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Your Guide to Tax-Saving Strategies

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TAXSTRATEGY

***Made an error when you filed?
Or received a reassessment notice?***

Amendments

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Most of you will have already filed your tax return and received your Notice of Assessment—and are now sitting back for another year of not worrying about your taxes. But there are some of you that may be rethinking your return and realize that it was not entirely correct. And then there's another group of you that may have received that dreaded Notice of Reassessment, meaning that your 2014 tax year is not yet over. If you fall into one of the latter two groups, the following discussion may shed some light on how to proceed.

Need to amend your return?

The Canada Revenue Agency's preference is that you do not file an amended income tax return in these circum-

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

What you need; and where to go (if you go in person)

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 assessment to your Tax Services Office. If you think the return actually filed is necessary, 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.

The official time limits for filing an amendment ...

If you have already received a Notice of Assessment (discussed further on in this article) 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.

... leave some wiggle room

Happily though, the Canada Revenue Agency's current policy is that you can apply for a change going back 10 years (technically speaking this is 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 Canada Revenue Agency will normally simply process your adjustment (exceptions may apply where your requested change is in respect of permissive deductions, such as capital cost allowance (i.e., depreciation expenses), 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 Canada Revenue Agency, 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.

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Canada Revenue Agency's 'Top 10' tax filing errors

Some years ago, the Canada Revenue Agency compiled a list of the ten most common errors that Canadians make on their tax returns. In order to avoid having to request an adjustment outside of the 90 day/one year time limit, you should, therefore, take a second glance at your return to make sure you don't also fall prey to the following common mistakes:

1. Making mathematical errors, such as adding and subtracting incorrectly;
2. Forgetting to reduce income by identifying amounts received for workers' compensation, social assistance payments, and net federal supplements;
3. Claiming provincial tax credits incorrectly, by not calculating provincial tax credits properly;
4. Forgetting to indicate pension adjustments. This affects unused registered retirement savings plan deduction room for the next year;
5. Claiming an incorrect goods and services tax/harmonized sales tax (or "GST/HST") credit, by using incorrect spousal income amounts;
6. 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;
7. Claiming incorrect amounts as Registered Retirement Savings Plan (or "RRSP") contributions;
8. Forgetting to claim the basic personal amount;
9. Claiming the spousal amount incorrectly;
10. Not claiming, or incorrectly claiming, the age amount.

Other common tax filing errors and omissions

Other miscellaneous errors or omissions to look out for include the following:

- 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.

Where to look online for details

The details for making a T1 adjustment are available at the following address: <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/chngtrn-eng.html>.

Notice of Assessment —What to do?

If your Notice of Assessment is unfavourable, the first thing you must do is find out why the Canada Revenue Agency has disallowed a claim or otherwise increased your taxes. If there's a difference between your figures and theirs, 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.

The first place to look is on page 1 of your notice, which is captioned "Explanation of changes and other important information." In the vast majority of cases, this explanation is computer-generated—and much of the "explanation" you find on the page may actually have nothing much to do with the discrepancy.

Human—and other—errors

In fact, at this stage, the vast majority of problems relate to some type of clerical error. If your return has not been prepared via a computer program you may have made an error, or perhaps a Canada Revenue Agency clerk has simply punched in the wrong number. In other cases, there may be problems with the application of installment remittance (e.g., they've applied it to the wrong year or, worse still, a different taxpayer). Other discrepancies: there may be a late filing penalty even though you filed on time, or a manual check of your return did not reveal a receipt.

Searching for an explanation

When reading the Explanation of Changes, look for something that "doesn't ring a bell," especially if there are numbers shown in the particular paragraph.

If, after reading the Explanation of Changes, you still don't know what's going on, then take a look at the "Summary" calculations contained in the notice. On the left-hand side of the page, you will see key "boxes" (data fields) in your tax return, with the Canada Revenue Agency's calculations on the right-hand side of the page. Compare these to your return on a line-by-line basis, and you should be able to zero-in on where the discrepancy is.

Still no luck? Who to phone

If you still don't know what's going on, one option is to call the folks at your Tax Services Office and ask them. (Of course, another option is to go to an accountant). The Notice of Assessment itself provides a phone number to request an "explanation"—even

though the Notice of Assessment itself purports to give one.

Don't assume that, when you get through to a live person on the line, you are dealing with an expert on the matter in question. This simply isn't the case. In many cases, the Canada Revenue Agency employees who staff the information lines may not have particular expertise in your problem and will certainly not be familiar with your tax return.

The next step

Once you understand the problem and you think that you're in the right, your next step is to contact the Canada Revenue Agency itself. You may do this in writing—by sending your enquiry to the Tax Centre to which you sent your return. Address it to the attention of the Enquiries and Adjustments Division at the address on the front of the notice. Requests by telephone or personal visits should be directed to the Tax Services Office which serves your area.

The Problem Resolution Program

The Notice of Assessment itself indicates that if the problem can't be resolved, you can contact the tax office's "Problem Resolution Program." The phone number is listed in the government pages—there is a separate listing under the name of each Tax Services Office.

Weighing up whether it's best to go in person or write

If the matter is straightforward and in your favour, so that it could be resolved on the spot, a visit to the Tax Services Office may be a good way to go, if you're able to take time off work. You should

have your Notice of Assessment and your copy of your return with you. The Canada Revenue Agency official will pull up your return, key in the adjustment and you're finished. This sure beats waiting for weeks for them to respond to a letter. However, if the matter is more complicated, a letter may be a better way to go.

The starting and stopping of collection procedures

Once a Notice of Assessment is received, collection procedures may commence immediately. However, the collection procedures should stop if a Notice of Objection is filed on a timely basis.

One more channel for voicing your objection

Although some people go straight to a Notice of Objection, contacting the Enquiries and Adjustments section will give you an extra "kick" at the Canada Revenue Agency, just in case there's a problem.

Tactics and etiquette for dealing with the Canada Revenue Agency

When contacting the Canada Revenue Agency, I suggest the following:

- If you write a letter, put "Re: [your name]; [Social Insurance Number] — 2014 Notice of Assessment" prominently at the top of the letter; in most cases, you should state that there has been an incorrect assessment; give the line number, the previous amount, the amount of the adjustment and the revised amount. Don't forget to include your phone number and name and address;
- Provide any reasons or details and whatever backup documentation may be relevant,

even if you have already included it with your tax return. What you want to do is give the Revenue Canada adjuster a "self-contained package" so that he or she can zero in on the problem;

In general, you should keep your correspondence with Revenue Canada factual and to the point. Revenue Canada's interest is in resolving the dispute as quickly as possible. They don't want to hear your life story, or what you think of the government and our tax system. (For the latter, they can read this newsletter.)

Math errors and factual misunderstandings versus differing interpretations of law

The Canada Revenue Agency will, as a matter of standard procedure, reassess returns if the adjustment relates to an error in arithmetic or a misunderstanding of the facts. If your dispute is based upon a different interpretation of the law, you have to file a Notice of Objection.

Bureaucrats are people too: courtesy goes a long way

In many cases, your letter to the Canada Revenue Agency may be sufficient to clear up the matter in your favour. But if it becomes necessary to actually talk to a Canada Revenue Agency auditor, always be courteous and to the point—I am convinced that a great many serious disputes with the Canada Revenue Agency arise because of personality conflicts—where someone draws the ire of a Revenue Canada auditor. Getting along well with the Canada Revenue Agency goes a long way towards success. □