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Your Guide to Tax-Saving Strategies

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TAX-FILING TIPS

***Made a mistake on your taxes? Filed incorrectly?
Here's what to do.***

Rethinking your return

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Most of you have already filed your tax return and received a Notice of Assessment, and by now you're sitting back not worrying about income taxes for another year.

But for some, there may be the growing realization that their return was not entirely correct.

If you fall into the latter category, the following discussion may shed some light on how to proceed.

Need to amend your return?

CanRev's preference is that you do not file an amended income tax return in these circumstances.

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Instead, you should write to the Tax Centre where you filed your return and request a change. Include an explanation and any additional material such as T4 slips, T5 slips and receipts. The CRA also prefers that you include form T1-ADJ (available on CanRev's website www.cra-arc.gc.ca). Alternatively, you can simply go the CRA's website and make changes to your return through CRA's electronic service.

Don't forget to include your Social Insurance Number or Identification Number. If you want to discuss your return or assessment in person you may bring your own copy of the return and the assessment to your Tax Services Office.

If you think having the actual filed return would be helpful, you should get in touch with your Tax Services Office to arrange for

them to obtain the file from the Tax Centre – in some cases this may take a fair amount of time.

If you have already received a Notice of Assessment and did not formally object to it within 90 days of its mailing date (or within one year of the due date of the T1 return to which the assessment relates, whichever is later) you are technically bound by it.

Happily though, the CRA's current policy is that you can apply for a change going back 10 years (technically speaking, this is covered under the so-called "fairness package" introduced in the early nineties).

But if you apply for a change within three years of your taxation year, the CRA will (under normal circumstances) simply process your adjustment.

Exceptions may apply if your requested change is in respect of permissive deductions, such as CCA, or if it is based on a recent court case in which the taxpayer was successful.

In spite of these policies, if you discovered an error in your favour and reported it to the CRA – but the 90-day/one-year time limit will expire before a reassessment is received – you may wish to file a Notice of Objection to protect your rights.

Top ten mistakes

Some years ago, the CRA compiled a list of the ten most common errors that Canadians make on their tax returns.

And if you want to avoid

having to request an adjustment outside of the 90 day/one year time limit, you should take a second glance at your return to make sure you don't fall prey to the following common mistakes:

- ✘ Making mathematical errors, such as adding and subtracting incorrectly.
- ✘ Forgetting to reduce income by identifying amounts received for workers' compensation, social assistance payments, and net federal supplements.
- ✘ Claiming provincial tax credits incorrectly, by not calculating provincial tax credit forms properly.
- ✘ Forgetting to indicate

pension adjustments. This affects unused registered retirement savings plan deduction room for the next year.

- ✘ Claiming an incorrect goods and services tax/harmonized sales tax (GST/HST) credit, by using incorrect spousal income amounts.
- ✘ Entering the wrong amount on the lines of the tax return that refer to contributions and overpayments to the Canada Pension Plan, Quebec Pension Plan, and Employment Insurance.
- ✘ Claiming incorrect amounts as RRSP contributions.
- ✘ Forgetting to claim the basic personal amount.

- ✘ Claiming the spousal amount incorrectly.
 - ✘ Not claiming, or incorrectly claiming, the age amount.
- Other miscellaneous errors or omissions to look out for include:
- ✘ Failure to pick up credits and/or deduction carry-forward balances from previous years (i.e., expenses related to home workspace, medical expenses, equivalent-to-spouse credits, capital and non-capital losses, etc.)
 - ✘ Forgetting to file an RRSP or charitable donation receipt
 - ✘ Not transferring credits to your spouse if you can't use them
- The details for making a T1 adjustment are available at www.cra-arc.gc.ca (search "how to change your return").

If there's a difference between your figures and CanRev's, it's quite possible that no one has even looked at your return beyond a keypunching clerk.

You have a legal right to appeal your case and, more importantly, if you do this properly you stand a very good chance of winning.

If your Notice of Assessment is unfavourable, the first thing you must do is find out why CanRev has disallowed a claim or otherwise increased your taxes.

If there's a difference between your figures and CanRev's, it's quite possible that no one has even looked at your return beyond a keypunching clerk. You have a legal right to appeal your case.

In fact, at this stage, the vast majority of problems relate to some type of clerical error.

Watch for my July article in *The TaxLetter* – I'll be discussing Notices of Assessment and what to do if the CRA takes issue with your filing position. □

File your income tax and benefit return as soon as possible

Did you know?

Even if you missed the April 30 filing deadline, there are still many reasons why you should file your 2011 income tax and benefit return as soon as possible.

Why is it important to file as soon as possible?

- ✓ If you didn't file your return on time and have a balance owing, a late-filing penalty will apply. However, filing your return and paying your balance owing as soon as possible will help you save money by avoiding more interest and penalty charges.
- ✓ You must file a return for 2011 if you want to begin or continue receiving certain benefit payments including the GST/HST credit and the Canada child tax benefit. If you do not file your tax return, your payments may stop.
- ✓ If you are expecting an income tax refund, you will only receive it once you file.

And remember...

- ✓ If you do owe, you can pay your balance owing online using the Canada Revenue Agency's (CRA) My Payment service or through your financial institution.
- ✓ If you discover that you missed something, like an investment slip you forgot about or a charitable donation you wanted to claim – or if you received a slip after you filed – you can ask for an adjustment online using the My Account service.
- ✓ Regardless of the filing method, make sure you keep receipts to support your claim.
- ✓ The CRA is aware that sometimes taxpayers face circumstances beyond their control that prevent them from meeting their tax obligations. When these circumstances arise, individuals may qualify for taxpayer relief. For more information, go to www.cra.gc.ca/taxpayerrelief.

Source: Canada Revenue Agency www.cra-arc.gc.ca