and interest for late arrivals. For further information, check out the [installment webpage](#). Those running a business should contact the business line at 1-800-959-5525!



Are Pre-completed Tax Returns on the Way?

Some of you may have heard that Revenue Quebec (the separate taxing agency for Quebec residents) discreetly launched a pilot project this year called the Pre-completed Tax Return, which has your calculations already filled out and ready for filing based on the information the ministry has at hand. In a perfect situation where the data is correct, the taxpayer can opt for the proposed return and send it in like a normal tax filing. At this point, it is a voluntary program that offers advantages for those with simple returns, as it saves tax preparation by the individual. Of course, taxpayers with more complex returns, such as self-employment, employment expenses, or detailed investments like revenue properties, must use the traditional methods because of the records they keep.



Will CRA adopt such a program? Advocates say it creates a simpler, friendlier process similar to those used in the UK and France, while opponents contend it creates too much unnecessary paperwork, given that the majority will not qualify at this point and can unsuspectingly miss out on legitimate deductions. In the past, CRA has in fact adopted successful programs into its system. Revenue Quebec started with 100,000 taxpayers, with a goal of all by the year 2011. This is an aggressive move to see if this works, and, while controversy does exist, I would not be surprised to see it at the federal level by the end of the decade. Unfortunately, there is not much news available. I will keep you posted!

Beware! GST Now Applicable to Cell Phone Services Outside Canada

Recently, the CRA ruled that cell phone companies providing roaming services outside Canada must charge GST. In an August 2008 GST newsletter, CRA's reasoning is that the subscriber's provider buys the airtime and long-distance services from other companies for use in supplying a single long-distance roaming call to the subscriber. Consequently, a long-distance roaming call is considered to be made in Canada and therefore subject to GST/HST when the call is emitted **and** received in Canada or emitted **or** received in Canada **and** the billing location for the call is in Canada. It is not clear how this will be enforced or who will be ultimately responsible, and CRA did not indicate whether it is effective immediately or backdated. For further information, contact the business line at 1-800-959-5525!



Mail-scam Alert!

CRA is warning taxpayers to beware of a scam where unsuspecting Canadians are receiving a letter via mail and fax fraudulently identified as coming from the CRA and asking for personal information, such as bank information, passport, etc. This letter is very convincing but is not from CRA. If you are ever in doubt, contact the call center at 1-800-959-8281 for verification!



2008 Tax Service Now Available

As some of you were alerted in the summer, 2008 tax preparation service is now available. Those who have all their 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 will have to wait until early March 2009 when they have all their T-slips, etc. One of the bonuses is that the 2009 calculations are also available (of course, based on current information). So, for example, if a client foresees a sizable amount of money coming from a buyout with the option to defer, it's always 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, most end up paying too much tax on severances because they are not properly informed on how to address this!



2008 Federal Election May Bring Last-Minute Tax Changes

We are only a few days away from [Election Day](#) in Canada, and last-minute tax changes affecting 2008 taxes both personal and corporate may occur. Usually, they will be in the local news, or you can check the [CRA website](#) and even subscribe to their free e-mail [media releases](#)!



Tax Freedom Day: How Do We Compare with the USA and Others?

Most of you have heard of [Tax Freedom Day](#), the day when the average person stops paying their tax burden if they dedicated every dollar starting January 1. In Canada this year, it was June 14 (44.8%), compared to June 25 (48.2%) in 2005. South of the border, they are quite ahead of us at April 23 (30.8%). The USA has been pretty steady since 2004, when it was April 17 (29.3%). How about other developed countries? In Australia, it's April 22 (30.7%) compared to Norway at July 29 (56.7%), so we're about in the middle internationally speaking!



“Dormant Debt” Does Not Equal “Written Off” Tax Balance with CRA

Real People with Real Questions About Real Situations



Dear Neel,

I recently filed several years' tax returns because I was afraid of an outstanding tax balance of \$1,200 with CRA that I could not pay five years ago. When I enquired about

this debt, the agent said that it had gone “dormant,” which I assumed meant they had given up and written it off. I was expecting about \$3,000 back but, to my surprise, got only a couple of hundred. The rest was applied to the debt and penalties/interest owing for over five years. Can they do this if the account is “dormant”? I have thought about appealing but have heard different stories.

Jan D.

Dear Jan,

Perhaps a few definitions are in order here. The average person may understand “dormant” to mean “given up and written off,” but unfortunately they would only be half right. The word “dormant” means “inactive,” and the collection department may in fact suspend collection activities if you have gone missing in action. However, the Tax Act is clear that assessed

balances are still due with appropriate penalties/ interest until settled. Also, the appeals process is only applicable if you are disputing the amount you legitimately owe, and you must begin the process within 90 days of the assessment. Elsewhere in your letter, you indicated you had several health and personal problems. These may qualify you for interest/ penalty relief under the fairness provisions. The recent Taxpayer's Bill of Rights gives the taxpayer a broader scope of rights from unfair or unprofessional service from the CRA, but it in no way exempts the taxpayer from their legal obligation after the dust has settled. Your tax professional should be able to steer you the right way to avoid further misunderstandings. Good luck!

Are You Just Asking tax questions?

Neel can Just Answer them.



Our readers respond!

Very, very impressive service! Neel not only did what his website promised, but in a timely, professional, and courteous manner. I was ten years back in my taxes, nervous, hesitant, and concerned. Neel helped me through each step in the process, and in the end I secured over \$9,500 in refunds. I was waiting for a huge penalty but got cash back instead.

Don't be shy about putting PTC Canada to work for you!

Tom H.



Check out what others say about us in our testimony page and media room!

As always, we welcome your comments on the Tax Tipper!

Send us an e-mail.

It's a Photo Finish! It's the World's Largest Turkey



Courtesy of [City of Frazee, Minnesota, USA!](#)

How big is your bird this Thanksgiving weekend? Even if you got the extra-jumbo largest, it's nothing compared to "Big Tom" of Frazee City, aka the "World's Largest Turkey." The original burned down in the late 1990s and was replaced in August 1998. The new Big Tom arrived in three separate pieces on a flatbed trailer at 9 a.m. on a Saturday morning. It took eight hours to put him together. The statue is over 20 feet tall and bronze in colour. (The original was 16 feet tall.) Including the tail, the width of the big turkey is 17 feet. Weighing in at over 5,000 pounds, Big Tom has just over 1,000 pounds of steel reinforcing its body. The legs were made a little shorter and stouter than a normal turkey's to better handle the weight. There are an estimated 3,000– 4,000 fibreglass feathers on Big Tom, which took D.W.O. Fibreglass Company over 2,000 hours to complete. Now, that ain't chicken scratch!

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

Did You Know...

A spooked turkey can run at speeds of up to 32 kilometers per hour (20 mph) and can even burst into flight approaching speeds between 80 and 88 kph (50–55 mph) in a matter of seconds. With a natural field of vision of 270 degrees, no wonder the wild ones are almost impossible to catch!



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