

Investor Insight

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After Tax Season Reminders

Once personal income tax season is over, many taxpayers breathe a sigh of relief. But just because you've filed your tax return, you may not be off the hook just yet. Here are a few things to remember:

Notice of Assessment

Once a tax return has been filed, Canada Revenue Agency (CRA) will send a Notice of Assessment (NOA). This contains useful information and should be reviewed when received.

The text portion of the NOA notifies the taxpayer of a refund or balance owing, as well as any unused capital losses, unused tuition carry forwards for students, etc. In addition, the NOA contains a box with Registered Retirement Savings Plan (RRSP) deduction limit information that indicates contributions made during the tax year, any unused contribution room available, and the total limit for the next tax year. In many cases, the NOA will not indicate any unused Tax-Free Savings Account (TFSA) contribution room but this can be determined by requesting a "TFSA Room Statement" from the CRA.

Taxpayers should remember that the NOA does not mean that CRA agrees with your tax return. As such, CRA may conduct a further review of your tax return and issue a Notice of Reassessment should discrepancies be identified.

Review of Your Return by CRA

Each year, CRA conducts reviews of various tax returns. Some returns are selected randomly; others are selected after comparing tax return information to third-party sources or because the individual may have a history of review.

Reviews do not necessarily constitute an audit. Audits involve a more in-depth process that occurs after an income tax return has been processed and has undergone a review. In this case, CRA will often assign an auditor to conduct further examination of the taxpayer's books and records.

Dekker Hewett Group
Canaccord Genuity Wealth Management
609 Granville St., Vancouver, BC, V7Y1H2
T: 604.699.0852
E: dhginfo@canaccord.com
www.dekkerhewettgroup.com

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Retain Supporting Documents

Remember: all persons required to pay or collect taxes must legally retain supporting documents in the event that CRA requests them. Books and records required to be retained must permit taxes payable to be determined and be supported by source documents (e.g., sales invoices, credit card receipts, formal contracts, work orders, etc.). Any supporting documents, such as accountants' working papers used to determine taxes payable, are also considered part of the books and records. Books and records must generally be stored in Canada.

The Income Tax Act requires individuals to keep these records for at least six years from the end of the last taxation year to which they relate (not the year of the transaction, but the year of the tax return in which the claim has been made). Failure to provide the requested information may result in prosecution and individuals convicted may be subject to a fine and/or imprisonment.

If You Do Not Agree With CRA

If you have filed taxes and do not agree with the NOA, contact CRA by phone. Should the issue still not be resolved, taxpayers may file an objection online (for registered accounts), by writing to the Chief of Appeals of the appropriate tax services office, or by completing the form T400A, "Objection - Income Tax Act".