

# **Voluntary disclosures program provides second chance to residents with unfiled taxes**

Are your tax problems keeping you up at night? Did you know that not filing income tax returns is a criminal offence?

Thousands of taxpayers, individuals and corporations, worry about unfiled tax returns, unreported income, overstated expenses and even tax evasion. A taxpayer doesn't file a tax return for one year and is afraid to file subsequent tax returns for fear of the consequences. It can be so overwhelming! But there is a way out!

The Canadian tax system is based on self-assessment. This means that Canadian residents are required to file tax returns and include all sources of income including foreign pension income and offshore income. The Canadian tax system is complicated and some taxpayers do not report all of their income through oversight while others do not report income deliberately.

When a taxpayer has unfiled income tax returns, unfiled GST returns or has discovered unreported income, and even if that income involves income tax evasion, unreported income from illegal activities or from the underground economy, the taxpayer can take advantage of Canada Revenue Agency's voluntary disclosures program (sometimes referred to as "Tax Amnesty" or "Tax Pardon").

As a chartered accountant, Andrew Grosz knows all too well how stressful tax concerns can be. Each day he receives calls from near and far: Canada, England, Hong Kong, Japan and anywhere else there is a Canadian or expatriate who is worried that the tax man is breathing down his or her neck.

"Most situations are not as bad as taxpayers fear. By coming forward and filing a voluntary disclosure, before CRA takes action, taxpayers can breath a sigh of relief when the process is all over," Grosz said.

The CRA's voluntary disclosure program, often referred to as Tax Amnesty, encourages taxpayers to come forward and clean up their mess without civil or criminal prosecution, without penalties and with the possibility of reduced interest charges.

To qualify, there are four conditions that must be met for a valid voluntary disclosure:

1. CRA must determine that the disclosure is voluntary;
2. CRA must determine that the disclosure is complete;
3. The disclosure must involve a penalty; and
4. the disclosure must include information that is:
  - at least one year past due, or
  - if less than one year past due, not initiated simply to avoid late filing or instalment penalties.

The taxpayer must initiate the disclosure. If CRA has started an enforcement action or has demanded tax returns to be filed, the disclosure will not be considered voluntary and full penalties will be applied. However, computer-generated requests to file tax returns may not disqualify a taxpayer from filing of valid disclosure.

A voluntary disclosure can be filed by disclosing your name or on a No-Name basis without revealing your identity. A No-Name disclosure may be helpful in determining whether or not you qualify for a valid disclosure and/or to reduce the number of years to be filed.

Once a voluntary disclosure is filed, the taxpayer has 90 days from the time CRA is contacted to file their submissions. Extensions may be granted for valid reasons.

Dealing with CRA can be tricky. If you are faced with tax problems, you should seek professional advice.

*Submitted by Andrew  
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Accountants.*