

## TAX TALK

# Four things you should know about filing online

The percentage of people filing their federal tax returns electronically now easily exceeds those who do so the old-fashioned way. According to Canada Revenue Agency, 16 million of the 24.5 million returns it had processed through May 31 were sent using E-file, Netfile, or Telefile, the agency's electronic filing methods.

Paper filing continues to decrease in popularity. Just over 8.5 million returns were filed on paper compared to 9.1 million at the same time last year.

The reasons are simple. More



**Tax Talk**

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Canadians have Internet access. We're accustomed to doing business online. You get electronic confirmation that your return arrived (no more dropping an envelope into a box on the corner). Plus, think how many trees electronic filing saves (the average paper return is 13 pages).

The real kicker, though, is

speed. On average, it takes two weeks for CRA to process a return filed electronically versus four to six weeks for one sent by mail.

If you're due a refund, you're going to get it that much faster when you file online.

The CRA has done a good job making electronic filing simple and intuitive, but each year we get questions about the process. Here are four things you should know about filing electronically:

### Keep your receipts

While you don't have to send your receipts to CRA when you file electronically, you are required to keep all the documents necessary to support your claims. Don't let anyone tell you otherwise. If you're audited, you'll be asked to produce valid receipts or statements to back up your deductions.

### Review your return

Whether you do it yourself or have your accountant or tax preparer file for you, make sure every detail is correct and that you double-check your return. Like your paper return, you are responsible for ensuring that the information you submit electronically is 100% accurate whether you personally hit the "send" button or not. Leave yourself time for a thorough review.

### Electronic filers get audited, too

Canadians file about 27 million individual income tax returns each year, and all are reviewed by CRA to make sure that income, deductions, and credits are accurately reported and filed.

Don't let anyone tell you that filing a paper return reduces the chance of audit. Whether paper or electronically filed, every return is subject to four types of review:

**Pre-assessment Review:** Your return is electronically analyzed. Various deductions and credits are reviewed for anomalies and missing information. If CRA has questions about your return, you'll be contacted before receiving a notice of assessment.

**Processing Review:** After a notice of assessment is issued, your return is reviewed to make sure

that certain claimed deductions and credits are accurate and are supported by appropriate documentation. In specific instances, you may be asked to provide cancelled cheques or bank statements. If a review identifies an error, you'll get a new notice of assessment.

**Matching Program:** At this point, CRA makes sure that information slips filed by third parties, such as an employer or a bank, correspond to the information you reported.

This program is typically run late summer and into the fall of each year. If there is a discrepancy between the income you report and the income reported by a third party, you'll be asked for clarification. If the CRA determines that an adjustment is required after completing the review, it will send a new notice of assessment.

**RRSP Excess Contribution Review:** After the CRA makes sure that taxpayer records are correct and that you have filed any required adjustment, the CRA looks for any excess contributions to your RRSP.

### Track your account online

CRA's electronic services like My Account and Quick Access are useful all year. You can log in and track your refund, check on your benefit and credit payments and your RRSP limit, set up direct deposit, and more.

In most cases, you'll see information on the My Account pages before you receive the official documents from the CRA by mail.

For more information about these and other electronic services, go to [www.cra.gc.ca/eservices](http://www.cra.gc.ca/eservices). If you don't have an access code for My Account, visit the CRA Web site ([www.netfile.gc.ca/dsclmr-eng.html](http://www.netfile.gc.ca/dsclmr-eng.html)) to get one.

By now your accountant should be well versed in CRA's electronic filing options and how to use them. If you have questions, don't hesitate to ask. □

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