#1

Understand the Essentials

We get it. Most Canadians aren't tax geeks like us. We understand that tax is not known to be the most exciting of subjects. But if you don't care about your money, who will? Having a basic understanding of the Canadian tax system is an imperative first step to ensure you don't pay more tax than you should. So, that being said, congratulations on taking this step to know more about taxes! We promise it won't be too painful.

Though it can be confusing at times, Canada's income tax system has two very straightforward purposes. The first is to finance government expenditures. The second is to encourage Canadians to make certain expenditures. That's right — our government cuts you a tax break when you spend money in ways it approves of. For example, the government wants to encourage you to:

- **Pursue post-secondary education.** Tuition fees, textbooks, and interest incurred on student loans are eligible for a tax credit. Even better, scholarships, fellowships, and bursaries are completely tax free!
- **Work.** If you hire someone to look after your kids so you can work, you can deduct childcare expenses. And all employees are eligible for a Canada employment credit — the government's way of recognizing that we all incur some out-of-pocket expenses in order to work.
- **Save for retirement.** Tax rules are favourable for registered retirement savings plans (RRSPs).
- **Invest.** Dividends from Canadian corporations are taxed at a favourable rate, and only one-half of the capital gain on a sale of investments is subject to tax.

You're probably beginning to realize that you spend money every year on items you can use to reduce your taxes. And every little bit counts! With this in mind, in this tip we guide you through the nitty gritty of the Canadian tax system.

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Understanding Where the Numbers Come From

If you live in Canada it's pretty easy to figure out what gets included in your *total income.* Why? Well, to keep things simple, the Canadian government requires you to include all of your worldwide income earned in a calendar year on your tax return. If you earned income, you can pretty much count on the fact that it's taxable. Of course some exceptions do exist, and we discuss these throughout this book.

The next step is to claim any deductions you're entitled to. *Net income* is the amount you arrive at when you subtract these deductions from your total income. You might think this net income figure is the amount on which you should pay tax. Well, no. The amount you pay tax on is your *taxable income*.

Determining what makes up taxable income

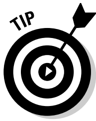
Here in Canada our income taxes are based on the amount of taxable income we earn in a year. Both the federal and provincial/territorial governments levy income taxes on your taxable income (we talk more about these taxes in Tip #2). Your base amount of tax owing is reduced by any tax credits available to you, and the net amount is your tax bill for the year. It stands to reason that if you can keep your taxable income to a minimum and your tax credits as high as possible, you will pay less tax. And with tax rates reaching as high as about 50 percent for some Canadians, this can mean a lot more money stays in your wallet.

Even though taxes are not based on net income, it's still an essential calculation that's used to calculate your entitlement to certain tax credits and programs — like the provincial/territorial tax credit (Tip #3), the GST/HST credit (Tip #23), the Canada Child Tax Benefit (Tip #49), and credits for charitable donations (Tip #9), medical expenses (Tip #59), and social benefits (Tip #64).

Taxable income has a different focus altogether. The types of deductions allowed under the taxable income category are not necessarily related to current-year activities. For instance, the calculation of taxable income includes deductions for prior-year losses. In fact, some of the deductions are permissive, meaning they allow for tax deductions based on your personal situation. For example, deductions are available for employee stock options, for residents

in northern areas of Canada, and for certain non-taxable payments received in the year.

On many returns, net income and taxable income will be the same; therefore, you won't have to worry about these deductions at all. However, if you do have additional deductions, it's important to keep in mind that a difference exists between net income and taxable income — be sure to use the right figures in the right places!



Sometimes you will have so many deductions to claim you won't need them all to reduce your taxable income to the point where no taxes are owing. Use your available tax deductions to reduce your taxable income only to the point that it equals your total tax credits for the year. If you reduce your taxable income to zero, you won't owe any taxes, but you might be wasting some deductions. For example, most taxpayers are allowed to claim the basic personal credit amount — this means you would want to report at least that much income (about $10,000, but the amount changes yearly). To optimize your tax situation, you therefore don't want to waste tax deductions that you can carry forward to future years if it means reducing your taxable income below the amount of your tax credits. Zero taxable income is not the goal.

Tallying up your effective tax rate

Your *effective tax rate* is the percentage your tax is of your total taxable income. It's easy to calculate — it's simply your tax liability (after you've taken all the tax credits you're entitled to) over your taxable income:

$$\frac{\text{Tax liability}}{\text{Taxable income}} = \text{Effective tax rate}$$

Take a look at some figures from Micha's tax return. She lives in Thompson, Manitoba, and her taxable income is $53,000. She calculates the tax on the $53,000 and then reduces the amount for any tax credits she is entitled to. After these credits are deducted, her federal/Manitoba tax liability is $12,885. Her effective tax rate, then, is 24.3 percent ($12,885/$53,000).

The calculation of your effective tax rate takes into account that portions of your income are taxed in different tax brackets. The effective tax rate calculation "averages" the rates of tax paid in these brackets. The more income you have taxed in the highest tax bracket, the higher your effective tax rate.

Calculating your marginal tax rate

When tax geeks talk about *marginal tax rates,* we are referring to the tax rate that applies to your next dollar of taxable income.

Assume your taxable income is $130,000 and you are taxed in the top tax bracket. Further, assume you live in Alberta and that the highest tax rate is 39 percent. If you were to earn $1 of additional interest income, you would pay 39¢ in tax on this dollar. In other words, your marginal tax rate is 39 percent. On an after-tax basis, that extra dollar of income leaves you with only 61¢, or 61 percent. This is referred to as your after-tax rate of return. It can be calculated as:

1 – Your marginal tax rate = Your after-tax rate of return

The calculation of your marginal tax rate ignores that portions of your income are taxed in different tax brackets and subject to different tax rates. The marginal tax rate is focused on your next dollar of taxable income — not your overall taxable income.

The marginal tax rate is an easy way to assess the impact of a raise. With a marginal tax rate of 39 percent, you know that if you receive a $10,000 raise you will be taking home only an additional $6,100. When looking at investment returns from alternative investment opportunities, ensure you compare after-tax rates of return.

A marginal tax rate can also be used to calculate the tax savings that a deduction will provide. Again assume your taxable income is $130,000 and you live in Alberta. You are wondering what the impact would have been if you had contributed $5,000 to your RRSP and taken a deduction on your tax return. Your taxable income would have been reduced to $125,000 by the $5,000 RRSP deduction. You know your marginal tax rate on that $5,000 would have been 39 percent. The tax saving you would enjoy if you were able to deduct the $5,000 RRSP contribution is $1,950 ($5,000 multiplied by 39 percent)!

Knowing You Have the Right to Pay Less Tax

Canada’s tax system is based on self-assessment. Each of us is responsible to ensure our tax return includes all necessary information for reporting income, claiming tax deductions and tax

credits, and, finally, calculating our tax liability. In complying with the tax laws, we all have the right to pay as little tax as is legally possible. We stress legally.

Tax evasion occurs when you purposely understate the amount of income tax you should pay. This can occur when you don't report all your income, or when you overstate tax deductions and credits. At worst, tax evasion can result in a charge being laid under the *Criminal Code.*

Tax planning is a continuous process. With the ever-changing economy and tax legislation, and the investment vehicles available in the market, you can always be planning ways to minimize your taxes. Many opportunities for tax planning arise when you experience a significant change in your life.

Reducing Your Tax Bill with Tax Credits

Tax *credits* directly reduce the amount of income tax you owe — they do not reduce your taxable income. In this way they differ from tax deductions, which are subtracted in computing your taxable income.

Two kinds of credits are available: refundable and non-refundable. When a credit is referred to as *non-refundable,* it means that if it exceeds your tax you do not get a refund of the excess. Every Canadian is entitled to at least a basic personal credit (non-refundable) worth over $10,000, although this amount increases each year. This means you can earn at least $10,000 without paying any tax because the credit essentially wipes out the tax (see Tip #44).

Report all of your federal tax credits on schedule 1 of your tax return. Each province/territory also calculates its own tax credits to help offset provincial/territorial taxes. These credits are reported on your provincial/territorial tax calculation forms. It's a good idea to take a peek at these forms to see whether any of the credits sound like they might apply to your situation.

#2

Understand the Different Types of Taxes

No doubt about it, Canada is a high-tax nation — which gives you all the more reason to minimize the taxes you pay. In this book we're primarily concerned with income taxes, but many different types of taxes might apply to your situation. It's your responsibility to understand what taxes you're accountable for and to ensure you're filing the proper returns.

A Tale of Two Income Taxes

Canada's constitution gives income taxing powers to both the federal and the provincial/territorial governments, which does make things a little more confusing. But on the bright side, individuals need to deal with only one tax collector — the CRA. The CRA administers the tax system for the federal government and all of the provinces and territories except Quebec.

Both the feds and the provinces/territories have "tax on income" systems: taxes are based on taxable income, and each province and territory has the right to set its own rates and policies.

When you file your tax return, you fill out federal tax forms and provincial/territorial tax forms. The rules are similar, but not identical, for both. And when it comes time to file your return, you send your whole tax package to the CRA (unless you file in Quebec, in which case your federal return goes to the CRA and your provincial return to the Ministère du Revenu du Québec).

Figuring out your federal taxes

Canada's income tax system is a *progressive tax rate system,* which means that the percentage of your income that goes to fund your tax liability increases as your income increases. Take a look at the four federal tax brackets for 2009 shown in Table 1-1. These brackets are set to increase to inflation annually; therefore, in years after

2009, each bracket will cover an additional amount of income. You can find current-year rates on the CRA Web site, or on the Web sites of major accounting firms (see Tip #8).

Table 1-1 2009 Federal Income Tax Brackets and Rates (provincial/territorial taxes not included)

Tax Bracket	*Tax Rate*
$0 to $40,726	15%
$40,727 to $81,452	22%
$81,453 to $126,264	26%
$126,265 and over	29%

As you can see, the greater your taxable income, the greater the percentage of tax applied to that additional income.

The tax rates in Table 1-1 are only the federal tax rates, and do not include provincial/territorial income taxes. When your taxable income falls into the top federal tax bracket (that is, greater than $126,265), your combined federal and provincial/territorial tax rate on the portion of your taxable income in the top tax bracket can be as high as the tax rates summarized in Table 1-2. However, the tax rates shown are before any tax credits (except the basic personal amount) that may be available to individuals. Your tax liability is based on your taxable income. After the liability is calculated, it's reduced by tax credits available to you.

Taking a look at provincial and territorial taxes

In additional to federal taxes, every province/territory in Canada levies taxes based on taxable income. Table 1-2 indicates the total tax rates you would pay if you were taxed at the highest rates in each province/territory. Note that different highest rates apply depending on the type of income you earn. Regular income such as salaries and interest income (among others such as foreign income and rental income) are taxed the highest. Capital gains are only one-half taxable; therefore, the tax rate on capital gains is always exactly half that of regular income. And Canadian dividends are taxed at lower rates as well, due to a dividend tax credit.

Table 1-2 2009 Top Tax Rates (federal and provincial/territorial taxes combined)

Province/Territory	*Salary & Interest*	*Capital Gains*	*Dividends*	
			Non-Eligible	*Eligible*
Alberta	39.0	19.50	27.7	14.5
British Columbia	43.7	21.9	32.7	19.9
Manitoba	46.4	23.20	38.2	23.8
New Brunswick	47.0	23.5	35.4	23.2
Newfoundland and Labrador	44.5	22.3	32.7	27.4
Northwest Territories	43.1	21.5	29.6	18.2
Nova Scotia	48.3	24.1	33.1	28.3
Nunavut	40.5	20.3	29.0	22.2
Ontario	46.4	23.2	31.3	23.0
Prince Edward Island	47.4	23.7	33.6	24.4
Quebec	48.2	24.1	36.4	29.7
Saskatchewan	44.0	22.0	30.8	20.3
Yukon	42.4	21.2	30.5	17.2

Note: Figures are current to September 2009.

You probably noticed that two different tax rates apply to dividends. The actual rate that will apply depends on their source. Non-eligible dividends are generally dividends paid from small businesses in Canada. If you own your own company and receive dividends from it, these rates likely apply to you. Alternatively, eligible dividends are those paid by public corporations resident in Canada. It's these eligible dividends that most investors in Canada receive when they invest in a non-registered account.

GST/HST

The Goods and Services Tax/Harmonized Sales Tax is not an income tax, but rather a consumer tax. But you already know that; when you make a purchase of goods or services in Canada you usually find this tax added onto your final bill.

GST/HST also finds its way into our income tax system in many ways. If you run a business, you're generally required to charge GST on the goods and services you sell. You must remit the tax to the CRA, just like you remit income tax. Any GST/HST you pay on goods and services used in your business can be used to offset the GST/HST payable.

If you're an employee, you might pay GST/HST on expenditures you have made for business purposes. The expenses you incur might be eligible for a tax deduction. And the GST/HST paid on those expenses is eligible for a rebate. You claim the rebate when you file your income tax return; see Tip #23 for details.

Finally, the government offers GST/HST rebates to taxpayers who meet the criteria. All you have to do is tick the box on your income tax return stating that you would like to apply. The CRA does the calculations, and if you qualify the CRA will send you quarterly non-taxable payments. What could be easier!

Alternative Minimum Tax

What is alternative minimum tax, you ask? *Alternative minimum tax* (AMT) is designed to prevent taxpayers with significant tax deductions from skipping off without paying some tax — a minimum tax, at least.

Minimum tax is not something the average taxpayer will ever have to worry about. But if you have some less than common tax deductions, take a look at form T691. The types of deductions listed on T691 that may lead you to pay minimum tax are not everyday types of deductions but include:

- Limited-partnership losses including carrying charges related to the limited partnership units
- Resource expenses, depletion allowances, and carrying charges related to resource properties and flow-through shares. You would have these deductions if you purchased certain tax shelter investments

- Stock option and share deductions if your employer offers stock options and you chose to exercise those options
- The non-taxable portion of capital gains (50 percent of gains) reported in the year. This includes any capital gain on which the capital gains exemption is claimed. Capital gains occur when you sell an asset, like a stock, for more than you paid for it.
- Employee home relocation loan deduction if your employer loaned you funds at a low interest rate to help you pay for a move

If you owe AMT, don't fret. You can use that minimum tax to offset regular taxes payable in any of the next seven years. Assuming you pay regular tax during those years, you will get your money back. Consider it a prepayment of your future tax bill. Minimum tax is often more of a cash-flow issue than a true income tax.

International Taxes

Canada levies income taxes based on residency. If you are a resident of Canada, you're liable for tax on your worldwide income (see Tip #31). In addition, Canada has a right to tax Canadian-source income, even if you're not resident here. For example, if you sell a piece of Canadian real estate but live elsewhere in the world, Canada still has a right to tax the gain because the asset, the real estate, is located in Canada.

Other countries have similar tax laws. If you own assets such as investments on which you earn dividends or interest; real estate on which you earn rental income or gains upon sale; or if you earn income such as pensions or employment income in another country, those other countries have the right to tax that income according to the tax laws in those countries.

If you're paying attention, you'll notice that residents in Canada are taxed on their worldwide income, and that other countries may tax you on that same income. Isn't that double taxation? The good news is that Canada has tax treaties with many major countries in the world that are designed to avoid double taxation. If you pay tax to another country you can claim a foreign tax credit for the foreign taxes that will serve to offset the Canadian taxes paid on that same income. But be aware that if you earn income that comes from another country, you very well could have tax liabilities — and perhaps even tax filing requirements — in the other country. You may want to consult a tax pro.

#3 Get Free Money from the Government

Even though you may not be required to file a tax return this year, consider doing so anyway. You can gain a lot of benefits from filing — including free money! — that far outweigh the time and frustration spent preparing your return. (Did we mention "free money"?)

Claiming GST Credits

You might be entitled to a tax-free quarterly cheque from the government for the Goods and Services Tax (GST) or the Harmonized Sales Tax (HST). That's right; some of these dreaded sales taxes may actually be refunded to you via a tax credit. Not everyone is eligible for the GST/HST credit, but if you are eligible you can receive it only if you apply for it each year.

Applying is easy: When you file a tax return, tick the box that says you want to apply. The CRA will do the calculations and let you know if you qualify based on information such as your net income, the net income of your spouse, and the number of children under the age of 18 who live with you.

Even if you have no income, you need to file a tax return to apply for the GST/HST credit.

You're entitled to the GST/HST credit when you turn 19, so you'll need to file a tax return for at least the year prior to your 19th birthday to ensure you get your payments. If your birthday is in January, February, or March, file for the two years prior to your 19th birthday. If you forgot, you can always file after the fact.

Benefiting from Provincial Tax Credits

Many provinces and territories in Canada offer special tax credits to their residents. However, these credits do not come to you automatically. You must apply for them on your personal tax return. The tax credits vary by province/territory and some are very generous. They include credits such as sales tax credits and property tax credits.

Receiving Child Benefits

If you're responsible for the care of a child who is under age 18, you might be eligible to claim the Canada Child Tax Benefit (CCTB) for that child.

To apply for the CCTB, the first step is to complete Form RC66, Canada Child Benefits Application. However, because the benefits are based on net family income, you must file a tax return to substantiate your income. Even if your income is nil, file a tax return to ensure you don't miss out on these benefits.

Obtaining Refunds for CPP or EI Overpayments

Canada Pension Plan (CPP) and Employment Insurance (EI) premiums are deducted from your pay and reported on your personal tax return. If you've worked at only one job in the year, it's unlikely that your CPP or EI premiums were drastically wrong. However, if you have more than one employer in a year, each employer is required to deduct CPP and EI based on your earnings at that job alone. In this case it's very common that your total CPP and EI paid was too much. (By the way, this often has nothing to do with your employer's payroll skills; it's because of the way the calculation is done.)

You're entitled to receive a refund of CPP and EI overpayments in the year. The way to do this is to file an income tax return.

Knowing What to Do If You've Paid Too Much Tax

If you've earned employment income in the year, you should receive a T4 slip from your employer. Box 22 of that slip will note whether taxes were deducted from your pay. If you earn other types of income, such as investment income, you might be required to pay quarterly income tax instalments to the government. Either way, these taxes were based on a lot of assumptions, which may or may not reflect your tax reality at the end of the year. Depending on your personal circumstances, these taxes may be too high, which means you're entitled to a tax refund. And you guessed it — the only way to claim a tax refund is to file a tax return.

Anytime you've paid taxes in the year, file a tax return just in case you're entitled to a refund.

Claiming Other Benefits

Even if you don't owe tax or have free money to claim, there still may be reasons to file a tax return, including:

- **You want to maximize your RRSP contribution room for future years.** You're allowed to make RRSP contributions each year based on your RRSP contribution room, which is calculated using your earned income from prior years. In years when you have little income you may not need to file a return; however, even a little income may still be considered earned income, giving rise to RRSP room. Unused RRSP contribution room never expires, so you could use it to claim RRSP deductions — and save taxes — down the road.
- **You have deductions or credits to carry forward to future years.** You may have incurred some costs that would normally be a tax deduction or credit, which are of no use to you because of your income level. Certain of these amounts can be carried forward to help your tax situation in future years, including tuition, education, and textbook amounts, RRSP contributions, and moving expenses.

- **You received Working Income Tax Benefit (WITB) advance payments and you want to apply for WITB advance payments for the upcoming year.**
- **You have a non-capital loss, such as a loss on your unincorporated business, that you want to be able to apply in other years**. Although that loss is not going to attract tax this year, you might be able to benefit from it in other years. And the only way to document the loss is by filing a tax return. Non-capital losses can be carried forward for 20 years. However, consider carrying your losses back (up to three years), if possible, to receive a tax benefit from the loss sooner rather than later.
- **You want to continue to receive the Guaranteed Income Supplement or Allowance benefits under the Old Age Security Program.** You can usually renew your benefit simply by filing your return by April 30. If you choose not to file a return, you will have to complete a renewal application form. This form is available from a Service Canada office or from the agency's Web site.

Set Up a Good Recordkeeping System

Do you want to know the secret to making sure you claim every deduction you're entitled to? To saving money when you have a tax preparer do your tax return? To surviving a CRA audit unscathed? Sure you do! Luckily, we have the answer. *Keep good records*. That's all there is to it, really. In this tip we spell out just how you can keep records that'll turn even the harshest auditor into a softie.

When dealing with the CRA, the burden of proof is on you to support the deductions you have claimed. The CRA is by law considered correct unless you can prove otherwise. Keeping good tax records is imperative so you can support your numbers.

Keeping Good Books and Records

You may think that by filing a tax return for the year you've absolved yourself of any further CRA requirements. Unfortunately, that's not true. You see, the CRA requires every person who pays or collects taxes, or who is carrying on business in Canada, to keep books and records. This requirement means you have to keep information pertaining to your taxes in case the CRA asks to review it in the future. Your books and records must enable the CRA to determine your taxes payable for the year and must be supported by source documents to verify the amounts reported.

Make sure you keep all source documents pertaining to your tax return, which may include:

- Sales invoices
- Purchase invoices
- Cash-register receipts
- Written contracts
- Credit card receipts

- Delivery slips
- Deposit slips
- Cheques
- Bank statements
- General correspondence

When deciding what type of document to keep, consider this: What document will best verify your tax records? The stronger the evidence, the less likely it is that your tax records will be rejected by the CRA.

The original bill is best — the CRA will not always accept cancelled cheques and credit card statements as authentication of an expense.

Setting up your recordkeeping system

In our experience, the number-one reason why people end up paying more tax than they have to is that they keep lousy records. We know that taming the paper tiger is no mean feat. What follows are our best suggestions to make your tax organization and preparation tasks much easier.

Save all the receipts and records you think you might be able to use. It's much more difficult to recover receipts that have been thrown away than to toss out whatever unnecessary paper you have left after your tax return is complete.

Our favourite method of organizing tax information is in an accordion file — pick one up at any office supply store. (You could also use file folders or envelopes.) Label each section by expense category. Use the categories listed on the tax form you will be completing; for example, charitable donations, medical expenses, office supplies, parking, advertising, and so on. As you collect receipts throughout the year, sort them into the proper category. When it comes time to file your tax return, all you have to do is take out the receipts, add them up, and enter the total on the tax form.

Consider organizing your tax information by the tax schedules you have to file, such as Statement of Real Estate Rentals, Capital Gains and Losses, and Statement of Business Activities. If your tax return is uncomplicated, it might be sufficient to have one file for each year. As you receive your tax information throughout the year, just put it into the file.

Any of these storage methods will save you from tearing your house apart looking for that investment statement or charitable receipt you were using as a bookmark last June. Keep a copy of the tax return you filed for that year, and when you get your Notice of Assessment put it in the same folder.

Making use of your computer

Your computer can be a huge help in tracking your tax information each year. Many software packages exist — each with its own merits. Speak with a knowledgeable software salesperson before purchasing to make sure you get only what you need. Don't buy an expensive accounting package if you're going to use only one or two components.

We recommend the software packages Quicken and Microsoft Money for tracking personal and small business expenses, and QuickBooks for tracking the expenses of larger businesses. These packages will help you do everything from tracking your investment portfolio to balancing your chequebook to monitoring payroll.

Using a software package to enter your data means more of a time commitment up front, but when you need the records for tax time your figures will be added up and ready to go.

If you do use a computer for all your recordkeeping, or if you have other valuable documents, store a recent backup of your computer files and those valuable documents, or copies of them, off-site. That way, if you suffer a fire or other disaster, all will not be lost.

(For more about tax software, check out Tip #6.)

Watching out for recordkeeping time bombs

Look out for these special situations:

- **Automobile expenses:** If you're claiming automobile expenses for a vehicle used for both business and personal purposes, you must keep a logbook for a sample period of time to support the vehicle's business use. Include details on dates, number of kilometres driven, and destinations. Because you're allowed to claim only the business portion of your automobile expenses, it stands to reason that you need some sort of proof to show what percentage of your auto expenses

are in fact business related. The logbook is the perfect solution. (See Tip #17 for more about automobile expenses.)

- **Charitable receipts:** An official receipt from a registered charity is the only document accepted by the CRA for a charitable donation. Many charities now send these electronically. Cancelled cheques and ticket stubs will not be accepted. And if you want to claim a tax credit, ensure you're donating to a registered charity — ask to see a registration number if you're not sure. The registration number must appear on the receipt.

(For more about charities and taxes, see Tips #9 to 11.)

Knowing How Long to Keep Your Tax Records

One of the questions clients most frequently ask us is, "How long do I have to keep my records and receipts?" The answer, according to the CRA, is six years. The books and records must be kept in Canada at your residence or place of business. These books and records must be made available to the CRA should it ask to see them.

Even though the CRA can't go back and audit your tax return after six years — unless it suspects fraud, in which case all tax years are fair game — you need to keep purchase receipts and investment statements for assets you still own. You may need those records as proof of ownership if you ever have to make an insurance claim or if you sell the asset. And you may need proof of an asset's cost in the future if the gain or loss must be reported on your tax return.

If a particular tax year is under objection or appeal, keep your books and records on hand until the objection or appeal has been resolved and the time for filing a further appeal has expired. It would be a shame to throw out your books and records only to have legitimate tax deductions denied down the road.

Dealing with Missing Information Slips and Receipts

For many types of income you earn, you will be sent information slips, commonly called T-slips, that document the income received and that must be reported on your income tax return. This includes slips such as T4s (reporting employment income), T5s (reporting investment income), and slips from the government (Old Age

Security, Canada Pension Plan, and Employment Insurance). You should receive these slips by the end of February in the year following the year in which you received the payment. However, T3 slips (reporting trust income, such as from mutual funds) are often not available until after March 31. For other types of income such as business income, or capital gains from the sale of investments or other assets, no slips will be sent to you; it's up to you to calculate your income and report it on your tax return.

Just because you don't have a slip doesn't mean you're absolved from reporting that income. If you know you earned income in the year you are required by law to report it on your tax return. If you are missing any slips, call the issuer for a new one. In the case of government-issued slips, you can request many of them online.

Giving the CRA your best estimate

If you've made a reasonable attempt to obtain your slip but you are still "slipless," you need to estimate your income and related tax credits and deductions.

If it's your T4 that's missing, use your pay stubs to assist you in reporting your employment income and any tax credits or deductions for your CPP contributions, EI premiums, and union dues. Finally, don't forget to report the income taxes withheld by your employer! Attach a note to your return stating you were unable to obtain your slip and have summarized the estimated amounts. Give the name and address of the person or organization that should have issued the slip.

You must still file your tax return by the April 30 filing deadline (or June 15, if you or your spouse are self-employed) even if you know information is missing. Attach a note to your return explaining what is missing, detail any estimated amounts, and get it in on time! This is especially important if you owe money, because you will be charged a late filing penalty if the return is late — and interest, if your balance owing is not paid by April 30.

Coping with missing receipts

Receipts for some deductions, such as RRSP contributions, charitable donations, and medical expenses, must be attached to your tax return when it is filed (assuming you're paper filing your return). If these receipts are not included with your return, processing will be delayed and your deductions may be disallowed. Remember, the onus is on you to support all the income, deductions, and credits reported on your tax return.

If a receipt is missing, call the person or organization responsible for issuing it to obtain another copy. Even if you cannot get another copy before the April 30 tax return filing deadline, file your return on time. You can forward the receipt to the CRA when it does finally arrive. Alternatively, you can simply leave the deduction off your tax return and file an adjustment when you receive the receipt. (See Tip #75 for details.)

You don't have to attach some types of receipts to your tax return. For example, if you have claims for union dues, tuition fees, or childcare expenses, you don't need to attach the receipts to your return when you file it. However, be aware that the CRA does regular "reviews" of these types of credits and deductions, so ensure you have the proper documentation on hand should the CRA ask to see it in the future.

Don't think you can get away from keeping receipts and other supporting documentation because you are EFILING, NETFILING, or TELEFILING your return. The CRA can and often does ask to see the documentation! (See Tip #7 for more about alternate modes of filing your return.)

Knowing what to do when the dog really did eat your tax records

Your worst nightmare has come to life — you're being audited! And to top it off, Sparky has eaten some of your tax receipts. Does this mean you'll lose out on all your legitimate tax deductions? Not necessarily. The CRA does understand that these situations can occur, and will give you the benefit of the doubt (sometimes) when you can show reasonable support for the income, deductions, and credits reported on your return.

If the CRA does come calling and you simply don't have the records you need to support your tax deductions, you can still prove your claims were legitimate. It may take you some time to reconstruct records, but when you consider the alternatives (additional tax, interest, and penalties on disallowed deductions from an audit), the time you spend will be well worth it.

The simplest way to reconstruct missing tax records is to ask for new ones. For example, if you know you bought a number of prescriptions this year but can't find your receipts, go back to your local pharmacy and ask for a printout of your expenditures for the year. You will be surprised at how many deductions you will be able to reconstruct simply by asking for duplicate receipts.

If you sold or gave away an asset but you do not have a record of its original cost, either because you lost the relevant documents or because it was a gift, you can establish a cost in one of several ways:

- Look in newspapers from the year you purchased or were given an asset to determine what similar assets were selling for.
- If you're trying to find information on a property, consult with the local real estate board. They usually keep historical data on property in the area. You could also go to the property tax collector's office in your municipality. Their assessed values for the property might be of use.
- If you inherited an asset, the easiest way to establish its tax cost to you is to check the deceased's final tax return to see at what price they were deemed to have disposed of the property to you. This disposal price is the same as your tax cost.
- Call your investment advisor for help. Your advisor should have historical records of your financial affairs and may be able to help you calculate the cost of your shares, mutual funds, or other assets he or she manages.

Why is the cost value important? You need to know the original cost of the asset to properly calculate the capital gain or loss when the asset is eventually sold or otherwise disposed of — see Tips #38 and #39 for more details.

If it's your business records that have been lost or destroyed, you can re-create many of your expenses using the following tactics:

- Get copies of your phone, utility, credit card, rent, and other bills from the companies that issued the bills. Getting an annual statement from a major vendor shouldn't be too difficult.
- Ask for duplicate bank statements and credit card statements that will help you to establish income and some of your expenses for the year.
- Keep separate personal and business bank accounts and credit cards so you can easily verify what is what.
- Reconstruct automobile expenses based on a reasonable estimation of what it costs to run your type of vehicle. The dealer from whom you bought your car might be helpful in estimating these costs.
- Look at your previous years' tax returns to establish your expenses in prior years and also your profit margins. If you have lost those, too, you can obtain copies of previous years' returns from the CRA on request.

#5

Know When Your Tax Return Is Due

Filing your tax return on time is critical. If you don't, and you owe money, you'll be charged a late filing penalty in addition to interest on the taxes outstanding. And even if you don't owe money, it's still a good idea to file on time so that you don't needlessly hold up your refund and benefit payments!

If your due date falls on a Saturday, Sunday, or public holiday, you have until the next business day to file and you will not be considered late.

Due Date for Regular Folk

Personal income tax returns for the previous calendar year are due by midnight, April 30. If you're electronically filing your return, ensure you get confirmation that your return went through before this time. And if you're mailing in your return, ensure it's postmarked as being mailed on or before April 30. If you just put your return in a regular mailbox and it's not picked up until the next day, it will be considered late-filed.

If you have a balance owing on your taxes and don't file on time, you will be charged an automatic 5 percent late filing penalty based on the amount owing. A further penalty of 1 percent of the unpaid tax will also be added for each full month the return is late, up to a maximum of 12 months (so, there's an additional 12 percent maximum penalty). If you're late a second time within three years of the first late filing, the penalty is bumped up to a maximum of 40 percent! And that's not all: you'll have to pay interest, too. Ouch! Even if you cannot pay your tax, make sure you file your return on time to avoid these penalties!

Due Date When You're Self-Employed

If you or your spouse carried on an unincorporated business and have self-employment income to claim, your return is not due until June 15. However, if you owe taxes, you must estimate your tax bill and pay it by April 30 to avoid interest charges.

Special Due Dates in the Year of Death

The due date for the return of a person who died in the year depends upon the date of death. If the death occurred between January 1 and October 31, the return is due on April 30 of the next year. However, in recognition that pulling together tax documents for an individual who has passed away can be challenging, when an individual has died between November 1 and December 31 the due date is extended to six months after the date of death, which will be some time after the normal April 30 deadline.

The tax return of the surviving spouse is due the same day as the deceased's return. However, if there will be a balance owing on the survivor's return, it's due on April 30 following the year of death.

If the deceased or the deceased's spouse had been self-employed, different due dates apply. In that case, if death occurred between January 1 and December 15, the due date for the return is June 15 of the following year. For deaths between December 16 and the end of the year, the return is due six months after the date of death.

If death occurs in January to April, it may be difficult to file the tax return for the immediately preceding tax year. In that case, the prior year's tax return and any taxes owing are due six months following death. For example, if John died on February 1 of this year, his last year's tax return is not due until August of this year (it normally would have been due April 30). Any tax liability from the final tax year (which will include only the month of January) is payable by April 30 of next year.

Although you're given the option to file the final tax return on these alternate dates, it can be filed at any time after the date of death and will generally be processed right away as a service to the estate, using legislation applicable to the most recent tax year. You can request a reassessment of the return later if the tax laws change.

#6

Choose the Preparation Option That's Best for You

So many choices, so little time. You know you have to file a tax return, but do you prepare your return yourself the old fashioned way, or using your computer, or do you throw in the towel and hire someone to do it for you?

Using Your Computer vs a Pencil to Tally Your Taxes

Ever thought of preparing your tax return using your computer instead of the old pencil and calculator method? Think about it. No more adding machines or the dreaded smell of correction fluid. No more tearing through the paper when you've erased the amount on line 150 one too many times. Tax preparation software makes sense when you've already dived into the world of preparing your own return. And even for those of you still sitting on the fence, tax preparation software may provide the nudge you need. When choosing between preparing a return on paper or on the computer, we'd choose the computer every time.

We're not the only ones who would choose the computer. According to the government, more than half the tax returns filed in 2008 were filed electronically. That adds up to a whopping 13.1 million returns prepared and delivered via computer. This number has been growing, and is expected to continue.

Looking at the perks and perils of going the techno route

Using software to prepare your tax return has a number of advantages over paper-filing. The favourite, of course, is automatic recalculation: When one number on your return changes, the program updates all relevant forms and recalculates your final tax bill.

Another advantage is that most software packages are dummy-proof, set up so all you need to do is find the window that corresponds to the particular slip you have — be it a T4, T3, T5, or so on — and fill it in based on what appears in your boxes. This can save you a lot of time and frustration!

Most tax software programs allow you to NETFILE your tax return, which is fast, efficient, and ecologically friendly. NETFILING means you send your return using the Internet, instead of printing it and mailing it in. If you're anticipating a refund, you can expect to get it faster when you NETFILE, which is an added bonus!

Computers aren't people. They can't look at numbers to determine whether they're reasonable, or whether they're correct. No computer will tell you to think again before deducting your all-inclusive trip for two to Jamaica as a business expense.

Shopping for tax software

It's surprising to see how many software programs are available to prepare Canadian tax returns. If your return is simple and you don't print off a copy to mail in to the CRA, pretty much any program will do the trick. That being said, some programs don't prepare Quebec returns, so watch out for that. If your return is complicated and you're looking for guidance, it's worth it to pay a few extra bucks for the more sophisticated programs. Assuming you want to NETFILE your return, here are some CRA-certified options:

- **GenuTax:** Downloadable multiyear software — you don't pay for annual updates! The software is Windows-only and doesn't support Quebec returns. Visit `www.genutax.ca`.
- **H&R Block:** You can have H&R Block complete your return for you, or use their Windows or Online Tax Programs to do your own taxes. Go to `www.hrblock.ca` for more information.
- **myTaxExpress:** For Windows users only, this program boasts a free trial before purchase and can handle Quebec returns. See `www.mytaxexpress.com` for details.
- **QuickTax** (Windows; download or CD-ROM, or online via **Quick TaxWeb** from Intuit Canada): QuickTax is Canada's best-selling tax software. Gather your receipts and answer the simple questions posed by EasyStep Interview in English or French. The program takes your information and puts it where it

belongs on the federal and Quebec forms. QuickTax reviews your return when you're finished, and even alerts you to any missed deductions or credits. You can NETFILE your return with both the desktop and online versions. Check out www.quicktax.intuit.ca.

- **Tax Chopper (formerly CuteTax):** Online software; no Quebec returns. Get more info at www.cutetax.ca.
- **TaxTron:** The software is available in Windows and Macintosh versions, comes in English and French and can handle Quebec returns. Support is available online or by phone in English, French, Chinese, Hindi, and Punjabi. For more details, visit www.taxtron.ca.
- **UFile:** UFile is another program with Quebec capabilities. You can either use the UFile.ca online version or buy UFile for Windows to install on your PC. Check it out at www.ufile.ca.

Getting the Most from Tax Pros

When your plumbing is broken, do you immediately call the plumber, or do you try to fix it yourself? For some, calling for help is the last resort — and preparing their own tax return is no exception. Sometimes, however, admitting defeat and hiring someone before you get into trouble is a good idea.

Dealing with a tax professional

Be sure you have accumulated all the information necessary before sending it to your preparer. When you have a business, your best bet is to summarize all your revenue and expenses ahead of time. You'll cut down on your fee, and ensure no relevant information is omitted.

Hiring someone may be a good idea if you need some tax-planning advice. Sometimes the additional fees you pay may actually be recovered in saved taxes! However, be careful whom you hire for tax planning, because some individuals are more competent than others. We tell you how to find that "special" person next.

Asking the right questions

The Yellow Pages has dozens of pages of accounting firms and businesses that specialize in tax. Finding a reputable tax professional is kind of like finding a mechanic — you've got to be careful. In your initial meeting, the tax professional should ask a lot of questions about your situation. Ask her some questions, too, to make sure you've found the right person.

Here's a list of questions to ask your tax professional to ensure he or she can handle your situation:

- **What services do you offer?** Some tax professionals only prepare tax returns; others will help you with other matters such as retirement planning or estate planning.
- **Have you worked in this area before?** When you have your own business, or are an avid investor, make sure your professional has worked with similar situations before. Many firms have specialists in particular areas, but some may be used to working with employees whose tax documentation consists of a T4 and RRSP slips.
- **Who will prepare my return?** Unless you're dealing with a sole practitioner, the person you're speaking to will not necessarily prepare your return. Don't be alarmed if a junior staff member prepares your return — this is common practice and can actually save you preparation fees. However, ensure that a senior tax professional reviews it for errors.
- **What is your fee structure?** Most tax professionals charge by the hour, so make sure you ask upfront for the hourly fee, as well as for an estimate of the time your project will take to complete.
- **What qualifications do you have?** Many tax professionals are chartered accountants, and many are also certified financial planners. Those who specialize in tax should also have completed a two-year, in-depth tax course offered by the Canadian Institute of Chartered Accountants.

#7 Figure Out How to File Your Return

After you prepare your tax return (refer to Tip #6 for a look at your preparation options), you have some choices for filing your return with the CRA. What's the best choice for you? Read on. . . .

Turn It In Online: Electronically File Your Return

Electronically filing your return is a great choice because it's relatively easy, you can get your refund faster, and you can save a tree and the cost of a stamp!

Electronic filing is just that; you use a computer to send your tax information to the CRA's computer. It's kind of like e-mailing versus sending a letter.

Understanding the difference between EFILING and NETFILING

There are two methods of electronically filing your return:

- EFILING is used only when you've hired someone to prepare your return for you. The government must approve tax preparers to EFILE, so if you hire someone to do your taxes you'll want to ask them whether they are EFILE-approved.

You can't EFILE your tax return yourself. You must first have your return prepared by an approved electronic filer. Most businesses that offer tax preparation services are registered to EFILE returns.

- If you've prepared yourself using approved software (see Tip #6), you have the option of NETFILING your return. At the end of the day, EFILE and NETFILE are essentially accomplishing the same thing.

> To be able to NETFILE your return to the CRA, you must prepare it using certified tax preparation software. Basically, the software saves your return in a format the CRA can read. A list of approved software is available on the CRA's Web site at `www.netfile.gc.ca/software-e.html`. You can also take a look at Tip #6, where we discuss tax software and the programs that are NETFILE-compatible.
>
> If you're able to NETFILE, the CRA will send you a four-digit access code in your tax return information package. If you lose the number, go to the NETFILE Web site and apply for your code online, get it via MyAccount (see Tip #8), or call for help.

The CRA doesn't want professional tax preparers to use NETFILE; to prevent this, they've place a limit of 20 returns per computer per year that can be prepared with certified tax software. Keep that in mind if you love taxes and agree to do returns for more than 20 family members and friends each year (sigh).

Considering the benefits of filing online

Most people like EFILING their return because they get their assessments and refunds faster. In fact, the wait is cut to two weeks from the usual four to six if you're a procrastinator and file toward the end of April. If you're one of those who file in the middle of March, you may actually see your refund in just over a week!

Some other benefits of EFILE are that it

- Saves the CRA from having to manually input your data, reducing the likelihood of data entry errors
- Is secure
- Is fast
- Is environmentally friendly
- Provides confirmation right away that your return has been received — handy when you're filing at the last minute and are worried about potential late filing penalties
- Saves you money on stationery, printing, and mailing

Assessing your chances of an audit when you file online

The first thing to keep in mind is that there is a difference between having your tax return *audited* and having some of your deductions or credits *reviewed*. EFILED and NETFILED returns are selected for audit using the same criteria as paper-filed returns. So if you're worried about an audit, you're neither increasing nor decreasing your odds by filing online. On the other hand, because you're not sending supporting documentation such as donation or RRSP receipts to the CRA when you file online, the CRA will do regular reviews of these types of deductions to ensure you have support for your claims. Such reviews keep the integrity of the tax system in check.

If you don't like having any contact with the CRA after you file your return other than the report card called the Notice of Assessment, then we don't suggest you file online. You see, because no supporting documentation is sent to the CRA when you file online, a CRA representative may contact you asking for backup information for some of your claims. The most common requests are for childcare, medical, and donation receipts. The CRA tries to select only returns for which they anticipate a higher probability of non-compliance, but this is not always the case. Don't panic, however, if you receive a request to send more information. It doesn't mean you're being audited. Simply send in the information requested — assuming you've kept your documentation (see Tip #4), you have nothing to worry about.

Figuring out who can file online

The majority of Canadian taxpayers can have their return electronically filed. Individuals who can't EFILE or NETFILE include non-residents, taxpayers whose social insurance number begins with "0," individuals who came to or left Canada during the tax year, individuals who have declared bankruptcy, and people who have to pay income tax to more than one province or territory. Tax returns of deceased individuals cannot be filed online either. You can file electronically only for the current tax year. Past year's returns must be paper-filed.

Paper Filing: The Old-Fashioned Way

Although we're living in the techno age, we realize that not everyone embraces the computer. If you want to paper file your return you have two preparation options:

- You can go totally old school and fill out your tax forms by hand — you can ask the CRA to send you the forms, print them from the CRA Web site, or pick up a copy at your local post office or CRA office.
- You can go for a hybrid approach, preparing the return using your computer but then printing off a copy to mail.

After you've prepared the return, the paper-filing is easy. Just attach necessary information slips and receipts (T-slips, RRSP slips, and donation and medical receipts, among others), sign your return, and place it in the mail. Make sure you postmark it no later than midnight on April 30 to avoid late filing penalties. And don't forget a cheque, if you have a balance owing.

TELEFILE: By Invitation Only

With TELEFILE, you don't need to have someone else prepare and file your return. You can electronically file your own return. All you need is a touch-tone phone, your social insurance number, an invitation from the CRA to TELEFILE if you wish, and a personal access code. The system accepts income tax information such as employment income, pension income, interest income, RRSP contributions, and charitable donations. The more complex returns would take more telephone time, and often the CRA needs to see supporting documentation in order to process them.

Only those individuals who would ordinarily file the T1 Special return instead of the longer T1 "general" return are eligible for TELEFILE. The T1 Special, or T1S, is sent to individuals who are wage and salary earners only, students, seniors, and filers who file only to obtain tax credits. When individuals eligible to use TELEFILE receive their tax package from the CRA, they will also receive the TELEFILE invitation along with an access code and instructions on how to use the system.

Money in the Bank: Direct Deposit of Your Tax Refund

When you set up direct deposit with the CRA you get your tax refund a few days earlier than if it were mailed to you. You don't need to worry about your mail being lost or making a trip to your bank.

Complete form T1DD, "Direct Deposit Request," with your banking details. This form can be sent in to the CRA at any time. If you haven't sent it in before your tax return is completed, you can send it in with your return.

In addition to having your tax refund automatically deposited to your bank account, you can have your entitlement to other payments such as the GST/HST credit, working income tax benefit, Canada Child Tax Benefit, and Universal Child Care Benefit deposited to your bank account.

Form T1DD can also be used to change information you've previously sent to the CRA. You do not need to redo the form each year, however: After it is set up, the CRA will continue to deposit funds to the account. They will never forget!

Don't forget to tell the CRA when you close a bank account. Refunds sent to a closed bank account will eventually be returned to the CRA, which will then send a cheque to the taxpayer. However, there are delays (weeks or months) in making all this happen. Avoid the hassle and advise the CRA of new banking information immediately.

Know Where to Turn for Help

Navigating the tax rules is not always an easy task. Even tax experts like us have to research the rules from time to time! You've taken the first step by buying this book — and when you need a little more help, we're here with some suggestions.

Surfing Your Way to Tax Help

So it's 11 p.m. on April 30, and you need help. What do you do? Well, you may find the answers to some of your questions via the Internet. Several Web sites provide handy, up-to-the-minute tax tips. Here are our top picks:

- **BDO Dunwoody:** www.bdo.ca. This site is chock-full of tax information ranging from tax facts and figures for each province to weekly tax tips.
- **Deloitte:** www.deloitte.ca. The weekly tax highlights on this site will ensure you don't miss any tax changes. Keep your eye open for "TaxBreaks" and guides on a variety of tax topics. You'll also find a handy automobile logbook to help you keep track of business kilometres for auto expense claims.
- **Ernst & Young:** www.ey.com/global/content.nsf/Canada/Home. This Web site provides the latest tax changes, as well as tax calculators. Watch for E&Y tax publications "TaxMatters@EY" and "Tax Alert." You can download the booklet "Managing Your Personal Taxes."
- **KPMG:** www.kpmg.ca. Find out all the latest tax changes by visiting this site and reading "TaxNewsFlash Canada" and the "Canadian Tax Adviser."
- **PricewaterhouseCoopers:** www.pwc.com/ca. Visit the publications area of the site for PWC's tax newsletter "Tax Memo" and tax guides on specific subjects.

When and How to Get Help from the CRA Itself

Believe it or not, the CRA Web site (`www.cra-arc.gc.ca`) is an excellent source for information. Here, you can download a copy of the income tax package and request additional forms. The site also contains detailed information on the most frequently requested topics.

TIPS

If your question relates to your tax situation or you need general help, try the CRA's automated TIPS line (Tax Information Phone Service). Call 1-800-267-6999.

Personal info

To obtain specific information on your tax account, you need to provide your social insurance number, your month and year of birth, and the total income reported on line 150 of your last assessed return.

Here's a rundown of what TIPS can tell you:

- **Tax refund:** Find out the status of your refund.
- **Goods and Services Tax/Harmonized Sales Tax (GST/HST) credit:** See whether you're eligible to receive the credit and when you can expect to receive a payment.
- **Child Tax Benefit:** Find out whether you're eligible to receive the benefit and when you can expect to receive a payment.
- **Universal Child Care Benefit:** Find out when your next payment is coming. (Or, if you have a child under 6 and you're not already receiving the UCCB, find out how to apply.)
- **RRSP deduction limit:** Want to know your RRSP deduction contribution limit for the year? TIPS has your answer.

General info

TIPS also provides general recorded information:

- **Info-Tax:** General tax information on a number of tax topics.
- **Bulletin Board:** Recent tax and benefit information.

- **Business Information:** Tax and GST information for those who operate a business or are thinking of starting one up (for example, how to handle payroll tax, CPP, and EI deductions).

My Account

The CRA offers a service through its Web site called My Account, where you can access information about your personal tax and benefits 7 days a week, 21 hours a day.

My Account is quite an innovative service for the CRA. (We're impressed, at least!) It give you access to information about your:

- Tax refund or balance owing
- Tax instalment payments made or owing
- Direct deposit or preauthorized payment plan information
- RRSP, Home Buyers' Plan, and Lifelong Learning Plan eligibility and outstanding balances
- Child Tax Benefit entitlements
- Universal Child Care Benefit entitlements
- GST/HST Credit eligibility
- Disability Tax Credit eligibility

Sure beats trying to phone in the middle of tax season, when all you get is a busy signal! You can also use My Account to change your filed return, to change your address and/or phone number, and to dispute your Notice of Assessment.

To access My Account, you need to register for a Government of Canada epass. You can do this by going into My Account on the CRA Web site. After you've completed the registration process and chosen your password, CRA mails an activation code to you. Just key in the CRA activation code and your password to get full access to My Account for the first time. After that, you'll just need to enter your password.

When you don't have an epass but need immediate access to some of your tax information, you can go into the Quick Access section of My Account. Quick Access will tell you the status of your tax return and benefit payments and your RRSP deduction limit. To identify yourself, have your social insurance number, date of birth, and total income from line 150 of your last processed tax return handy.

Enquiring by phone

Agents are also available to answer your questions by phone, Monday to Friday (except holidays), 8:15 a.m. to 5:00 p.m. To accommodate the flood of calls during tax season, these hours are extended until 10:00 p.m. weekdays, and include weekends from 9:00 a.m. to 1:00 p.m. from mid-February to April 30 (excluding Easter). Contact the CRA by phone at 1-800-959-8281.

If your query is in regard to electronic services (NETFILE, TELEFILE, or My Account), call the e-service Helpdesk at 1-800-714-7257.

If you would like someone else to call the CRA on your behalf, be sure you've completed and mailed consent form T1013, "Authorizing or Cancelling a Representative." This form gives the CRA permission to discuss your tax affairs with someone other than you.

Visiting your local Tax Services Office

If you can't find the information you need on the Web site, through TIPS, or through My Account, try contacting your local Tax Services Office (TSO). (Note, though, that they really prefer you to call the toll-free number — we just want to give you some options!) The TSOs are open Monday to Friday (except holidays, of course), 8:15 a.m. to 4:30 p.m. (sometimes 5:00 p.m.). To find the location of your nearest TSO, visit the CRA's Web site and click "Contact us" from the main menu. Service is by appointment only.

Where to Get Forms and Other Information

The package that's sent by the CRA in mid-February contains only the most commonly used forms. If you didn't receive a package, or need an additional one, you have many options:

- Download forms from the CRA Web site
- Use the online order form on the CRA Web site to order forms and have them mailed to you
- Call **1-800-959-2221** and ask for forms to be mailed to you
- Pick up the T1 General Guide and Forms package from any postal outlet or Service Canada office

Reduce Your Tax by Giving to Registered Charities

Two advantages arise from giving to registered charities. (Well, more than two likely apply, but we deal with two in this tip.) One, you're assisting those in need of your help — and two; this assistance can result in some tax savings. This tax savings can then be donated to charity, which results in additional tax savings, which . . . you get the picture. Charitable donations to registered charities (and other qualified donees such as charitable foundations) result in federal income tax savings as well as provincial or territorial income tax savings.

Make Donations That Qualify for Tax Savings

You're able to claim charitable donations made by either you or your spouse/common-law partner. (We talk about charitable donations made by your spouse/common-law partner a little more at the end of this tip.) Add up all the donations made during the year, and don't forget any donations you made through payroll deductions — these donations will be shown on your respective T4 slips.

Charitable donations don't need to be made in cash. In Tip #10 we discuss giving away assets and highlight the special tax treatment (read "tax savings") available when you make a donation of a publicly listed security.

To claim a tax credit for making a charitable donation you must receive an official receipt from the registered charity acknowledging your donation. (We comment on the information to be noted on the receipt in Tip #11.) An exception to the need for an official receipt occurs where donations have been made through the payroll at your work and the amount is noted on your T4.

Know the Tax Savings from Making Charitable Donations

The tax savings in claiming charitable donations is two-tiered:

- On the first $200 of donations the federal income tax credit is 15 percent
- On the remainder, the federal income tax credit is increased to 29 percent

If you claim $200 in donations you'll save $30 in federal income tax. If you contribute an extra $100, for a total of $300, you'll save an additional $29 in federal income tax. There is an obvious incentive to donate more than $200 in a year. The provinces/territories also offer two-tier tax credit amounts.

Review the Amount of Charitable Donations You Should Claim

The total of the donations being claimed in a year is reported on schedule 9 of your tax return and the federal tax savings is calculated on schedule 1 of your return. The provincial/territorial credit is calculated on the respective provincial/territorial forms.

Limit of donations you can claim

Generally, you can claim charitable donations up to the limit of 75 percent of your net income reported on line 236. (In Tip #10 we comment on a special rule dealing with donations made in the year of death.)

To the extent your charitable donations are restricted in a year to the 75 percent of net income limit, the excess amount can be carried forward for potential claim in the subsequent five years — again, subject to the 75 percent of net income limit test. If the charitable donations cannot be claimed by the end of the fifth carryforward year, then no claim for those charitable donations can be made.

Defer claiming charitable donations

You don't have to claim the donations you made in 2009 on your 2009 return. Claiming charitable donations in the year they're

made is optional. It may be more beneficial not to claim them for 2009 but rather to carry forward the donation amount to claim on your return for one or the next five carryforward years. This would be to your benefit if

- You already have sufficient tax credits to eliminate your tax liability, or
- Your donations were less than $200 in 2009. By deferring claiming these you can combine them with your 2010 donations and claim them on your 2010 return. If the combined total was in excess of $200 then the increased 29% tax credit, not the 15% tax credit, would apply to the excess. If the total still did not exceed $200, you could combine your 2009, 2010, and 2011 donations and . . . well, you get the idea.

Bump Up Donations at the End of the Year

Okay, say it's nearing the end of December and you wish to make charitable donations. You want to receive an official receipt from a registered charity that notes your donation was made in the current year so you can have the tax savings for the year.

You can make your charitable donations using your credit card. As long as your donation transaction is processed by the end of the year, the receipt will be dated with the current year.

Combine Your Donations with Your Spouse/Common-Law Partner's Donations

As we note earlier in this tip, you're permitted to claim charitable donations made by you and your spouse/common-law partner. It's generally beneficial to claim charitable donations made by both you and your spouse/common-law partner on one tax return. With the two-tiered level of tax savings noted above you and your spouse/common-law partner are subject to the 15 percent limit on the first $200 only once — not twice — so you can maximize the amount of donations subject to the 29 percent federal tax credit.

#10 Take Advantage of Special Rules for Charitable Donations

In Tip #9 we discuss the nuts and bolts (okay, mainly the dollars and percentages) of the tax savings available by making donations to registered charities. It turns out we have a lot more to say on how making charitable donations can reduce your tax bite.

Donate Assets Rather Than Cash

Rather than donating cash to a charity, you can choose to give other types of assets. When you "gift" an asset, in most cases you're considered to have sold the asset for a price equal to the market value at the time. This is what tax geeks refer to as a deemed disposition and it can trigger a capital gain on the asset, which in turn triggers a tax liability despite the fact that you did not receive any cash to fund the tax. However, there likely will not be any tax to pay, because you'll receive an official receipt to claim a charitable donation equal to the market value of the property.

Only 50 percent of a capital gain is subject to tax (see Tip #38), and the value of the gift noted on the official receipt from the registered charity will be 100 percent of the market value.

Publicly listed securities

Special tax treatment is provided when publicly listed securities, such as shares of public companies or mutual funds, are directly donated to a registered charity (or charitable foundation). The taxable capital gain is reduced to zero, while at the same time you're able to claim a charitable donation tax credit for the full market value of the securities donated.

Rather than selling securities and donating the cash, donate the securities. The charity is free to sell the securities, and charities do not pay tax! This way, you'll pay no tax and still get the same donation credit.

Cultural and ecological gifts

Unlike other donations, the donation claim for cultural and ecological gifts is not limited to a percentage of net income. (In Tip #9 we discuss how the amount you can claim in a year is generally restricted to 75 percent of your net income as reported on line 236 of your tax return.) If you don't want to claim the full amount — or don't need to because your tax liability is already nil — you can choose to claim a portion in the current year and carry forward the unused portion for up to five years.

Donations of cultural property and ecologically sensitive land also enjoy an exemption from capital gains tax. That's an added tax advantage!

Donate in the United States

You may want to donate some to our big neighbour to the south, but are hesitant because you're not sure if there are any tax benefits. Good news — donating to charities and universities in the land of the brave and the home of the free does yield some tax breaks. Here's how:

- **Donate to U.S. charities:** Generally, donations to foreign charities are not eligible for a credit on your Canadian tax return. However, you can claim donations to U.S. charities, subject to a limitation of 75 percent of your U.S. source income, as long as the charitable organization is recognized as such by U.S. law and would have qualified in Canada had it been a Canadian organization.
- **Donate to U.S. universities:** If you make a donation to a qualifying foreign university, the donation can be treated as though it were a Canadian donation; that is, you don't have to have U.S. source income to benefit from the donation. A qualified university is one where the student body normally includes students from Canada. A listing of these universities can be found in Schedule VIII of the Income Tax Regulations; most large U.S. universities are included.

#11 Be Wary of Charity Fraud and Charity Tax Shelters

In making charitable donations you want to be sure your money is going to a good cause and that the tax savings you're expecting will in fact occur.

Sometimes things can look too good to be true. Each year, a number of charity tax shelters are "sold." (We comment on tax shelters later in this tip.) Many will provide an official charitable receipt for more than you actually donate. As you may expect, the CRA frowns on these structures and has overturned a number of them. The result? Taxpayers are out their money, and, in some cases, are provided with no tax relief at all. Many charities that have participated in these structures have lost their registered charity status.

Check the Charity's Registration

You can claim only amounts you gave to registered Canadian charities and qualified donees (such as a charitable foundation).

To see whether an organization is a legitimate charity, check its registration status on the CRA Web site (`www.cra-arc.gc.ca/charities`). If the name doesn't come up it's not registered and not authorized to give out official receipts.

Look at Your Official Receipt

A number of organizations give out receipts for your donation that are not "official" receipts. The amounts you give to these organizations cannot be claimed as a charitable donation. The question to ask is not whether you'll receive a receipt, but whether you'll receive an *official* receipt, with the charity's registration number noted on it.

The CRA requires the following to be noted on an official receipt:

- **Your name and address.**
- The charity's business number (BN), which is also known as its charitable registration number. This is a 9-digit number followed by "RR."
- The amount of the cash donated or the market value of a non-cash donation.
- The date of the donation. If the donation was in cash, then simply the year needs to be noted.
- The statement "official receipt for income tax purposes."
- A notation of the CRA's name and Web site (`www.cra.gc.ca/charities`).
- A unique serial number.

Take Care in Investing in Charity Tax Shelters

Generally, a tax shelter is considered to be an arrangement where a taxpayer can claim tax deductions or tax credits greater than the cost to the taxpayer within a four-year period.

The CRA has cracked down on charity tax shelters that they call "donation schemes." The CRA cautions taxpayers who are considering participating in charity tax shelter arrangements that they need to be apprised of the associated risk of the CRA not accepting it as legitimate.

The CRA notes that charity tax shelters can take the forms of

- Gifting trust arrangements,
- Leveraged cash donations, and
- "Buy low, donate high" arrangements.

Even if the tax shelter has been assigned a CRA tax shelter number, no guarantee exists the taxpayer will receive the proposed tax benefit.

In overturning many of these structures the CRA has reduced the eligible amount for the tax credit available to the taxpayer to no more than the cash donation — or less, or none at all.

#12

Respond Promptly to Requests from the CRA for Information

During the initial tax assessment, or as a result of the re-review of your return, the CRA may have questions. To obtain the information it needs to answer these questions, the CRA will send you a letter called a "Request for Additional Information" as part of a "pre-assessment review." This letter will usually ask for specific information and will include a mailing label where the information is to be sent, a CRA reference number, contact information from the person sending the request, and a date when the information must be received (usually 30 days from the date of the request). Is the letter the beginning of a full audit of your return? Should you seek professional advice? Should you run screaming into the hills? The answer is no.

CRA's Verification Process

A request for information is a normal part of the CRA's verification process. Don't worry! A request for information doesn't automatically mean you owe more tax.

Electronically filed tax returns

Requests for information are becoming increasingly common as more taxpayers choose to electronically file their returns by EFILE, TELEFILE, and NETFILE. Remember that returns filed electronically are sent without any supporting documentation (receipts, etc.). To maintain the integrity of our tax system, the CRA asks for proof that certain items on your tax return are accurate and verifiable.

Paper-filed tax returns

Even if you haven't electronically filed your return, you still may receive a request for information. One of the most common reasons is that a particular receipt or slip of paper was not included with your paper-filed return. Perhaps the information was unclear or incomplete, or the CRA is doing random compliance checks to test the accuracy of returns.

The latter request is usually the result of a "desk audit." Such audits are done at the Tax Services Office and are primarily intended to test a large number of returns and identify potential problems that may be forwarded for a full audit. As long as the information you've reported on your tax return is truthful, supportable, and within the tax laws, you should have nothing to worry about.

Figuring Out What the CRA Is Looking For

The following is our unofficial hit list of items the CRA reviews most often with requests to see supporting documentation:

- **RRSP contributions, including a review of past overcontributions.** Why? The CRA wants to be sure the amount you've deducted is correct. In addition, because RRSP assets can earn tax-sheltered income, the CRA wants to make sure all the money that has found its way into your RRSP is supposed to be there. In the past, this wasn't reviewed often and many Canadians were over their allowable maximum $2,000 RRSP overcontribution. A few years ago the CRA began a big push to get this problem under control.
- **Moving expenses.** Why? Because often they are large, and sometimes employers have reimbursed the employees but the employees still claim a tax deduction. Keep all your receipts when you're claiming moving expenses.
- **Interest expense.** Why? Because if you borrow to invest in a non-registered investment account, or for a business purpose, you can generally deduct the interest cost on your tax return. But the rules can be complex, and some taxpayers comingle personal and investment loans, making this an expense that is often misrepresented.

Keep all supporting documentation — and please, we beg you, keep personal and investment or business loans separate.

- **Childcare expenses.** The CRA usually wants verification that the amount claimed is supported by a receipt or T4 slip (say, when you have a nanny), and that the costs were in fact incurred for childcare (and not sports or other activities).
- **Medical expenses and charitable donations.** These are reviewed particularly when large. If you're reporting significant medical expenses or charitable donations, we recommend you don't EFILE or NETFILE your return so that processing will not be delayed by a request for information.
- **Disability tax credit claims.** This is a standard review item for the CRA each year. Why? Because very specific criteria must be met to claim this credit (see Tip #61). Some individuals may have some incapacity but don't meet the statutory definition of being disabled. If you're claiming the disability tax credit for the first time you need to paper-file your tax return and include form T2201, "Disability Tax Credit Certificate," signed by the appropriate heath care practitioner, attesting to your disability.
- **Tax shelters.** If you've made investments in flow-through shares, limited partnerships, or others that allow special tax deductions it's common to be asked to provide evidence of your investment.

If you can't get the information within the time limit, call the number on the request and ask for an extension. In most cases, a further 30 days will be granted. This extension is usually a one-shot deal, however, and will not be granted a second time.

The Consequences of Not Replying to the CRA

The worst thing to do if you receive a request for additional information is to ignore it. Ignoring the CRA will not make your problem magically disappear. If you don't provide the information in the time allowed, or if you do not make suitable arrangements for an extension, the auditor will simply conclude the information does

not exist and have your tax return assessed without the respective item — no childcare expense deduction or no RRSP deduction, or no deduction for your tax-shelter investment . . . The assessment can result in tax owing, plus interest.

For more serious situations, where a substantial amount of money is involved or potential criminal activities are suspected, the CRA can invoke a requirement or a judicial authorization forcing you to provide information. The *Income Tax Act* gives it the authority to do so.

#13 Avoid Interest and Penalties

You know about the importance of April 30 on the calendar — it's the due date for taxes to be paid. If you're late, interest — and the dreaded interest-on-interest — starts to be added to your tax bill.

The due date for tax to be paid is still April 30 when you or your spouse are self-employed. Even though your return doesn't need to be filed before June 15, the tax is owed on April 30. We discuss due dates for tax returns in this tip under the (ominous-sounding) heading "Late-filing penalty."

The CRA may have requested that you pay your taxes quarterly by instalments. If your final tax bill is greater than the instalments you made, the remaining amount is due April 30. See Tip #14 for more on paying tax by instalments.

Penalties can be assessed in addition to the interest assessed on late or deficient taxes. Interest is also assessed on unpaid penalties. So, you can have interest charged on outstanding taxes, interest charged on outstanding interest, and interest charged on outstanding penalties. Wow! Also, none of this interest is tax deductible.

Interest and penalties are not the cheeriest topics to read about. It's important that you know about them so you don't get caught owing big bucks to the CRA.

Take Steps to Avoid Interest

Pay your tax by April 30 to avoid interest charges. Pay it by that date even if you'll be filing your tax return late — make the best estimate of your tax and send it in. If you don't have the money, it's likely cheaper to borrow from a bank than to pay the high interest rate the CRA will charge.

Tax payment deadlines for the deceased

If you're filing a tax return for an individual who has died during the year, any balance owing on his or her final personal tax return (sometimes referred to as a *terminal* tax return) is payable on April 30 of the year following death, except when the death occurred in November or December. In this case, the final tax liability — and the tax return — are not due until six months after death. If death occurs in January to April, payment for the prior year's return is due six months following death. For example, if George died on February 1, 2010, his 2009 tax bill would not be due until August 1, 2010. Any tax liability for 2010 would be due April 30, 2011.

The CRA assesses interest based on tax owing on April 30. If you don't owe any tax on April 30, whether or not you've filed your return, no interest will be assessed.

As we discuss in Tip #5, your tax bill is considered paid on the day it was mailed to the CRA if it's sent by first-class mail or by courier. If you're filing your tax return at the last minute, don't drop it in just any old mail box. Ensure your return is postmarked on April 30 so it will not be considered late. If the mail doesn't get picked up until the next day, you'll be stuck with a late-filed return! (Yes, penalties exist for filing late. We discuss penalties later in this tip.)

If you have unpaid taxes for the current year, the CRA charges compounded daily interest starting on April 30. This applies to taxes owing per a Notice of Assessment (and Notice(s) of Reassessment), no matter the date of the assessment.

If you're assessed or reassessed for additional 2009 taxes on, say, August 17, 2010, the interest would be calculated from the due date of April 30, 2010.

The CRA calculates interest using its *prescribed* rates of interest. These rates are released quarterly and can be found on CRA's Web site at `www.cra-arc.gc.ca/tx/fq/ntrst_rts/menu-eng.html`. The interest rate CRA charges on taxes owing to it is always two full percentage points above what CRA will pay on refunds it may owe to you.

Interest charged by the CRA on unpaid taxes is never tax deductible.

Don't Be Sent to the Penalty Box

As though paying interest on taxes owing if you're late weren't enough, the CRA has penalties in store for you if you're late in filing your tax return, or if you commit more serious tax offences. This section can scare anyone straight!

Late-filing penalty

If you file your return late — after April 30, or perhaps June 15 if you or your spouse are self-employed — a penalty of 5 percent of the tax owing will be added to your tax assessment. A further penalty of 1 percent of the unpaid tax will also be added for each full month the return is late, up to a maximum of 12 months, so, there can be an additional 12 percent penalty added. In total, a 17 percent penalty is possible!

If you're late a second time within three years of the first late penalty, the penalty is bumped to 10 percent of the unpaid tax plus 2 percent per month, to a maximum of 20 months so, there can be an additional 40 percent penalty. This can bring the total penalty to 50 percent of the unpaid tax! Pretty steep!

Waiving penalties goodbye

Paying tax penalties is not the best use of your hard-earned money. In addition to the comments above on avoiding penalties, you may be able to "get out of" some penalties.

Need to "come clean" with the CRA? If you have unreported income or unfiled tax returns a voluntary disclosure can help you. To avoid penalties and prosecution, you can voluntarily come forward to the CRA and provide *all* the missing information. The CRA will waive penalties if you tell it before it catches you. You remain responsible for the tax and the interest.

Where extenuating circumstances have led to a situation where you were assessed penalties, the CRA has the ability to waive the penalties under the Taxpayer Relief provisions of the *Income Tax Act*. To request a review of your circumstances note the details on form RC4288, "Request for Taxpayer Relief", and send it to the CRA. The form needs to include all the facts and reasons why the taxpayer relief provisions should be applied in your situation. Read Information Circular IC07-1 before making your taxpayer relief request!

Even if you cannot pay your tax on time, make sure you file your return on time to avoid the late-filing penalties. (You'll be assessed interest on the tax owing but no late-filing penalty.)

Repeated failure to report income

If you have failed to report income, and this has been reassessed by the CRA, any subsequent failure to report income within the next three years will earn you a penalty of 10 percent of the unreported income.

If you do have unreported income — and the CRA does not yet know about it — you may wish to make a *voluntary disclosure* to the CRA to avoid penalties being assessed. You're still on the hook for the tax and interest, however. (We talk about voluntary disclosures earlier.)

Failure to provide complete information

If you fail to provide complete information, you'll face a fine of $100 per occurrence. Some examples include not providing a social insurance number on your return or omitting information the CRA requires to correctly assess your return. Complete all the information asked for on your return and avoid the hassle — and the fine — from the CRA.

If the information you need had to be obtained from a third party and this person (or company) would not cooperate, the CRA can waive your penalty. Attach a note to your tax return outlining the steps you took to try to obtain the information.

Tax evasion, gross negligence, and false statements

For serious situations where taxpayers intentionally try to misstate or misrepresent their returns, a penalty of 50 percent of the tax avoided will be added to their tax liability.

Criminal prosecutions

Tax evasion usually involves a criminal prosecution in addition to the above penalties. The courts can impose fines of up to 200 percent of the tax evaded and sentence you to five years in prison.

In one case, an individual was fined $36,000 after pleading guilty to two counts of tax evasion. The fine represented 120 percent of the amount of federal tax the individual was trying to evade! In addition to the fines, the individual was required to pay (obviously) the full amount of taxes owing, plus interest and penalties for a total of $214,000.

#14 Pay Your Tax by Instalments

Most us think of April 30 as the "drop dead" date to pay our taxes, but many individuals have the pleasure of paying their taxes year-round! Taxpayers who earn income that is not subject to a withholding tax, and who earn sufficient amounts of this income to regularly create a tax liability, are asked by the CRA to pay their taxes throughout the year instead of just at April 30. CRA will ask you to pay by instalments in the current year if your tax owing on the previous year's tax return, and in either of the two years prior to that, was greater than $3,000. (If you're a resident of Quebec, the amount is $1,800.)

The instalment due dates are quarterly — March 15, June 15, September 15, and December 15. Any tax still owed is due on April 30 of the following year.

Wait for an Instalment Request from the CRA

If you're to pay your tax by making instalments, the CRA will send you a request. The request will include a remittance form (with the dollar amount of the requested instalment indicated) and an envelope to send the form — and cheque — to the CRA. (The CRA is very efficient in asking for money!)

Don't worry about calculating and sending in tax instalments unless you receive a request from the CRA. If you don't receive an instalment request, your total tax liability is not due until April 30 of the following year.

The CRA calculates the instalment amounts based on a combination of your actual taxes payable in the two previous years. The March 15 and June 15 instalments are calculated as one-quarter of your total tax payable for the year before last. The September 15 and December 15 instalments, when added to the instalments already made, are set to equal your total taxes payable in the prior year. (Yes, it is a little cumbersome.)

You can save yourself some cheque writing time if you allow pre-authorized payment of the requested CRA instalments from your bank account. This can be done through My Account (Tip #8) or by sending the CRA a completed form T1162A, "Pre-Authorized Payment Plan (Personal Quarterly Instalment Payments)."

Usually the first time the CRA sends an instalment request to an individual the request is made in late August for instalments on September 15 and December 15. Note that the instalment amount requested for each date will be one-half (not one-quarter) of the previous year's tax bill.

Paying instalments that differ from amounts requested by the CRA

If you expect your tax liability for the current year to be lower than in the previous year you can calculate and make an instalment amount lower than that requested by the CRA. In fact, if you expect that no need to make tax instalments for the current year exists you can choose to simply ignore the CRA instalment requests.

Beware if any of your instalment estimates are too low, or if you do not make instalments when you should be — the CRA will charge interest on the amount the instalment was deficient calculated from the due date of the instalment to whenever the amount is paid. So, be conservative in making your instalment estimates.

You can estimate your instalment payments in two ways:

- Take the amount you think you will owe for the current year and pay one-quarter of that on each payment date.
- Take the balance of tax owed on the previous year's tax return and pay one-quarter of the amount on each of the quarterly instalment due dates. The CRA will not charge you interest should a tax liability still exist when your return is completed and you make you final payment no later than April 30 of the following year.

As noted above, you can have the CRA withdraw your instalments directly from your bank account. This can be done even if you're paying an amount different from what the CRA is requesting. Simply provide the CRA with the amounts.

Change Your Return After You Have Filed

If you think you've forgotten or omitted information on your filed tax return, or if you discover new information that pertains to a previously assessed tax return, the CRA will allow you to submit this information late.

As you can imagine, this is a common problem. But don't worry — you can change or add information to both soon-to-be-assessed and already-assessed returns.

Changing Your Return Before It Has Been Assessed

We've found it's best to fix or change or correct a tax return after it has been assessed. Actually, if you attempt to change a tax return after it's filed (but not yet assessed), the return is still likely to be assessed first as it was filed without the changes you've requested.

If the change to your tax return will cause an increase to your tax liability, remit the estimated tax resulting from the change immediately to avoid (or at least minimize) any interest charges that may apply as a result of the change.

Changing Your Return After It Has Been Assessed

The process for making a change to a tax return is as follows

- Do not file another return
- Inform the CRA of your changes
    - by mail or
    - via the Internet

Making changes by mail: Using Form T1ADJ "T1 Adjustment Request"

The "T1" reference is to the form number for a personal tax return. Form T1 is an individual's "Income Tax and Benefit Return." We know you wanted to know that.

To tell the CRA of your changes by mail,

- Complete form T1ADJ, "T1 Adjustment Request," available at all the CRA Tax Services Offices (and on the CRA Web site, `www.cra-arc.gc.ca`), or write a letter detailing the changes including the years involved, the specific details, your address and social insurance number, and your home and daytime phone numbers. Sign and date the form or letter.
- Provide all supporting documents for the requested changes.
- Send the adjustment request to the CRA Tax Centre where you filed your return.

Making changes via the Internet

To make a change using the internet, set up My Account on the CRA Web site (see Tip #8), and choose the "Change my return" option. You can make changes online for this year's tax return or for the two previous years' returns. Otherwise, you'll have to follow the mail route.

CRA's response to your change request

After the CRA has reviewed your requested changes it will do one of three things:

- Accept your changes and send you a Notice of Reassessment (or Notice of Assessment if the return had not yet been assessed).
- Deny your request. A letter will explain the reasons.
- Request additional information.