H&R BLOCK

TOP 7 WAYS TO TRIGGER A CRA REVIEW

- **Forget a T slip:** You are required to report all your income. The Canada Revenue Agency (CRA) receives copies of all the T slips issued, so if you forget, misplace or hide a T slip, it will inevitably be uncovered by their matching program and result in a reassessment. Do this twice in a four-year period and you will be looking at substantial penalties.

- **Your business looks like a hobby:** The CRA does not expect every new enterprise to make a profit their first few years in business. However, you cannot create a business for the purpose of creating losses. There must be some reasonable expectation of profit in future years. If you claim year after year of losses, you may be answering questions about your business plan from a CRA auditor.

- **Claiming credits incorrectly**: Yes, Line 220 says you can claim support payments paid but it does not explain what qualifies as support payments. Support payments for children are deductible only if your agreement was dated before May 1, 1997. Support payments for a spouse or common-law partner are only deductible if the court order or agreement is registered with the CRA. So a claim for support payments on your 2011 return is pretty much going to guarantee a review if you do not have your court order or written agreement on file.

- **Claiming regularly reviewed credits:** There are some credits that are more likely to be reviewed than others by the CRA. Moving expenses are commonly reviewed. However, if you are asked to supply your receipts, you should not be concerned as long as you claimed everything correctly. Same with the tuition transfer. As long as you have the signed T2202A Form from the student doing the transferring, you have nothing to worry about.

- **Out of the ordinary**: Claiming higher than usual expenses is asking for trouble. For obvious reasons, the CRA does not publicize what the amounts are that will automatically trigger a review. However, if you are claiming to use your vehicle 95 per cent for business use, we would expect that they will want to see your log book.

- **Living large on little income:** The CRA may conduct a net worth assessment and you will then have to explain the discrepancy. There may be a good reason. For example, you may have won the lottery or come into an inheritance. On the other hand, you may be doing work under the table. If this is the case, you may want to come clean under their Voluntary Disclosure Program. Net worth assessments often result from information provided to the CRA on their snitch line.

- **Compliance history:** If the CRA finds that you have cheated once, you can rest assured that this is not the last you will hear from them. If, on the other hand, they conduct a random review and you pass with flying colours, they will be more likely in the future to commit their resources elsewhere.