

# Make sure your tax preparer knows trucking

It's May and the snow is gone and hopefully your income tax return is as well. But really, how the heck are you supposed to know whether your tax return and business income and expenses were handled correctly?

We get a lot of calls from owner/operators looking for assurance or insight that their affairs were handled properly. They ask about everything from meal claims to spousal income splitting to CCA classes and deductions. These are important issues to understand, because you're responsible for the accuracy of your tax return, not your accountant or tax preparer.

What kind of errors do we find? Let's break it down into three categories:

## Income

We're all looking to reduce our tax obligation. But one fellow called and asked me to review his return because he suspected that his taxable income was *too* low. I don't hear that very often.

The owner/operator sent me his 2004 to 2007 income statements and receipts and I recognized the problem right away: his fuel expense as a percentage of his gross income was too high.

The carrier he works for shows its fuel surcharge under the heading "reimbursements" on its broker settlements. Normally, a reimbursement should not be recorded as in-



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come when an owner/operator is getting money back for tolls, permits, or other expenses that the carrier pays for. A fuel surcharge is different. It should be recorded as income or reduction to the fuel expense.

Funny thing is, the other accountant handled the fuel reimbursement correctly in 2004 and 2005, but not in 2006 and 2007. Maybe he was in a rush, or the return was handed off to a junior staff member with less experience.

Regardless, if the owner/operator hadn't questioned the return, the mistake may have triggered an audit. CRA could assess for all the corrected tax bills at once, and charge additional expensive interest and penalties.

## Sloppy GST/HST reporting

You can recover the GST/HST you paid or owe on purchases and expenses related to your business by claiming input tax credits on your GST/HST return. Sounds simple enough. Yet GST/HST for commercial carriers has its own set of wrinkles. For example, while reviewing

an income statement and balance sheet I discovered that the owner/operator's bookkeeper didn't claim the HST he paid on a trailer purchase into his refund. The bookkeeper's response was that he didn't have all the paperwork.

I guess he was too busy to pick up the phone and call his client for the details. I believe that had I not questioned it, the refund would not have been claimed. The owner/operator will get a nice payback for simply reviewing his accounting, but his bookkeeper made a silly mistake. Of course there was GST/HST on the purchase. When was the last time you bought something and GST/HST wasn't charged?

## Personal and corporate finances

I had another incorporated owner/operator come in with his financial statements looking for advice. He was using another accountant and had questions about how things were handled between his corporate statements and his personal return. I understood his confusion.

The headings and breakdowns of items were so non-specific, clearly the accountant didn't have a trucking background. So we put a short list of questions together for him to present to his accountant. He called me a week later to say that the accountant was offended that he was questioning things. Well folks, financial statements are no good if they

can't be understood. After all, you are running a business. Do you just want your taxes done or do you want some tax planning as well?

For example, 2007 was a tough year and many owner/operators showed low incomes. Did your accountant call you to discuss reducing your depreciation claim on your equipment? Reducing your available CCA in a low-income year and paying a small, reasonable tax bill is better than claiming it all and paying a ridiculously small tax bill.

You can level off your income for future years when (hopefully) you make good money and you can claim the CCA you saved against a high income.

Look, no one's going to ask me to back up a tractor-trailer to a loading dock. I can barely back my utility trailer into my driveway. You're the professional driver – that's your job. In the same light, you hire an accountant to guide you through the financial aspects of your business. When it comes to your accounting, make sure you get the right professional help. □

– *Scott Taylor is vice-president of TFS Group, a Waterloo, Ont., company that provides accounting, fuel tax reporting, and other business services for truck fleets and owner-operators. For information, visit [www.tfsgroup.com](http://www.tfsgroup.com) or call 800-461-5970.*