

## One in five files late tax return

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BY THE STARPHOENIX (SASKATOON) APRIL 3, 2006

VANCOUVER -- A new Decima survey shows that many Canadians are penalizing themselves at tax time.

Nearly 20 per cent of Canadians find it too taxing to file their returns on time.

The poll, conducted for UFile, makers of UFile for Windows and UFile.ca tax preparation software, suggests the main reason Canadians overlook potential writeoffs, or file late, is that they take a last-minute approach to tax preparation.

A staggering 70 per cent said they don't even know the first official day they are eligible to submit tax returns, and almost half surveyed (47 per cent) file in April, the deadline month.

And, even after completing the "painful annual ritual," 28 per cent believe they have missed or overlooked a tax writeoff or exemption.

Even more curious is the fact that 35 per cent of respondents said they sometimes, or never, use tax strategies to reduce the amount they pay.

"This survey reveals that the tax-filing habits of many Canadians may inadvertently cost them money," says Joanne Birtch, UFile's director of marketing and communications. "It is clear that taxpayers need some guidance and advice, either from a tax professional or tax software, on how to best to complete and submit accurate tax returns to ensure they are able to get the best returns possible for themselves and their families."

Statistics supplied by the Canadian Revenue Agency (CRA) show that 11.6 million returns filed in 2005 were on paper, about 49 per cent of all returns.

Of these, approximately 6.5 million returns were completed without the use of tax- preparation software.

Late filing penalties can be costly. It is five per cent of your 2005 balance owing, plus one per cent of your balance owing for each full month that your tax return is late, to a maximum of 12 months.

If the CRA charged a late-filing penalty on your tax return for 2002, 2003 or 2004, your late-filing penalty for 2005 will be 10 per cent of your 2005 balance owing, plus two per cent of your 2005 balance owing for each full month that your return is late, to a maximum of 20 months.

That isn't chump change.

In real terms, for every \$1,000 of tax owing two months after the filing deadline, a first-time late filer would be required to pay \$70 more than he or she would have paid had the return been filed on time.

(VANCOUVER PROVINCE)

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## CANADIAN TAX MYTHS

- The federal income tax is unconstitutional: The Constitution says the federal government can raise money "by any mode or system of taxation." And it says provinces can impose "direct taxes within a province."
- The income-tax system is based on "voluntary compliance.": The CRA cannot respond directly to such claims because the confidentiality provisions of the Income Tax Act. "We can only encourage the public to be wary of such claims."
- Refusing to co-operate with CRA employees or to comply with the law will force the CRA to lower or even eliminate taxes: Though some individuals who challenge the validity of tax laws urge taxpayers to do this, the CRA has no power to impose new taxes, remove existing taxes, raise or lower taxes, or decide how tax money will be spent once it is collected.
- The Income Tax Act applies only to corporate entities and not to "natural" persons or human beings: Myth says that Common Law rights dating back to the Magna Carta make all taxes on individuals voluntary. This has been rejected by Canada's courts.
- Some individuals can claim exemption from the GST: GST legislation does not provide tax exemptions for any individuals. However, individuals with Indian status under the Indian Act may not be required to pay GST under certain conditions.
- You can make tax-free withdrawals from your self-directed RRSP by investing in private companies that in turn agree to lend you your own money: If an RRSP is used as security for a loan, the value of the RRSP will be added to the taxpayer's taxable income. If an RRSP is used to purchase shares of a private corporation, and not a qualified investment, then the value of the shares will be added to the RRSP holder's taxable income.
- The CRA uses e-mail to conduct "e-audits": The CRA does not notify taxpayers about pending audits by e-mail, nor does it conduct "e-audits." If you receive such an e-mail, contact your tax services office.