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Summer 2018



Assante Financial Management Ltd.

Upcoming Events:

**Business Owners Luncheon -
September 24, 2018**

**Financial Planning for Women -
Next Session Fall 2018**

Summer – time to relax, refresh and reunite. We hope this summer provides you the time to enjoy the sunshine and enjoy your favorite warm weather hobbies, whether you are a fisher, a golfer, a sunbather, a camper, a gardener, ... The holidays that often accompany the summer months are also a great time to reunite with both old and new friends, we hope you find time for many barbecues and get together with your friends and family.

TAX ASSESSMENTS AND REASSESSMENTS

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The Canadian tax system is based on a self-assessment or honour system, requiring every taxpayer to file an annual income tax return with the Canada Revenue Agency (CRA), which sets out income earned, eligible expenses, deductions and credits. The CRA does an initial review, taking into account items such as the

taxpayer's filing history, relevant tax information filed in the current return, and systematic red flags such as risk assessment checks.

The CRA's initial communication with the taxpayer after having received the income tax filing is a notice of assessment. The CRA could accept the tax return as filed or immediately challenge the return. In challenging the tax return, the CRA would set out their reasoning for determining a different income tax liability or request more information to substantiate an element of the taxpayer's return. In general, the CRA will issue a notice of assessment within a few months of having received the taxpayer's return. When the CRA requests additional information in their notice of assessment, the taxpayer has 90 days to provide such information. If the CRA's notice of assessment objects to an element of the taxpayer's annual filing, the taxpayer has 90 days to file a notice of objection.

Beyond the CRA's notice of assessment, the CRA has the right to issue a notice of reassessment. This situation can arise when the CRA has taken a further look at a taxpayer's return or other information has arisen. For example, the CRA matches the income claimed by a

taxpayer with the T-slips filed by employers and financial institutions. Should the CRA note a discrepancy, either in the amount reported or a situation where income has not been self-reported, the CRA will issue a notice of reassessment to adjust the discrepancy. The evolution of technology has enhanced the CRA's ability to identify non-compliance in a wide-variety of areas through in-depth statistical analysis. The period during which the CRA may issue a notice of reassessment differs by the type of taxpayer as follows:

- three years for individuals;
- three years for Canadian controlled private corporations; and,
- four years for other corporations,

from the date of mailing the taxpayer's notice of assessment. The taxpayer has 90 days from the date the notice of reassessment was mailed to comply or file a notice of objection. In the CRA's 2016-2017 annual report to parliament, they reported having assessed over 31 million income tax returns and over \$2.1 billion in additional taxes. Even though there is a time limit for the CRA to issue a notice of reassessment, they have the right to assess beyond this limit if the taxpayer has committed fraud or misrepresented information on the tax return filed. The onus of proof is on the CRA to prove that the taxpayer did indeed commit fraud or make a misrepresentation. The misrepresentation could be intentional or a simple misunderstanding.

In a recent situation, the CRA assessed a taxpayer in respect of two tax returns beyond the normal reassessment period. The disputed issue related to the taxpayer's claim for a charitable donation. In this situation, the preparer of the taxpayer's return included a claim for a charitable donation on the individual's income tax return, although no donation had been made by the taxpayer. The charitable donation scheme was subsequently identified as fraudulent. The taxpayer

appealed the CRA's decision to the Tax Court of Canada (TCC) suggesting that she was a victim of a fraud perpetrated by the tax preparer. The TCC found in favour of the CRA, explaining that the taxpayer was negligent in the filing of her return by not having verified why the refund was so large and why there were associated carrying charges. The TCC was clear in finding that the taxpayer "made misrepresentations that were attributable to neglect, carelessness or willful default." Communicating with the CRA can be unnerving for many taxpayers, but it is important to comply or file a notice of objection within the prescribed timeframes. For situations where a taxpayer is uncertain or disputes an assessment, it is advisable to seek timely professional assistance when responding to the CRA.

This article was written by Deborah Kraft and Jim Kraft and was published in the 292-2015 issue of COMMENT. Posted with permission from the Financial Advisors Association of Canada (Advocis) and The Institute for Advanced Financial Education.

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We have been meeting with many clients this past year or so regarding planning for retirement and for income. There are a number of concerns or challenges that can have a significant impact on how well prepared people feel about their “Golden Years.”

- People are living longer.

Will I outlive my money?

- Will government benefits (especially old age security) last?
- What if I or my spouse need long term care?
- What would be the impact of 2 or 3% inflation over perhaps 30 years of retirement?

Please consider a “retirement readiness review” meeting. Call us to book an appointment today.



Juvenile Life Insurance is a topic we don’t always like to think about, but can be a fantastic planning tool.

If you have young children or grandchildren, owning a participating whole life insurance policy, provides affordable insurance coverage for life. Once the child reaches the age of majority the ownership of the policy can be transferred tax free to the child. They can then access accumulated funds through a policy loan (or by surrendering the policy) to help pay for education, starting a business, buying their first home or whatever they may decide.

You have the option of choosing to have the annual dividend purchase additional life insurance coverage, which would increase the coverage amount without providing additional medical evidence.

To discuss this wealth transfer strategy or other financial strategies to help set the next generation on their path to financial well-being simply call our office to book a convenient meeting time.

HOLIDAYS & BUSINESS TRAVEL

Office Closed:

- Civic Holiday - August 6th, 2018
- Labour Day – September 3rd, 2018

David Vacation

- August 2018

Juana Vacation

- July 3rd -6th, 2018
- Fridays through July and August



Both David and Juana are always happy to meet with new people and provide a second opinion on their current financial strategies. Do you know someone we can help? Have them give us a call!

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