



TAXPAYERS

CRA  
TAX COLLECTORS

# HOW TO DEAL WITH THE CRA

WHO IS ON **YOUR** TEAM?

CRA • FACING OFF WITH CRA • FACING OFF WITH CRA

Fraser Simpson

# How to Deal with the CRA

Who is on Your Team?

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# **Introduction**

## **The Tax Mechanic!**

I have been involved in the accounting field for 30-odd years. As I have held several positions over the years, as a controller and CFO, I would come across taxpayers who were delinquent in their taxes. Some of them had been delinquent for 10 years, and I helped a few of them get caught up with their back taxes. It was very fulfilling to help them out. These clients told me that being so far behind was really starting to impact their lives, as they couldn't move forward with buying anything on finance, or even get a business loan, because they weren't current.

Being overdue on your taxes is a very serious problem, but with a little specialized knowledge, it's not as big of a problem as you think it is. Plus, I'll show you why you need to do this before the authorities come looking for you.

Enjoy the book!

I hope this book educates you on properly filing overdue tax returns, and inspires you to maintain tax compliance going forward.

It's very important for your credit so you can sleep easier and move forward in your life.

To A Brighter Future!

*Fraser Simpson.*

## Why People Put Off Filing Tax Returns

**Susan:** Good afternoon, this is Susan Austin and I'm super excited to be here with Fraser Simpson. Fraser will be sharing with us his thoughts and ideas on how to file your overdue taxes without penalty. Welcome, Fraser!

**Fraser:** Thank you Susan, glad to be here.

**Susan:** Why do people put off filing their tax returns?

**Fraser:** Today, we live in a very fast-paced society. A lot of times, people are running a busy business and they put off filing their taxes and think they'll get to it next week, which turns into next month or next quarter. Just like that, a year has gone by. Once they skip one year, they get worried about that and so they skip a second year. Then two years turns into three, and after a while, into ten years. If Revenue Canada doesn't pursue the taxpayers, they feel like they (Revenue Canada) will never pursue them, or that they're okay, or that they won't get caught. But as you know, with technology today, and the government aggressively seeking revenues, they're going after tax money and taxpayers everywhere.

**Susan:** Why do you think taxpayers skip that first year?

**Fraser:** I think the main reason is they get overwhelmed with the compliance process. They could have had a medical issue. Some people go through some medical problems and they're legitimately not able to file, and then they don't know how to file after they've skipped a year or two. Even going through a divorce or the death of a loved one can cause someone to fall behind.

I have also seen situations where people feel like skipping the tax is "just a five percent penalty", so they figure they can get away with that. I'll explain later in the book why this simply isn't true.

Another reason why one year turns to ten is that sometimes, the government doesn't have a tracking mechanism for them; take a self-employed subcontractor, for example. They don't get something called a T4 recording. When you've got T4 income, the government knows and they will respond with a letter and say, "Come on, file your taxes." But if you're working for yourself, that doesn't happen. The subcontractor is supposed to report income on his/her tax return at the end of the year and pay tax on that income by April 30<sup>th</sup> of the subsequent year.



There is no check and balance mechanism for the government and therefore no immediate way to detect this income if unreported.

In today's sharing economy many people are working for themselves and they feel that tax compliance, as a priority, is low on the totem pole. They're looking to get by, day by day, so they don't have a lot of time, or in some cases, they don't have the money to pay the tax bill so they put it off. Startups or first time entrepreneurs finance their operations by withholding tax. This is a huge mistake that will eventually come back to haunt them.

The problem is these things snowball. Having your taxes filed is very important if you're a subcontractor or self-employed for a litany of reasons, especially for getting credit. Once Revenue Canada comes after you, it becomes a real problem; you're incurring interest and penalties, and they could seize bank accounts, put a lien on your property or garnish accounts receivable. It's really a nightmare to get out of and resolve. Therefore, we want them to address it before Revenue Canada gets in touch with them.

## Why You Want to Take the First Step

**Susan:** I can't imagine being 10 years overdue on your tax returns, but what have you seen as a result when they get caught up?

**Fraser:** I have actually seen this several times. I'll give you the example of John. He just came to me recently and he's got T4 income. He works for the government at a very high-level position, but he also had a side business, a corporation. Several years ago, his accountant died. Then, strangely enough, his lawyer died. It was just a couple of things, one that led to another, and he didn't file for a couple of years. Then it became many years. When he first approached me, he had filed all of his personal taxes but not his business taxes. And he was literally almost crying across from me in a coffee shop. This happens all the time. I told him, "John, you've made the first step, you've come to me. I can get this done for you. It's literally what I do." I've just recently completed his returns and it turns out that he doesn't even owe tax. He's actually in a loss position. Because I'm going to report for him before the government gets to him, he also has no interest and penalties. When I told him that, he literally almost jumped out of his seat and wanted to give me a big hug. He was so thankful.

That's the reason I do this work. Now he can carry on with his life. He will retire now. He is going to close the corporation, and everything will be just fine. This was weighing over him for years. I see this over and over again, when really it's not as bad as people think it is. Even if they owe tax but they don't have the money, I can work out a payment arrangement. Revenue Canada is not the big monster everybody thinks they are. They will work with you and within your means—if you reach out. If you wait for them to come to you, they aren't as helpful.

If you're Mister High-flyer and you've got two Maserati's out in the driveway and you're dodging your taxes, that's a different story - but most of the people who come and see me are not in that situation. They have a very valid reason or another and they just need help.

**Susan:** Do you think not having the money is why a lot of people don't file?

**Fraser:** Yes, I do think sometimes that is the reason. I would say that, even if you don't have the money - let's use an example. Say you owe \$50,000 in tax and you don't have the money. Well, maybe you have a house and a car—most people do—and you've probably got a job; you're working or doing something.

So right away your house will have a lien put on it and then you can't sell or refinance your house because of the tax debt. Even if you don't have money, I can approach Revenue Canada and say, "Listen, he doesn't have money right now, but here's a payment plan. We can do some refinancing and get you this much now and the rest on payments. Why don't we do this to stop a garnishment or stop ruining his/her life?"

Revenue Canada almost 100% of the time accepts my arrangements. I've been doing it for 30 years. I know what they will accept and what they will not accept, and I've never come across a situation where it was untenable, or when the taxpayer had to go into bankruptcy. In fact, I'm pretty proud of that; I've never had one taxpayer go into bankruptcy. Never once.

## The Voluntary Disclosure Program

**Susan:** That's impressive. Let's switch gears and talk about what they need to know to file these overdue tax returns without penalty.

**Fraser:** The Voluntary Disclosure Program is a program instituted by Revenue Canada. It's for those people who are behind on reporting their taxes. You can work with them through the problem and tell them you want to make a voluntary disclosure. If you use me, you don't even have to give your name. All you have to do is get a representative like me, and they will get a number for you. Now you will be registered with them. Even if they send you a letter in the next week, you will not pay penalties because you already contacted them first. That's why this is a time-sensitive process. It comes down to who contacts who first. So, one quick call to me and your penalties will get waived. But if you let them contact you first, then you're into a penalty situation which is just a nightmare.

The reason they put this program together is they want taxpayers to become compliant. They know that this can be a hard situation. They don't want to put taxpayers into hardship. So they say, "Listen, if you come to us first, and file your tax returns, make a payment arrangement or pay your taxes, we won't assess penalties.

But if we must track you down, if we catch you some other way, you are going to pay penalties and interest.”

Let’s say you sold a condo and Revenue Canada finds out about it from the vendor. If you’ve been avoiding them and they catch you, they will assess you a penalty. The penalty is quite Draconian. It’s usually equal to the tax that you owe. So if you owe \$50,000 in tax and feel like you can get around this and keep going on, well, what if they catch you? If they catch you, now that \$50,000 problem becomes a \$100,000 problem plus interest, which is usually another \$50,000. So now you’ve tripled your problem from \$50,000 to \$150,000, when all you had to do was pick up the phone and call me, and within half an hour, that problem would have been solved.

## Timing

**Susan:** Wow. That's amazing. What do people need to know about the timing of this process?

**Fraser:** Timing is very crucial. What I recommend that people do, if they have a problem, is to call me right away; I'll give them a half-hour free consultation. I'll assess what I think they owe in tax based on numbers they give to me generally over the phone. If they're in agreement, they don't even have to engage me; I can call Revenue Canada on their behalf, and make a voluntary disclosure, which means that the taxpayer remain anonymous. Revenue Canada will then give me a number. I've got a number associated with this taxpayer, and I'm a representative with Revenue Canada, so they abide by my authority to associate a taxpayer who wants to make a voluntary disclosure. So they can call me, they get the voluntary disclosure number, and then they can go to somebody else if they want to. It doesn't matter, they can do it themselves if they want to. But at least stop the penalty assessment, and then you've got the process started.

## DIY

**Susan:** What about doing it yourself? Do you guys find that people try to do this process themselves?

**Fraser:** I have had people try to do it themselves, and almost always, they come back to me because they get in over their heads. The problem is that the Voluntary Disclosure Program is very sensitive for qualification. There are a number of legislative reasons they allow for someone to voluntarily disclose, all of which I've got 30 years' experience vetting through. So you could do it yourself; you may qualify, but you may not qualify. Now, if you let me do it for you, it will cost you a fee, and while I can't guarantee results 100%, I've been successful 100% of the time for 30 years. I will get you qualified. Part of the reason is I know what qualifies and what doesn't. So if you make a voluntary disclosure on your own, and you say the wrong thing, then boom, you're into a penalty situation. So for example, for the \$50,000 tax debt guy, is it worth it to risk another \$100 grand or pay me a fee to file it and get it done properly to make sure you don't have a penalty?



If you want to do it yourself, you can do it yourself, or you can go to a lawyer and have it done. It's entirely up to you. I'm still very happy to give you a free consultation and give you guidance. I'm here to educate. If I can help someone and they can do it themselves, great!

## Filing in a Batch

**Susan:** How do you suggest they file? All in one go or one year at a time?

**Fraser:** Filing in a batch guarantees an automatic audit. As you could just imagine, it's just common sense, but if Revenue Canada gets ten years of tax returns all at once in the mail, they'd probably look at it and say, "Let's throw this to audit and find out what happened here." That's why you need a process to do it, so that's why you should do it through the Voluntary Disclosure Program, and not just mail them in a batch. Through the Voluntary Disclosure Program, there are people in the CRA who deal with delinquent tax returns daily and know how to process them properly, in a way that will not cause an audit. They will ask you the questions right there and not turn you over to an audit department.

**Susan:** Have you ever seen a situation where someone skips a year but then stays current with the rest of the years? Is that even allowed?

**Fraser:** Yes, that is allowed. Normally, though, I don't get those cases because once you skip a year and you file the next year, Revenue Canada writes you back and asks, "What happened to the previous year?"

See, these problems are usually from guys who don't have T4 income: subcontractors, construction people, entrepreneurs who work for themselves, speakers at seminars, etc. And people such as yourself in the internet field, book publishers, anybody who works as an entrepreneur generating income that isn't from a corporation, now it's up to you to report - and Revenue Canada may not know that. But yeah, it happens.

**Susan:** You're suggesting that filing in a batch is the way to go?

**Fraser:** Well, filing in a batch through voluntary disclosure, but not by yourself. If you do it by yourself you'll get audited. If you do it through Voluntary Disclosure, you will not.

## **Not Reporting Income**

Not reporting income is a big issue these days with people holding money offshore in tax havens; I've had some people like that come to me as well. It's been reported in the papers that governments now are basically reporting to each other. So that unreported income will come to Canada's attention and it's almost the number one issue for them right now. Unreported income is also covered by the Voluntary Disclosure Program. If you have a problem with offshore income, after a quick call to me, 30 minutes later you will be registered and authorities will likely not penalize you. There are no guarantees. But, in over thirty years, I have had a 100% success rate in qualification.

## Not Claiming Expenses

**Susan:** What about not claiming expenses?

**Fraser:** Not claiming expenses is also a huge problem because, especially for people who do taxes themselves, they don't know which expenses are deductible and which ones are not. Quite frankly, the income tax act is 50,000 pages long. I went to university and subsequently qualified as a Chartered Accountant requiring three years of articling for a Chartered Accountant firm. I have spent 30 years of my life just analyzing these expenses. So if you think you can do it yourself, do it yourself. But I guarantee that you will miss expenses, and it's just not worth it in the end. Why miss expenses and cost yourself money when I can do it properly for you and save you money?

**Susan:** Do you find that there is less of a chance of an audit if you use a professional?

**Fraser:** You know what, there is, because I'm registered with them and a lot of the TSOs (Tax Service Office representatives) know me. It doesn't matter who gets it; almost always, one of the higher people who reviews it has previously dealt with me. So they like it, actually, when I do make a disclosure because they know two things. They know first that the taxpayer will file, and they also know that I'm fair.

I don't dodge the tax. I say, "Whatever the tax is, it is," and we make a payment arrangement. That's it. There is no legal way to reduce taxes. You have to pay what you owe. They know that I do that and I've done it in the past. That is why it's unlikely for them to audit once I'm involved. They're pretty happy with the reporting.

## Excepting Assessment without Objection

**Susan:** “Excepting assessment without objection.” What do you mean by that?

**Fraser:** Say you haven’t filed for five years. Sometimes Revenue Canada catches you and they don’t say anything, and they assess those five years arbitrarily. It’s called ‘notional assessments’. They will take your previous five years and use that to estimate what your next five years will be, and then they will probably double it. The reason they do that is so you end up with some ridiculous tax bill, and you’re scared, and now you’re stuck. What you have to do is object to that assessment, which takes a professional like me to do it properly, and it’s time-sensitive. You have 90 days to object. If you don’t, you lose your right.

A lot of people get assessed like that, notionally assessed. They have a big tax debt, they don’t know what to do, but they don’t go to a professional and so they get stuck with a horrendous tax bill.

**Susan:** How do they decide who gets the notional assessments?

**Fraser:** It's happening a lot right now in Toronto, where the condo market is going through the roof. People are buying five condos at once and then selling them off and not reporting the income. They're trying to claim the condos as personal residences, so it causes a huge tax bill when reassessed. Revenue Canada doesn't have all the details except that maybe five condos were sold and you were the owner. So they'll just say, "Okay, you're the owner of five condos? Okay, we're going to assess you—I don't know—\$100 grand income on each property."

Now you've got \$500,000 income, with \$250,000 in tax payable, plus penalties of another \$250,000, plus interest of another \$250,000. It's a horrendous situation. Revenue Canada doesn't have much sympathy for taxpayers like that, because they just see the situation as, "You were trying to avoid the tax."

**Susan:** I would imagine they were.

**Fraser:** By the way, it's becoming more of an issue, and these are just facts but more and more people are being imprisoned just for unreported income.

**Susan:** Really?



**Fraser:** Yes, Revenue Canada makes an example of delinquent taxpayers; they have monthly listings on their website. You get listings of people every month like, 'Joe blah blah Dentist, got two months in jail. Frank over here, subcontractor, three months in jail for not filing tax returns,' or three years, depending on the amount of tax unreported. It's all the same reason: not reporting their income and therefore avoiding tax.

## Payment Plans

**Susan:** Talk to us about payment plans.

**Fraser:** Again, let's use the example of the \$50,000 debt that a guy owes; he has no money, but he does have income. Everybody has income. So I would say something like, "\$50,000 is a lot of tax to owe," so depending on your situation, "maybe you could pay, say, \$1,000 a month after your expenses and everything."

If I came up with a proposal like that, normally Revenue Canada would simply accept it. If they didn't want to accept it, they would request a financial statement, which basically outlines all of the taxpayer's assets—your house, your car, your job, your income—and they would assess what they think is affordable for you to pay.

When it comes to the payment arrangement, I can always come up with a payment arrangement that the CRA will accept and the taxpayer can afford. In thirty years, I have never had a payment arrangement rejected due to my non-adversarial approach. Before I submit the payment arrangement in writing formally I will discuss the terms with the CRA officer in charge of the file and get a verbal commitment.

Even if you are in a specific situation and don't have any income, due to a hospital stay or a family issue, I can get them to defer collection for six months, so you can get back on your feet and get some income.

Maybe you can't work for other reasons; I can still work with them.

Like I say, Revenue Canada is not the monster everybody thinks—they will work with you. If you file your returns, they will work with you on the amount that is owed.

**Susan:** What kind of payments do you mean? If someone owes \$20,000, what kind of payments would they make; or does it vary?

**Fraser:** It does vary, but if you have the money—for example, if you have a house with equity—you've got to pay that \$20 grand right away. There's no way around that. You can borrow it at the bank and get it paid, done. But you can't get around that. You can't even make a payment arrangement. Again, if you don't have me negotiate it and they come to you, that \$20 grand will no longer be \$20 grand; it becomes \$60 grand. And then you will be forced to refinance your house; if not, you will be forced to sell your house. The authorities are legally entitled to do that under the law.

I have seen it happen, so it's a very serious situation. Especially nowadays, with the rising real estate prices, everybody has equity in their homes; Revenue Canada is feverishly sending out requirements to pay by placing a lien taxpayer's property. In fact, it's one of the first collection actions that Revenue Canada takes as soon as they find out about an outstanding debt. They find out by reporting from a financial institution, or they can do a search themselves. With computers the way they are nowadays, it's amazing what they can come up with.

They can press a button and find out where you bank, what property you own, and once they find out everything you owe, immediately put a lien on your home. Imagine that you have just one home and then you have to come home to your spouse and say, "We have a \$60,000 lien on it, we have to pay it or sell the home." What a terrible situation to be in.

This is obviously for the people who have not complied with their tax obligations. Now if you haven't filed for five years, you know that you have to file; if Revenue Canada is forced to come to you before you go to them, then you have to expect the penalty. You also have to expect some hardship, and that they won't be very flexible with you.

Say you're the \$20 grand guy. If I go to Revenue Canada before they come to you, I can work out a \$500-a-month payment plan, and they would probably accept it in a heartbeat because it looks so good when you go to them. You've really taken the first step. They're humans too. They think, "Wow, that guy was five years behind and he came forward, manned up. There you go, great. And here's a payment plan, great, we don't have to do anything."

**Susan:** They just have to cash the checks.

**Fraser:** They think, "We don't have to go searching for you guys and try to chase you down for money," right?

## GAAR and TCC

**Susan:** I like that. Talk to us about GAAR, what is that?

**Fraser:** GAAR is an acronym; it stands for General Anti-Avoidance Rule. Basically, it's a provision used by Revenue Canada to override just about any other rule. So people hear this kind of idea all the time, "If they don't catch me in three years, they can't go back after three years." Actually, they can, and they can go back as far as they want. All they have to do is implement the GAAR rule. And they do this—again, another mechanism enforced in the collection process—rather quickly. They will want to see not only the three years that you haven't filed, they will also want to audit the three years previous to that. They will go through all of your tax returns with a fine toothed comb to find out if you have any expenses that you're not entitled to or any unreported income. So the General Anti-Avoidance Rule is something to be very concerned about because, essentially, it gives Revenue Canada the power to do just about anything they want to collect the money.

**Susan:** And TCC?

**Fraser:** That's an acronym for the Tax Court of Canada.

I've had some instances with them, not very many, but occasionally I get into a dispute with Revenue Canada as far as what is reportable income and expenses, and we go to tax court. I have been very successful in Tax Court. Tax Court is very taxpayer friendly. They will listen to your story and decide based on the merits presented. I attend Tax Court monthly and have represented many tax payers to a successful conclusion. My non-adversarial approach is respected by the courts, the Justice Department and Revenue Canada and I usually procure a settlement without requiring the judge to decide. But again, for Tax Court, you can't go just by yourself. You need to know what you're doing.

## Taking Advice from the Wrong People

**Susan:** Taking advice from the wrong people—what do you mean by that?

**Fraser:** I hear advice by non-qualified people all the time about how to reduce tax and file returns. Family or friends giving their two cents worth more than likely have never seen the inside of Tax Court with aggressive adversarial lawyers making unsubstantiated claims. You hear messages on the radio, by lawyers using scare tactics, claiming the Taxman is watching you and that tax penalties are unfair. The CRA is not watching every Canadian and tax penalties are fair. Paying your tax is a legal and moral obligation; penalties are only applied when one breaks the law. Tax is the foundation of our democratic society and revenues are required to fund government programs, hospitals, build infrastructure and provide education. To claim that the CRA is unfair or that penalties are unfair is simply false and misleading. The CRA is just doing their job. Penalties are applied to promote compliance. These lawyers are trying to threaten or scare you into thinking that you have to go to them to deal with your tax problems. Well, it simply isn't the case. DioGuardi for example, a lawyer under investigation by the Law Society of Upper Canada for mistreating clients and unprofessional conduct (his son was suspended



for bilking clients of their money), uses lawyers who charge three times what I would charge, and they would take very aggressive measures that are quite questionable, legally. They take a very adversarial approach to Revenue Canada. I do not do that. I'm the opposite. I take a non-adversarial approach. I work with Revenue Canada, I work with the client. I try to find a win-win solution. I always resolve it that way. So you've got to be careful. Everybody thinks of himself (or herself) as a tax expert. I've been schooled in this. I know tax law. I've been in Tax Court. I've done many, many tax returns over the years and resolved many tax situations. You've got to be careful where you get your advice. And I would suggest for tax matters, if nothing else, to engage an accountant over a lawyer every time.

**Susan:** Why is that?

**Fraser:** Because most lawyers are trained to take an adversarial approach; they live in that adversarial world. The first thing they want to do is take an issue to court. That's where they live; that's where they make the most money too. Plus they're not trained in accounting or tax issues; they're trained in law. I'm trained in accounting. I'm trained in tax. When a taxpayer comes to me, I can almost always negotiate a lower price as well as a lower total liability for them, and they usually don't have to go to court. I just do it through a mediation talking with the local TSO.

## The Tax Mechanic Can Help in Any Tax Situation

**Susan:** Do you have any other stories to share, Fraser, of folks you've helped and what the result was?

**Fraser:** One of my first clients, we'll call him the Muffler Man. He sold a lot of mufflers. He did quite well. He was making about two or three hundred grand a year selling foreign mufflers. He was the boyfriend of a woman I knew through the family. So, this woman brought him to me one day in my office. This guy was a burly guy, a race car driver, very strong; right in my office, he just broke down and started crying. I couldn't believe it. I said, "Wow, what's the matter? How bad is it?"

He told me he hadn't filed for 10 years. So, I asked him a few simple questions such as, "How much did you make in the ten years?" He said, "I made about \$200 grand a year." I said, "Uh-oh." I did some quick calculations, and realized it was about \$1,000,000 in tax owed. I said to him, "I hope you've kept some money back." He tells me, "Yeah, I've been quite frugal. I've got it in my desk back at the office."

And I swear to God, we get in the car right away, go into his office - it's filled with muffler dust and mechanic stuff all over the place.

He opens a little locked door and there was close to \$1,000,000 there in cash. I had never seen such a thing. We immediately did a voluntary disclosure and I got his taxes marked down significantly. Rather than a \$1,000,000 payment, it came down to about \$600,000 to \$700,000. He had figured that the whole million was gone, but he ended up with 200,000 or 300,000 at the end of it. As you can imagine, he was very, very happy with me after that. That was very early in my career, and I realized then that nothing gives me more pleasure than having done that for him. He was a family member too. They still talk about it to this day. "Fraser, the Tax Mechanic. He can really help you if you have a problem."

Now if Revenue Canada had gotten to him first, he would have been bankrupt or ruined. No doubt about it. They would have taken a million plus his business, because he would have had \$1,000,000 penalty on top of the back taxes and \$1,000,000 in interest. He wouldn't have been able to do anything.

Can you imagine? I talk to him quite regularly. Afterward, I asked him, "You were doing well, and you had all that money, why didn't you just file?" He said, "I just didn't know what to do. One year turned into two turned into three." Plus, he wasn't sure if things would continue to do well.

He kept on thinking that after a few years of doing well, "Oh I'll keep this for a rainy day, maybe I'll do poorly." It's amazing all the reasons that come up to justify things. I've heard it over and over again. As soon as you go down that road, it's hard to come back. It's like a snowball going downhill; it just keeps on getting bigger and bigger.

**Susan:** That's just awesome. Got another story for us? I love these.

**Fraser:** I have a friend who was a high-level salesman for IBM, a good public speaker. He heard me, because I was on the radio locally; he had gone into business with another guy who, it turns out, was kind of shady. They thought they were expert accountants or something, during the high-tech bubble and all of that. They started exchanging shares between high-tech corporations.

Revenue Canada, at some point, got a hold of this information and said, "No, we're going to assess you capital gains on the sale of these shares here and there." Neither of these IT guys knew what they were doing. They were sales guys, high-flying business guys, but they weren't doing the accounting properly. So, when they came to me, I looked at everything and told them, "I've never seen such a mess. You're exchanging shares and you're doing all of this without an accountant?"

The tax bill was close to \$1,000,000 as well. Actually, the reason they came to me was because Revenue Canada raided the personal residences at 5 in the morning of the top five executives in this company. They went into their houses, seized their computers, seized notes, documents, everything. All the raids were performed at the same time to avoid one party tipping off another. Out of the five executives, four of them were legitimate businessmen. But the head guy was a nefarious type who was doing all the exchanging share transactions. He was just out of his league, trying to be the high-flyer, but he dragged everybody down with him. So, the IBM executive came to me and I helped him do a voluntary disclosure. I got it all dismissed. He didn't have to go to court. The whole thing took only a matter of a few weeks. He was a very happy client, as you can imagine.

The only guy I didn't help was the nefarious guy. I just wouldn't accept him as a client because I deal with taxpayers, not criminals. That's another good example of what can happen. Imagine Revenue Canada coming to your home. These guys had to explain to their wives why Revenue Canada was knocking on the door and taking their computers. Could you imagine that? And they have that power. People don't realize this because they don't tell that to everybody all the time. But they do it regularly. They do it probably every month.

They just raided an accounting firm in New Brunswick and took all their records because they were looking for a few guys. You can get caught from so many areas, in so many ways you just don't know. Obviously, you want to be compliant, sleep at night, and carry on.

## How to File Overdue Tax Returns Without Penalty

**Susan:** If someone is interested in working with you, Fraser, what's the process you take them through; what can they expect?

**Fraser:** The process is straightforward. I will ask what revenue the taxpayer thinks have been underreported. I will estimate the tax and tell them, "Okay, if you do a voluntary disclosure right now, you will pay  $X$  amount." Take the guy who owes \$20,000. I will say, "Listen, if you do a voluntary disclosure right now, you will pay \$20,000. But if you let this go and Revenue Canada gets you, they'll give you a penalty and you will owe \$60,000."

**Susan:** Is the penalty double and then the interest doubles it?

**Fraser:** Well, the penalty is double and then the interest is an equal amount on top of that.

**Susan:** Really? Is that for everyone?

**Fraser:** Yes.

**Susan:** That's horrible.

**Fraser:** It's quite detailed. Revenue Canada has about seven categories of penalties. And what they do in a situation like this is to assess what they call a "gross negligence penalty", which is the worst one because they feel like you're avoiding tax. You must understand a few concepts – all taxpayers should be aware of them. One is "tax avoidance", which means you're just not reporting your income, and "tax planning", which means you do RRSP's and so on to try to minimize your tax. Tax avoidance is a criminal penalty for which you can be prosecuted. For not filing your tax returns, you can actually be imprisoned. The penalty is very severe and it's called a 'gross negligence penalty'.

Anyone reading this that has overdue taxes should call me as soon as possible. At no cost, I'll talk to them for half an hour, and ask a few questions. They can stay anonymous. I'll tell them my idea of the situation. If they want to proceed, they can remain anonymous with me. All I need is three digits of the last part of their postal address or something like that which identifies you. I will hang up and call Revenue Canada and get you registered right away anonymously. It's that easy. It's a half-hour conversation, and it's free; you can get some information without ever dealing with me.



At least you'll have a basic idea of what your situation is, theoretically, within a ballpark. I can't do things exactly over the phone.

I don't see all the income and expenses, but generally speaking, I can tell you about what your liability will be and what your process should be. So, the first step is to call me, and I can tell you what you should do next. You can either proceed with me, I can call Revenue Canada on your behalf, or you should go to someone else and engage them, but at least you'll be more educated. Our phone number is **647-499-5693**.

**Susan:** I love the idea of literally with one phone call to you, it's taken care of. They may have some work to do, but you'll drive the process; you'll hold their hand. They don't have to talk to Revenue Canada. You're going to do all that for them. I love that. So easy.

**Fraser:** And they can remain anonymous through the whole process. Say there are five years of taxes owing, so I'll say, "Joe, here are his five years of tax returns." Even though it's still anonymous at this point, the answer will be based on these numbers, so "He owes \$30 grand." I'll ask Revenue Canada if we can work something out. "Yes, I agree, Fraser." Okay, good, now we can disclose his name. And they are required by law to accept those tax returns as I had presented them without penalty. Now it's 100% taken care of—100%.

**Susan:** That's great Fraser. Thank you again for this.

## **Have the Tax Mechanic be Part of Your Team...**

You already know you must file your overdue taxes. The difficult part is how to file them properly without attracting penalty and interest and without attracting negative measures like garnishment or a lien on your house.

That's where we come in. The Tax Mechanic Team help people just like you file your overdue tax returns without penalty.

**Step 1:** We have a 30-minute free consultation where I find out what revenue you think has been underreported and do an estimation of the amount owed.

**Step 2:** We then call Revenue Canada on your behalf and register you with the Voluntary Disclosure Program, which immediately ceases any penalty application. From that point on, you don't have to worry about a penalty. All you must worry about is the tax.

**Step 3:** You get me a summary of your tax data and we have the tax returns done very quickly. Your time commitment is about 90 minutes.

Most people think that it's too overwhelming to deal with overdue taxes so they put it off year after year.

The reality is, a 30-minute conversation with us will solve your tax problem once and for all and without a costly penalty.

Need Help? Call us at **647-499-5693** or email Fraser Simpson (**Fraser@TaxMechanic.ca**) or David Harris (**David@TaxMechanic.ca**). For more information and other services that we offer, check out our website at **www.TaxMechanic.ca**.

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David Harris &  
Fraser Simpson