



THE Tax Tipper

June 28, 2009

We take your taxes personally!

Issue 17

Inside

What's Happening	2-4
Just Asking ... Just Answering	5
Did You Know?	5
It's a Photo Finish	6
Our Readers Respond	6

Editor

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

Phone 866-485-2683

Fax 866-485-2761

taxes@ptccanada.com

<http://ptccanada.com>



Dear Clients and Friends,

Ah, summer's finally here, and of course I'm preparing for my annual retreat to Osoyoos Lake, B.C., where I make it a beginning-of-summer ritual to float on the water while drinking in the mountain and desert scenery (with a cool bevy in hand, of course!). This year I'll be taking my spanking new 2010 Camaro along, and man, does it handle the hills well, especially when passing.

Compared to my other cars, the 400+ horsepower motor makes climbing the Rockies look like driving on the prairies. I'm not sure what your plans are for the next few months, but we Canadians have a limited amount of time for this type of enjoyment, so soak it up while you can. If this is your first **Tax Tipper**, welcome, and remember you can download previous editions from our website.

This was a record tax season—again! I'm very encouraged by how many of you are taking advantage of our website, www.ptccanada.com. I have to give a big thanks to web designer Sandi Rohl of IC Graphics in Calgary. When I took her on four years ago, my goal was to double sales by the end of the decade. She has been instrumental in not only doing that but doing it ahead of schedule, so way to go, Sandi! Today, over 70% of all business is done online, compared to 0% in 1998. That is astronomical when you have over 1,000 clients. As I write, PTC Canada is still experiencing double-digit growth each year. For those who have been with me since day one, I'm sure you appreciate the features available on your desktop now compared to a few years ago. Most of you tell me that the convenience is hard to beat. As a result, we are able to service a variety of clientele all over the world, in many cases the same day. Our website offers all kinds of free information while being incredibly user-friendly, so why not take full advantage of it?

On a final note, this is also the fourth year of the **Tax Tipper**, and I am very grateful for your participation. When I started **The Tipper** in the summer of 2006, my goal was to keep my clients informed about developments in the tax world. Realizing that taxes are not everyone's bag, I try to keep the newsletter simple but useful and palatable at the same time. When I worked at Boeing Toronto in my younger years, I was always puzzled by how management and the union would be at each other relentlessly, but when someone posted a poem called **Whose Job Is It Anyway?** everyone agreed it spoke volumes. Just scroll down to the next page and see if you don't agree.

Happy Canada Day, my fellow Canadians! Enjoy the latest **Tax Tipper**, and have a well deserved summer!

Neel Roberts
President and Editor

Whose Job Is It Anyway?

This is a story about four people: Everybody, Somebody, Anybody and Nobody.
There was an important job to be done and Everybody was asked to do it.
Everybody was sure that Somebody would do it.
Anybody could have done it, but Nobody did.
Somebody got angry about that because it was Everybody's job.
Everybody knew that Anybody could do it, but Nobody realized that Somebody wouldn't do it.
It ended up that Everybody blamed Somebody because Nobody ended up doing Anybody's job!

What's Happening

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. As both these dates are long gone, your return is technically late if you owe money. If you are a resident of Manitoba, you had until Monday, June 1, because of flooding, etc. See the [Minister's statement for details](#), but it seems that most qualified for this extension. 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. Sometimes, 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!



More Tax Breaks On the Way

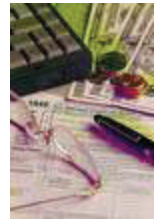
Just before Easter, The Honourable Jean-Pierre Blackburn, Minister of National Revenue and Minister of State (Agriculture), announced that Canadians will see more money in their pockets, thanks to the Government of Canada's Economic Action Plan. The basic personal amount has been increased from \$9,600 in 2008 to \$10,320 in 2009, allowing Canadians to earn more income before paying federal income tax. Also, the maximum age amount has been increased by \$1,000, and will continue to be adjusted annually to account for inflation. For the 2009 tax year, this means tax savings of up to \$150 for seniors. "In total, the government has promised some \$20 billion in personal income tax reduction for Canadians and business over five years beginning in 2008-2009," said Minister Blackburn, adding, "This demonstrates positive action on the economy and a positive impact on the financial situation of Canadians." For further information about Canada's Economic Action Plan, go to actionplan.gc.ca!



More on What's Happening

2008 Tax Review Notices Are Out

CRA conducts their review (post-assessment) of current tax returns during the summer of the year 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 the 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.



CRA Getting Tough on Tax Evaders

If you haven't filed in years or are not co-operating with the CRA, don't be surprised if they come knocking on your door. CRA uses a variety of tools and methods to identify non-compliance and take action to address tax cheating, as well as to correct honest mistakes. In 2007–2008, CRA made over 1 million adjustments to individual tax returns after comparing the information reported by taxpayers with data filed by third parties. This and other action resulted in over \$11.9 billion being recovered through collections activities, so needless to say they are motivated to keep going. For further information check out the [CRA takes action to enforce tax laws webpage!](#)



Tax Scams Are Pricey

I don't think a week goes by that there isn't another scam exposed. The CRA is warning taxpayers about investing in schemes that provide inflated or unsubstantiated tax losses or deductions. This type of business arrangement may be an "unregistered tax shelter," and participating in it puts taxpayers at risk of losing their entire investment, as well as any tax refunds they may receive as a result of making a claim on their tax return. If the CRA determines that a scheme is an unregistered tax shelter, all tax deductions or credits claimed by taxpayers participating in the unregistered tax shelter must be denied. As well, the cash investment to participate in the unregistered tax shelter is not deductible since it was made solely to acquire tax losses. Reassessments will be issued and penalties will be considered. When an investor is found to have knowingly participated in an unregistered tax shelter to get tax benefits that he or she was not entitled to receive, penalties can amount to 50% of the taxes payable after reassessment. For further information check out the [Tax Schemes Webpage!](#)



To Incorporate or Not to Incorporate?

Not too many days go by that I am not asked by business owners whether they should incorporate their enterprise. The answer depends, of course, on individual circumstances. We have an excellent article on our website called [The Journey to Incorporation](#), which offers guidance, and a recent edition of H & R Block's *Insight* newsletter contained the table below, comparing the two situations very well:



Incorporation

Pros:

1. The company rather than a person earns money, so income is not taxable at personal rates but at business rates.
2. In general, business tax rates tend to be lower than personal rates.
3. The company selects its year-end, which does not have to be December 31.
4. The company can claim expenses against income.
5. The company is a business entity and helps limit the risk of personal liability, though most lenders will require small corporations to have loans secured by their owner.

Cons:

1. Costs for incorporating can range from \$300 to \$1,000 to register. You will get a corporation minute book and a seal.
2. Preparing a corporate tax return is much more complicated than filing a personal tax return. You may need a tax professional to complete all of the paperwork properly. Corporate tax preparation is more expensive than a personal tax return.

Sole Proprietor

Pros:

1. Easy and inexpensive to register.
2. You do need to get a business number to register for GST.
3. The income you earn as a sole proprietor is considered your income and must be reported on your personal tax return.
4. You can claim expenses to reduce your income. This would include office expenses as well as the percentage of your home expenses used for your business.
5. If you have business losses, you can also deduct them against other income on your personal tax return.

Cons:

1. Your income tax rate increases as you earn more.
2. The fiscal year-end is fixed at December 31.
3. The owner is responsible for all lawsuits and liabilities.
4. Some companies may not grant contracts to sole proprietors.

Late Filers — How Far Back Do You Go?

Real People with Real Questions About Real Situations



Dear Neel,

I have never filed a tax return in my life. I'm self-employed, so I can't even begin to imagine how much I owe. I want to retire next year, and I just found out that my Canada Pension benefits depend on my tax returns being filed from day one.

I want to get this all cleared up, but CRA has informed me that I can file back only up to ten years. I'm not sure if this is a good thing, because I'd like to get as much pension as possible. Your help is much needed!

Terry B.

Dear Terry,

CRA passed a law a few years ago that unfiled returns that are not under enforcement will be considered "status barred," which pretty much confirms your conversation with CRA that they won't accept older returns. Because you will owe money, you can see if they

will reconsider accepting these returns under the Voluntary Disclosure Program, which allows a taxpayer to request that all penalties and interest be waived if their application is successful. This would mean several thousands of dollars in tax-free relief for you, but it does not exempt you from the actual taxes owed. Under the program, you can remit CPP premiums, which will boost your pension entitlement. You are still entitled to claim all legitimate deductions in the operation of your business, so download our Small Business Tax Booklet to help you collect your information—and consider getting a professional to assist in the whole process.

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



Did You Know?

The word "Canada" is almost 500 years old! The name "Canada" comes from a Wendat (Huron-Iroquoian) word *kanata*, meaning "village" or "settlement." In 1535, inhabitants of the area near present-day Quebec City used the word to direct the French explorer Jacques Cartier toward the village of Stadacona, a settlement on the site of present-day Quebec City. Another contemporary translation of *kanata* was "land." Cartier used the word "Canada" to refer to not only that village, but the entire area subject to Donnacona, Chief at Stadacona. By 1547, maps made by early European explorers show that the name "rivière de Canada" was given to the nearby St. Lawrence River; the river was called *Kaniatarowanenneh* ("big waterway") in Mohawk, coincidentally and reinforcingly similar to *kanata*. Now aren't you glad you're so smart—especially if you're from *Kanata*?



It's a Photo Finish!

Light Up the Night Sky This Canada Day!



Courtesy www.youtube.com

As an amateur astronomer, I have a natural passion for the night sky, but it gets even better when you can light up the sky yourself. So, I hope you have your fireworks stocked up for the Canada Day long weekend. As a kid, I always looked forward to fireworks on our country's birthday. Not much has changed since then, except that I got older (I mean a *lot* older!). My longing to watch fireworks still burns (oops, is that a pun?) and I believe most of you can relate to that. This Canada Day weekend I anticipate you will either be setting off or viewing many of the fireworks celebrations going on. If you miss them, here's the next best thing: [Canada Day at Stampede Park in Calgary](#) got a large round of applause from spectators. Enjoy!

Send us your fascinating photo or story.

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.

Our readers respond!

Dear Mr. Roberts,
Thank you from the bottom of my heart for all you do.
PTC Canada has solved an 8-year-old tax nightmare
with CRA. May God bless you!

Lilia Cattoni, Landlord
Lerthbridge, Alberta

All materials are the exclusive property of PTC Canada and are for information purposes only.
Individuals and entities should seek personal advice from qualified professionals before taking further action, as PTC Canada
and its associates assume no liability whatsoever for this resource.

[Click here to unsubscribe to this newsletter](#)

The Tax Tipper is professionally finished by Joyce Gram of Gram Editing Services, your newsletter pro.
www.gramediting.com Email: email@joycegram.com