

TAX TALK

More flags than in a pennant factory

In something of a New Year's tradition around here, we once again take a look at Canada Revenue Agency's blotter of tax fraud convictions. The agency posts these summaries on its Web site and releases them to the media hoping that we'll see them as cautionary tales and not make the same mistakes ourselves.

Personally, I don't think anyone here made a "mistake." These are criminals who consciously tried to rip off you, me, and the rest of Canada's taxpayers. Still, each case points out lessons to remember as you start thinking about your 2012 tax returns.

Ya gotta file

CRA processes almost 25 million personal income tax returns a year. Do you really think they'll miss yours if you "forget" to file?



Tax Talk

SCOTT TAYLOR

Ask Lawrence W. Armstrong of Prince Albert, Sask. He pleaded guilty to charges of failure to comply with a court order to file his 2004 to 2006 personal income tax returns.

He was fined \$4,500 and sentenced to 60 days in jail. Of course, the court also ordered Mr. Armstrong to file the required tax returns within 60 days of his release from jail. He's not going to get off that easily.

I know you're busy. I know tax forms are complicated. But if you end up in court for not filing your

tax returns, chances are you'll be fined and/or jailed, and be made to file them anyway.

File your income tax return. Death and taxes, you can't avoid them.

What you earn is income

Lee Williams didn't just enact a tax evasion scheme for himself, he actually organized and taught courses on the subject. Naturally, Williams never reported income or paid tax on earnings from teaching fees and the sale of course materials.

His wife, Tania Kovaluk, was his best student: She implemented Williams's scheme in her dental practice and failed to report \$2,578,987 in income she earned from 2003 to 2007.

This case has more red flags than a pennant factory. First, Kovaluk reported income earned through her

dental practice as sub-contract expenses and not as personal income. Report your income properly.

Second, keep business and personal records separate. Williams used his wife's Canadian bank accounts to deposit cheques that were in fact business income from his teaching work.

Williams did not report the income he earned, or remit the proper amount of GST in relation to his business venture as an educator. In doing so, Williams evaded paying \$39,643 in personal income tax and \$17,113 in GST.

Kovaluk was sentenced to two years and five months in jail and was fined \$887,328. Her husband, Williams, was sentenced to five years in jail and a fine of \$56,756. The fines represent 100% of the total taxes evaded.

They know where you live

Robert Parnell of Seven Sisters Falls, Man., used to be a commercial airline pilot with Air Canada. For the years 2003, 2004, and 2005, he used a Calgary address belonging to a friend for filing his income tax returns instead of his actual address in Manitoba.

With those false statements, he reduced his provincial taxes from \$79,000 to \$46,000 for the three-year period.

It didn't take much of a CRA investigation to see what Parnell was up to. He pleaded guilty to tax evasion and was fined \$24,750.

Get that taxable income down

Zoran Sudar of San Antonio Carriers, both of Hamilton, Ont., falsified documents and cheques to show payments of approximately \$500,000 to a fictitious supplier. The falsified payments were then used to cover Sudar's personal expenses. By deducting these falsified expenses, he underreported approximately \$500,000 in corporate income.

He also evaded \$124,000 in personal income taxes, and his company dodged payment of corporate income taxes of \$75,000. San Antonio also claimed input tax credits for these falsified expenses and received \$53,841 in GST refunds for the periods from January 2005 to December 2007.

Sudar pleaded guilty to two counts of income tax evasion and one count of GST evasion. San Antonio Carriers was fined a total of \$115,380 and given nine months to pay. Mr. Sudar is to be sentenced on Apr. 19, 2013.

Do it right

If you're looking for a New Year's resolution, make sure your invoices, income slips, bank statements, and receipts are in hand. Work with your accountant to understand all the credits, deductions, and exemptions you're entitled to take.

After years of working with clients in trucking, I can tell you that the owner/operators who do things the right way always have something to show for their efforts. □

– Scott Taylor is vice-president of TFS Group, providing accounting, bookkeeping, tax return preparation, and other business services for owner/operators. Learn more at www.tfsgroup.com or call 800-461-5970.