Tax talk

# Tips for filing your tax return

**Tax Talk**

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Filing a tax return in Canada is a job most people dread, and I can see why. First, it's up to each individual taxpayer to accurately report his annual income and calculate whether he owes tax or should receive a refund. Second, the tax codes are incredibly complex. What we have is an honesty policy – with potentially serious consequences for a mistake.

Canada Revenue Agency (CRA) knows that the vast majority of taxpayers want to comply with the rules but at least need better instructions. With April upon us, I want to take some of the mystery out of how CRA handles tax returns and point out some things to think about as you prepare to file next year (or this year, if you're still getting organized).

### Compliance reviews

Most of the 25 million returns filed each year are processed within two to six weeks. The CRA processes most returns without reviewing the information filed so it can send out Notices of Assessment (NOA) as quickly as possible. However, all returns are screened by the agency's computer system when the returns are filed and may be subject to review at a later date. The selection process for reviewing returns is the same whether the return is filed on paper or electronically. This means any tax return may be selected for review. There are three basic types:

*Pre-assessment reviews* happen before your NOA is issued. CRA randomly selects tax returns and reviews various deductions and credits. The peak period for this type of review is February to July.

*Processing reviews* take place after your NOA has been issued. Once again certain types of deductions or tax credits are targeted each year. The peak period for this type of review is June to November.

*Matching reviews* also happen after the NOA has been sent. This is where CRA compares the information you supplied on your tax return to information provided by third parties – income shown on T4 slips that your employer filed, or investment income shown on T5s. The peak period for this type of review is September to March.

### Five mistakes to avoid

CRA tends to see the same types of errors each year. Here are some of the most common:

*No reply:* If CRA doesn't receive a response to a request for information within the time specified, it will deny your deduction and issue a Notice of Re-assessment, which means you will probably owe them money. It will take a long time for CRA to accept your re-submission of the deduction so don't miss this deadline.

*Late filing:* Missing T4s or other slips is no reason to miss a deadline. If you can't get the missing slip by the due date, use any stubs you have to estimate your income and related deductions and credits.

*RRSP deduction:* If you're filing a paper return, include your official receipts for all amounts you contributed from March 1, 2008 to March 1, 2009, including those you're not deducting on your return for 2008.

*Union, professional, or other dues:* Your employer may have shown the dues withheld from your annual pay on your T4 slip. The association or organization also may have issued you a receipt for the same dues they received for the same year. Don't claim the same amount twice.

*Moving expenses:* Expenses must be the result of moving at least 40 kms closer to your new place of work than your previous home. Amounts are deductible against employment or self-employment income earned at the new location (which usually must be in Canada).

If you have a student in your family who moves to take full-time courses at the post-secondary level, his moving expenses may be deductible from his income. Expenses must be the result of moving at least 40 kms closer to the educational institution than your previous home.

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Examples of costs which are not deductible as moving expenses: Canada Post mail-forwarding costs; expenses for work done to make your old home more saleable; any loss from the sale of your old home; or expenses for house-hunting or job-hunting trips before you move.

Of course, once people get started with deductions, they think they can write off all kinds of things – funeral expenses, loans to family members, a loss on the sale of a home – and the red flags at CRA start to fly.

Talk to your accountant about the types of expenses you can deduct, what you need in order to validate those expenses and any important changes to federal and provincial tax rules. If you find yourself crossing your fingers as you file your return, working with a professional can take some of the uncertainty out of the filing process. □

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