



We take your taxes personally!

# Ten Myths and Facts About the Tax Industry

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# Ten Myths and Facts About the Tax Industry

**D**o you have any idea how the tax industry really works in Canada? Most of us run on automatic pilot during our daily lives and don't have time to keep our ear to the ground on taxes. The average Canadian misses opportunities to save thousands of dollars each year because of misinformation. Many people don't know who to ask or how to get the right kind of help. This handout will assist you, by setting a few facts straight and dispelling some myths while giving you the right perspective about you and your taxes. We trust you will find it as useful as others have!

## 1. About the industry

### Myth

**“I'm not very involved, or I can't do much about it.”**

### Fact

You are more involved than you think, and you have been for many years. Your #1 expense in Canada is not housing, as you may have been led to believe, but taxes (about 50% of what you spend, depending on your province, goes to taxes). Most people start paying taxes when they spend money, not when they earn their first paycheque. When you went to the store as a kid to buy candy, you paid taxes. Congratulations! You'd finally made it! PTC Canada's free tax booklets, handouts, guides, and other resources are designed to help you learn more about taxes and reduce the amount you pay. The fact is, you're in and paying a lot; so what are you doing about it? The difference between the person who earns the same as her neighbour but pays less in taxes is the insight she has gained about how taxes work.



## 2. About the government

### Myth

**“I pay taxes on my paycheque, and GST/PST on purchases and my house. That’s it.”**

### Fact

That’s only the beginning. In fact, you pay many other taxes, including hidden taxes that are not shown directly on invoices, such as duty and excise. See chapter 5 of PTC Canada’s *Canadian Tax Secrets Guide* for a detailed list. There are three levels of government in Canada, to which most Canadians pay taxes: federal, provincial/territorial, and municipal. Each level has its own budgets and tax rates. While money is often transferred between levels and areas to help even things out, each level has unique responsibilities and needs. It is estimated that among all three levels in Canada, a total of over \$1 trillion was collected in taxes in 2003. That’s more than any corporation makes in the world!

## 3. About the government

### Myth

**“My taxes pay for things I don’t want to be involved in, or are spent carelessly.”**

### Fact

Governments approve a budget each year, predict the economy, and set tax rates accordingly. In return, they provide certain services and pay for non-service expenses, such as interest on debt. In recent years, governments have been privatizing some of their traditional functions to reduce the overall cost to the taxpayer. While some privatization, like liquor stores in Alberta, has been successful from the taxpayers’ point of view, other moves to privatize, like power deregulation in Ontario, have been seen as a failure. It’s a tricky balance. Like any business venture, governments have their challenges. It takes time and research to fix or change things.

#### 4. About the government

##### **Myth**

**“I feel I pay too much tax, even considering the services I get” or “I feel the tax laws are unfair, considering my situation.”**

##### **Fact**

A few instances seem to constantly come up. Take child support payments, for example. Payments after May 1997 are generally not taxable for the receiver or deductible for the payer. Further, the receiver is usually entitled to all the tax-free child tax credits and equivalent-to-spouse tax deduction. It would almost seem that the government is biased against the paying parent and is removing the financial incentive for parents to stay together. As a taxpayer, you are entitled to lobby the government, either alone or as part of a coalition. Start by making an appointment with your MP, MLA, or municipal councillor. You may want to consult a tax lawyer, but only after you have tried the free steps first.

#### 5. About the taxpayer (you)

##### **Myth**

**“My income is tax free if I work out of Canada or if I live in Canada and receive money from overseas.”**

##### **Fact**

Income taxes in Canada are currently based on two factors: residency and world income. Each country makes its own rules about filing and paying taxes. For example, citizenship is a factor in the United States but not in Canada. A person working overseas may be entitled to the Overseas Employment Tax Credit, but they are still a resident of Canada and are still taxed as if they live here. To change residency, you must fill out a [Determination of Residency Status \(Leaving Canada\), Form NR73](#), and have it approved by the International Tax Office. Also, if you earn income outside Canada from investments, you are still taxed, unless the income is exempt or reduced under a tax treaty. Certain tax-shelter investments allow you to defer taxes until you sell or transfer them. PTC Canada’s overseas tax consultants can help you with this, or you can contact the International Tax Office at 1-800-267-5177. For a list of tax-free income, see PTC Canada’s *Canadian Tax Secrets Guide*, chapter 7.

## 6. About the taxpayer (you)

### Myth

**“I just got notified that CRA wants to audit me, and I feel I’m being picked on.”**

### Fact

CRA has the right to audit every return submitted, at random, up to six years from the date of filing. No professional in the world can prevent this, and really the purpose is to maintain the integrity of a self-assessment system (what we use in Canada). Most taxpayers fear the worst, but there is nothing to worry about, provided you have kept accurate records and the return has been properly prepared. Auditors are more interested in those who repeatedly try to hide large amounts of money in deceitful ways. The taxpayer who made an honest mistake, was off by a dime, or was the victim of malpractice is not on the radar screen and will be treated with empathy. Auditors are very busy and are there for a reason. They don’t have time to bug people.

## 7. About the taxpayer (you)

### Myth

**“I missed a deduction for the last few years. Now it’s gone.”**

### Fact

This myth is all too common. You are entitled to adjust your tax returns ten years back. CRA has billions (yes, billions!) of unclaimed tax dollars each year that never get paid because taxpayers are either unaware or not interested. Don’t let this be you! Some of that unclaimed money may be yours (with interest on top of it!), so take a few days to review the last ten years with a professional if you have to. You may not have all your filed returns handy. CRA keeps them in their archives, and you can order the originals for free by calling 1-800-959-8281. PTC Canada does a lot of back-dated returns, and we are well versed in the rules for each year. A consultation may find you a few surprises!



## 8. About the professional

### Myth

**“I’ll just have the accountant do everything. That’s their job.”**

### Fact

Finding the right professional is important—and your responsibility. Except in extenuating circumstances like disability, CRA always comes back to the taxpayer, not the professional. While it’s true that many accountants have some training in taxes, not all of them *do* taxes. Many of them specialize in other work, because of the seasonal nature of taxes and the compensation. PTC Canada’s *Canadian Tax Secrets Guide*, chapter 10, shows step-by-step how to shop for a tax professional. The professional’s skills should match your needs. We also recommend that the person you choose be properly accredited. All of PTC Canada’s associates are full-time and certified in their field. PTC Canada is also certified each year by CRA to offer E-Filing, and is a long-term member in good standing of the [E-File Association of Canada](#).

## 9. About the professional

### Myth

**“I wasn’t happy with the last tax preparer and felt a better job could have been done. Now I’m stuck with what was done.”**

### Fact

Unfortunately, having a bad experience is part of life, and while the tax industry has many reputable professionals willing to work hard for you, mistakes are made. If the problem is tax related, you can go to another professional and have it sorted out. PTC Canada highly recommends this strategy. If the problem is with the professional himself (negligence, fraud, misconduct, or other legal matter), you can report it to the professional association. CRA also keeps track of these incidents and will usually accept your complaint. It is important to know that the industry is not highly regulated, and therefore there are limits on what can be done. You are entitled to sue, but you have to consider the cost, time, headaches, and chance of losing. Most tax professionals don’t like getting involved in another company’s affairs, and PTC Canada stands by this policy. You can get an objective opinion from another professional without disclosing any names, to help you make an informed decision.

## 10. About the professional

### Myth

**“I’ve always done my own taxes and don’t think I would benefit from a professional.”**

### Fact

Believe it or not, almost everyone can benefit from a professional. Whether you retain a professional full-time or just want an objective consultation to help you do your taxes, you are among millions of Canadians who are using a professional in some way—and the number is growing each year. The tax rules are constantly changing and becoming more complex. Unless you have a good feel for what you are doing, sooner or later you will come knocking on a pro’s door. PTC Canada offers a great way to get started, through our free handouts, booklets, guides, and seminars, all available on our website at [www.ptccanada.com](http://www.ptccanada.com). We also research taxpayer trends and are always evolving to meet the ever-changing needs of our clients. We don’t wait for the future to happen; we anticipate the future happening. Consultations range from \$100 to \$500, but in many cases we do it for free, as a welcome to you.

If you now have a clearer idea of how the tax industry works, then I have succeeded in enlightening you on something you have been a part of for many years. As you can see, this is an overwhelming subject, and the trick is to teach you in a way that is useful, yet easy to understand. Please be my guest and join our free mailing list today to receive updates on tax events and unique products and services to ease your tax burden. On the following pages, you will find a list of free resources and services. Then you can find out for yourself why PTC (Personal Tax Consultants) Canada *takes your taxes personally!*

Sincerely,  
*Neel*

Neel Roberts  
President & Founder

P.S. Tell us your success story. It means a lot to me and my clients!

*Since 1998, PTC Canada has helped thousands of Canadian taxpayers and clients around the world achieve optimal results with innovative tax preparation, planning, and consulting.*

## Free Tax Booklets

We offer other tax booklets, worksheets, and information that may be helpful to you. These include booklets for:

1. [Canadian Tax Secrets Guide](#)
2. [Employment and Commission Expense Tax Booklet](#)
3. [Investment Tax Booklet](#)
4. [Rental Property Tax Booklet](#)
5. [Small Unincorporated Business Tax Booklet](#)
6. [Farming Income](#)
7. [Personal Tax Organization Checklist](#) (Everyone can use this.)

You can download these and much more from our website ([www.ptccanada.com](http://www.ptccanada.com) under Resources) or we can arrange to have them sent to you.

## Our Free Services

1. Tax booklets, guides, worksheets, and preparation assistance
2. Seminars and information meetings
3. Investment opportunities
4. Mail and e-mail updates
5. 24/7 support via phone, fax, e-mail, courier, and mail
6. Internet filing and interactive website
7. Mobile tax services in certain areas
8. First consultation and personal assessment



**Tip:** If you are not a client but want regular updates, you can join our complimentary update service. Contact us and we'll start you today. There is no cost or obligation, and we love giving away free stuff!

## Other Services by PTC Canada

At PTC Canada, we are a network of Canadian tax and financial professionals who are specialists in our fields. We are committed to providing you with tax and financial expertise and assistance if you are affected by CRA (formerly Revenue Canada). Our goal is to provide insight and help to the taxpayer so that our clients can make informed decisions. Our philosophy is commitment to integrity and win/win solutions. Our services now consist of:

1. All types of tax preparation, planning, and consulting
2. Corporate tax returns
3. General accounting
4. Book and record keeping
5. Financial planning and investment services
6. U.S. and Quebec tax returns
7. Bankruptcy and debt consultation
8. Legal tax matters
9. Client representation to CRA
10. Overseas taxes and relocation assistance
11. Later-filer preparation
12. Previous years' corrections and adjustments up to 15 years

## Reference Books and Guides

I always recommend getting free stuff first and hope this booklet and other PTC Canada publications have been helpful. CRA also publishes a variety of [Tax Guides and Pamphlets](#) every year, which you can get by mail by calling the Forms Centre at 1-800-959-2221. You can also access their list of [forms and publications](#).

Here are a few more things worth looking into:

1. PTC Canada has a free *Canadian Tax Secrets Guide* that you can download from our website at [www.ptccanada.com](http://www.ptccanada.com), or contact us and we will send it to you.
2. I also recommend Tim Cestnick's *Winning the Tax Game 20\_\_* (for whatever year you are doing), available at your local bookstore or [www.chapters.ca](http://www.chapters.ca) for about \$25. The cost is deductible, and I believe you will find more than enough information to recover your investment of time and money. Go to [Tim's website](#), or contact Tim at [tim@timcestnick.com](mailto:tim@timcestnick.com) if you wish to discuss his work or other strategies.
3. Another book for about the same price is *The 30-Minute Tax Solution* by tax expert Evelyn Jacks of the [Knowledge Bureau](#). You can get it at your local bookstore or by calling Evelyn at 1-866-953-4769.

## Contact Information

In this booklet, I have given you some contact information that may interest you. Below is my contact information, as well as CRA's. If you are looking for something else, please contact me.

### **My contact information:**

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Website: [www.ptccanada.com](http://www.ptccanada.com)



## CRA Contacts

| Service                                 | Toll Free Number   |
|---|--|
| General Services                        | 1-800-959-8281   |
| Refund Enquiries                        | 1-800-959-1956   |
| Business Number Enquiries               | 1-800-959-5525   |
| Child Tax Benefits                      | 1-800-387-1193   |
| GST Credit-Personal                     | 1-800-959-1953   |
| Forms                                   | 1-800-959-2221   |
| Collections                             | 1-800-332-1312   |
| All other Government of Canada Services | 1-800-622-6232   |
| Alberta Family Employment Tax Credit    | 1-800-959-2809   |
| Fax Number-Depending on your location   | Call General Services                                    |
| Web Site                                | <a href="http://www.cra-arc.gc.ca">www.cra-arc.gc.ca</a> |
| Overseas Tax Services-Ottawa            | 1-800-267-5177   |
| Overseas Tax Services-Outside Canada    | Collect 613-952-3741                                     |
| Local Tax Center                        | Call General Services                                    |

✓ **Note: Toll free numbers work across Canada.**