

Are you audit-ready?

For weeks, the CRA has been reviewing one of my client's quarterly HST refunds. The process started with a standard letter asking for more information about the business, including a detailed list of gross sales and the amount of GST/HST collected.

It concluded with a threat to deny my client's \$3,000 refund claim if he didn't supply evidence to back his claim within 30 days.

I prepared a letter to CRA explaining that my client is a self-employed owner-operator and provided more information about the truck he owns and the carrier he's leased on with. I pointed out that he's zero-rated for GST/HST due to interlining provisions. I made copies of broker settlements, repair bills, and records from our bookkeeping software and uploaded everything through CRA's website using the 'Represent a Client' function.

About a week later the auditor called.

It was as though she never read what we had prepared. So off we go, recounting every detail over the phone, starting with a fresh explanation of what a highway tractor is, what zero-rated means, and why my client has receipts from three different provinces.

Another upload of documents leads to another conversation which leads to another upload, this time of his carrier contract.

Fingers crossed, we're done now.

Tax-wise, trucking is a complicated business and it should come as no surprise that your returns will attract attention. Mistakes – or worse, filing fraudulent returns or filing no returns – have serious consequences. Just ask these guys:

- Alexander Wiafe of Toronto received a five-year prison sentence and \$96,000 fine when a CRA investigation revealed that he claimed \$997,842 in GST/HST refunds to which he was not entitled and received two refund payments totaling \$106,057.

Wiafe's company, Wiafco, was purportedly in the business of importing and exporting clothing but an audit showed no legitimate commercial activity or source of funds. In fact, Wiafco's invoices and banking records were falsified, and Wiafe paid for leasing Wiafco's business premises and equipment with the refunds he received from filing his first two fraudulent GST/HST returns.

- Keith Maracle of the Tyendinaga Mohawk Territory in Ontario pleaded guilty to one count of tax evasion after investigators found that his propane supply business failed to collect and remit GST/HST to the Crown for off-reserve sales. All told Maracle received \$5,718,801 from sales to off-reserve customers

over a period of nearly six years, thereby evading \$440,907 in GST/HST. He's awaiting sentencing.

- Charl-Pol Saguenay Inc. and one of its administrators, Richard Tremblay, pleaded guilty to tax evasion when the CRA determined that the company failed to report \$283,973 from the sale of scrap metal to a local recycling company. Tremblay used the proceeds from the sales of the scrap metal for personal expenses. The company and Tremblay were fined \$47,729 and \$68,764 respectively, which represents 100% of the federal tax they tried to evade.

- Compagnie d'Arrimage de Québec Ltée. pleaded guilty to

one count of tax fraud and was fined \$648,516 when CRA found that it used false invoices to claim non-deductible expenses on its tax returns. The invoices billed to the company were in fact \$3,883,887 in expenses incurred for the construction of the company president's personal residence.

CRA takes tax evasion and fraud seriously. If you've ever made a mistake or omission, the agency's Voluntary Disclosures Program (VDP) will give you a chance to make things right. If you reach out to CRA before they reach you, you may only have to pay the taxes owing plus interest.



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.

If you need help organizing your books, talk to an accountant with experience in trucking. You'll not only manage your day-to-day business better, you'll also minimize the distraction and scrambling that come after you get that letter from CRA. **TN**