



CANADA REVENUE AGENCY - AUDITORS

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If you operate a business in Canada, you will eventually be audited by the tax department. They were once called Revenue Canada, but have changed their name to the Canada Revenue Agency (CRA). We will refer to the rascals as Canada Revenue Agency.

First and foremost taxpayers need to be reasonable about the entire process.

Nobody likes to pay taxes worldwide, but we all do, and we all need to share the expenses of the Government bodies because the benefits, produced supports our entire country and makes Canada what it is.

As a taxpayer, if you feel that we should go through life without paying taxes or contributing to the country, you are being irrational!

In Canada, we have an exceptionally **Complicated Income Tax Act**, supported by thousands of regulations and interpretation bulletins which include many confusing areas.

Consequently, Canadians are required to submit an annual tax return to the Canada Revenue Agency, which they will process to determine whether or not the taxpayer is entitled to a refund, or accept the taxpayers payment for an outstanding balance owing.

The dilemma here is that many people **CHEAT** on their income tax return which creates grey areas. Many individuals claim expenses that they never incurred, revenue that was generated, claimed only a portion of the revenue and make a mathematical error. The bottom line is that there are errors on the tax returns which more often than not result in a refund to the taxpayer.

Clearly, a quality control procedure needs to exist.

As a result, the Canada Revenue Agency employs an Audit Department to select returns and audit them for accuracy. When you consider the concept, this is an entirely reasonable process. The Auditors identify incorrect returns and prevent taxpayers money from being expended on bogus refunds. This is suppose to help maintain the integrity of the entire taxation system.

Thus far everything appears to be perfectly logical. However big problems exist!

As the audit process became more refined, it was discovered that it generated a very significant amount of REVENUE for the Federal Treasury.

Since the Canada Revenue Agency collects money for both Federal and Provincial levels, there are also significant funds for the Provincial Treasuries. The cost of an audit is small in comparison to the money collected, suddenly the government realized that they had a **New Revenue Stream** that is significant. Therefore the government employed more Auditors to collect billions of extra dollars.

Not only have these Auditors collect the taxes owing they have also applied **penalties** and **interest**, in fact the penalties have been severe.

This has resulted in more cash flow for the government using this new revenue stream or audit process.

In Canada we have a huge and oppressive tax load on individual taxpayers and businesses. The logic seems to be that the government takes our money then spends these funds for our benefit such as; "free" health care, GST/HST refunds and retirement benefits etc... rather than allow us to retain more money and look after some expenses ourselves.

In comparison, the United States taxes are at a much lower rate, but everyone needs to deal with their own health care. When products are purchased in the USA you get better value because fewer taxes are bundled into the prices.

So what has happened in Canada as a result? Disposable income has fallen and in the case of the business sector, many have gone into the underground economy in order to survive.

Canadians prefer to work for cash, no T4 slips and no records. The outcome is simple!

Billions of dollars being undeclared annually. Hence leaving the taxpayer to absorb the entire burden.

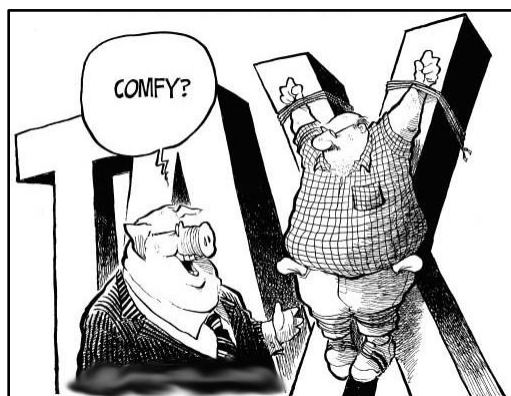
Canadians are becoming desperate, looking for any avenue or methods that can save them taxes.

Hundreds of thousands of Canadians maintain off shore accounts and in other countries. However, the Canada Revenue Agency is now confiscating offshore bank accounts.

Financial service companies offer ideas to minimize taxes that operate in grey areas of the income tax act. Banks have charge high interest rates for loans while paying only minimal percent on deposits.

After taking inflation into account, depositor begin to realize they have not made or earned anything on their money.

The Canada Revenue Agency Auditors have 'ONE' objective!



Generate Revenue! When you are selected for audit taxpayers are often chosen as a result of a **RED FLAG**, so there is already an anticipated amount of revenue being projected by the CRA auditor. Red flags are generated when a tax avoidance scheme is investigated, tax deductions or income are not in accordance with established models and when they have received tips from other taxpayers that your activities are suspicious. In business "other taxpayer" which could be a competitor. In private life that other taxpayer could be a bad neighbor or ex-spouse. The tips often come from people who have an

axe to grind - so to speak. You may also belong to a group which the Audit Department has decided is operating in grey areas where potential revenue for them exists. For example they may audit contractors one year, audit taxi drivers for tips the next.

Here are a few tips taxpayers need to be aware of:

1. You have no rights. The Canadian Charter of Rights and Freedoms, the Criminal Code, the Tax Payers Bill of Rights, Taxpayer's Ombudsman, laws of common sense and the laws of common decency all need to be placed into a pile, pour a gallon of gasoline on the pile and set it on fire. It all means nothing!

2. Auditors have the levels of power. They have a legal department, levels of protective bureaucracy which look after one another, a compliant political master who is more interested in the revenue collected, all creating smoke and mirrors for the rest of the people by using a righteous stance that they are protecting Canadians. They will send you communications with the Canadian flag proudly waving on it, but;

- ✓ *They have the power to freeze your bank account at the stroke of a pen, without warning, making it difficult or impossible for a taxpayer to obtain the funds to pay for the services of a professional Accountant or Lawyer to protect your rights.*
- ✓ *They know exactly what they are doing and the negative effect it will have on you.*
- ✓ *As a business, they can go to your customers with a "Demand Notice" and confiscate any money owed to you.*
- ✓ *They can revise a taxpayers return and assess you with a totally ridiculous and/or arbitrary amount, then collect it, through forced methods.*
- ✓ *They can list your name in the paper so that colleagues, business partners and/or customers find out about the tax arrears.*





3. Auditors Lie! They ask questions in such a manner that will incriminate you. With a lawyer or an accountant present you are protected from such questions, however without a professional present the auditor will build a file against you and they will exclude information or facts which support your case.

4. These issues and many more are particularly annoying, however when an Auditor is investigating an expense category such as rent he will ask the taxpayer for the receipt which you are unable to find. They can and will refuse to accept the entire amount for rent including the other receipts for the other months. (That's Right! This has happened to many!) There is absolutely no logic to this

procedure, but that's the way the process works. The Canada Revenue Agency is out for Money, not the truth.

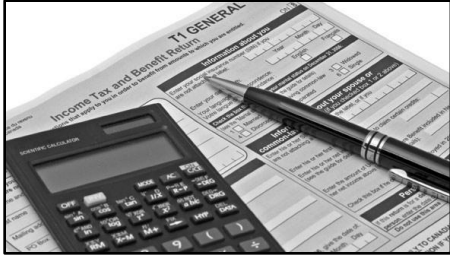


5. Auditor already have a plan! Audit and revise the taxpayers returns and demand more money from them. At the beginning of the process taxpayers are not aware of this, yet! Auditors performed these tactics many times and know the drill. Auditors are familiar with the dispute resolutions, taxpayers on the other hand, are not. The scales are tipped against you before the process even begins. Canadians who make an attempt to fight the Canada Revenue Agency and chose to do this alone, this is where the taxpayer loses! You really need an Accountant and/or a good Tax Lawyer, if possible, to have a chance of winning. The situation really is

quite terrible. However you NEED professional help, during an audit.

6. Auditors generally attack more than one year at a time. This gives them the ability to collect more revenue because the penalties and interest will be significantly higher. This is a very obnoxious way of conducting business. But taxpayers need to realize that the Canada Revenue Agency is not business, it is a forced contribution put upon the public to help fund their hunger for power. If a taxpayer knew that a problem existed in year one the mistake would be corrected for years two and three. But the Canada Revenue Agency Auditors wait in the weeds until three years have passed and then staple the taxpayer to the wall for all three years which can and does have catastrophic effects on the taxpayers finances.

7. Auditors and the Canada Revenue Agency realize they are despised by Canadians. This has resulted in vindictiveness from the taxpayer toward the department which results in financial harm and pain caused to the taxpayers they audit.

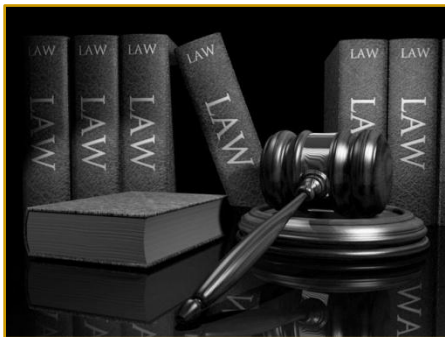


8. The taxpayer is unaware that they are unable to negotiate with the CRA. Negotiations can only be done by using a third party working on behalf of the taxpayer - an Accountant or Lawyer. This is not something that is immediately apparent to the taxpayer so they are at a considerable disadvantage.

Auditors are unwilling to negotiate directly with the taxpayer due to emotional and anger issue that result from the process, causing you to lose. Consequently auditors insist on talking to your representative who will maintain the negotiations in a professional manner.

9. Taxpayers who have prepared their own returns, usually feel that they can deal with the Canada Revenue Agency themselves, this is a Huge Mistake! The first course of action that should take place is for a taxpayer to arrange for an Accountant, who understands taxation, to do all the talking and negotiating. This will cost you thousands of dollars, but it will save you more.

Having an Accountant represent you from the beginning, is in your best interest before the audit begins. Many moan at the Accounting profession and feel that they are in bed with the Canada Revenue Agency and that the complexity problems with the Taxation System generates billions of dollars in Revenue for Accountants, however, taxpayers need to understand that Accountants are there to assist the taxpayer. They are professionals and you need them. To live in Canada today you need a Doctor, Lawyer and an Accountant.



10. When the Canada Revenue Agency investigates a Tax Evasion, Tax Avoidance or Aggressive Tax Planning scheme, it usually takes a few years for them to prosecute the operator. Many argue that it takes so long because they can collect more revenue from the operator's clients. That would be difficult to prove, but it seems to happen that way!

There are many cases in Canada where people have committed suicide over tax audits or have caused;

- ✓ Catastrophic repercussions
- ✓ Families break up
- ✓ Family homes lost
- ✓ Wages garnisheed
- ✓ Reputations destroyed
- ✓ Businesses closed
- ✓ Jobs lost
- ✓ and faith in government destroyed due to the antics of the Canada Revenue Agency Auditors.

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and...

Having an Accountant represent you from the beginning is in your best interest before the audit begins, Taxpayers need to understand that Accountants are there to assist taxpayers. They are professionals, that taxpayers need.

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