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FRAUD PREVENTION

Income Tax Scams



Beware of telephone calls or emails from persons pretending to be CRA agents and asking for personal information or promising you a tax refund.

According to the Canada Revenue Agency (CRA), an increasing number of Canadians are receiving telephone calls from persons falsely presenting themselves as CRA agents and aggressively asking for personal information such as credit card, bank account, passport numbers and even social insurance (SIN) numbers. (Keep in mind that CRA already knows your

SIN.) This type of telephone scam, as well as other similar kinds of scam perpetrated through email, could result in identity theft and significant financial loss for unsuspecting taxpayers.

How the Scam Works

The bogus calls have a readily recognizable structure.

1. Callers identify themselves as “CRA agents”, provide an “ID number” and return telephone numbers within the local tax office area code.
2. Callers usually make one or more of the following accusations (often in aggressive and threatening language):
 - Your taxes are in arrears and outstanding amounts must be paid immediately or bank accounts, personal assets or businesses will be seized. The amount is usually between \$700 and \$2,500, amounts small enough to be payable through a line of credit or a credit card.
 - CRA has issued a warrant for your arrest or deportation because back taxes have not been paid and the police are on their way to your home or place of business.
 - You have been involved in a fraudulent activity and are under investigation.
 - Your tax returns have been audited and you owe money.
3. The fraudster might also suggest that instead of being in trouble you are to receive a refund. Usually the amount is small enough to be believable but large enough to be enticing. The amount will be deposited directly into your bank account via an Interac transfer, but the caller needs your bank account number to make the direct deposit. The fraudster may also ask you for your social insurance number, driver’s licence number and date of birth just to “confirm” they are talking to the right taxpayer. The risk is not just that the fraudster might access your bank account but that the fraudster now has some of your unique identifiers that can be used later to steal your identity.

4. The caller counters objections by assuring the frightened taxpayer of one or more of the following:
 - If all or partial payment is made they will not proceed with collection procedures that would freeze all bank accounts, seize your home or close the business.
 - The “warrant” for these measures can be revoked and the police called off if the taxes are paid immediately.
 - As a show of good faith, the taxpayer should provide a deposit.
 - The CRA will take no further action if the taxpayer pays the arrears for the oldest one or two years immediately.
5. After making their “pitch”, the scammer adds a tone of authenticity to the call by providing a telephone number for the taxpayer to call if they wish to confirm the call is really from the CRA. This is a false number to a fellow fraudster who simply answers the phone, “Canada Revenue Agency-Collections, Agent X speaking”.

CRA protects the confidentiality of personal tax information.

How the CRA Actually Works

Taxpayers should know that the CRA does NOT:

- request personal information by email
- ask for driver’s licence, health card, social insurance or passport numbers
- leave or ask you to leave voicemail messages containing details of taxes owing or refunds available
- discuss personal details of your tax situation with anyone other than you unless you have provided the appropriate authorization
- make calls that threaten immediate arrest or seizure of bank accounts or other assets
- send the police, jail or deport anyone

How You Should Take Action

If the call sounds too good to be true, or the “CRA agent” uses aggressive language, or if the “agent” asks for information you know is already on file with the CRA, **HANG UP IMMEDIATELY**. Do not engage in conversation, and do not answer any questions.

If you receive the request by email, do not click the link, which could automatically download malware that could harm your computer and put your personal information at risk.

Be Proactive

If in doubt about the authenticity of an email or telephone call concerning your taxes, call the CRA at 1-800-959-5525 for businesses and 1-800-959-8281 for individuals. Also, contact the Canadian Anti-Fraud Centre at www.antifraudcentre-centreantifraude.ca or call toll free 1-888-495-8501. For additional information on taxpayer fraud, go to the CRA website at www.cra.gc.ca/security.

MONEYSAVER

Keep on Truckin'



Monitoring each vehicle as a cost centre is the key to managing fleet costs.

Understanding the cost of owning and operating vehicles and/or other heavy equipment is critical to making a profit. *Ensuring that each vehicle is contributing to the bottom line can be a logistical nightmare.* Each vehicle must be monitored as a cost centre. Only by establishing the cost of running each vehicle is it possible to determine the cost of the fleet and determine

whether sufficient markup has been included in the client billing to recover costs.

Cost per Vehicle

The following is a list of factors that need to be recorded:

- date and cost of purchase
- vehicle identification number (VIN), year of manufacture, make, model, and any customizations or post-purchase modifications
- all financial data whether the vehicle was bought outright, financed or leased
- terms of any loan or lease, including payment amount, date, interest rate, and forecasted payoff date
- amortization schedules to provide information on principal repayment, interest expense and date of final payment and to calculate the capital cost allowance for each vehicle and the tax impact of disposal
- details of the sale of the vehicle, including date of sale or disposal trade-in and to whom
- profit or loss on the sale
- a record of the operational history (i.e., maintenance, fuel, storage/parking, and repair costs)
- any enhancements required either for a specific task or a site-specific job

Most measurement methods are a best guess estimate.

Measuring Costs

Most measurement “methods” are, in fact, a “best guess estimate” since it is nearly impossible to know precisely the length of the asset’s useful life. To calculate the cost of operating each vehicle, one of the following factors is a useful denominator:

- life expectancy in hours or days
- kilometres driven before disposal or trade in
- hours of productive capacity

Once the denominator is chosen, it is then possible to assign a cost to each piece of equipment (e.g., a purchase price of \$100,000, plus estimated kilometres driven 500,000, equals a cost recovery of 20 cents per kilometre). Although management would never hire an employee without knowing their salary or hourly wage plus benefits, it is not uncommon for management to purchase assets knowing the base cost but having only a vague idea of the operating cost.

Estimating operational cost can be difficult without having a history of operational cost available. Start creating a history by collecting and recording data from the following sources:

- insurance costs from your broker or an online search
- maintenance costs using the suggested maintenance schedule and the shop rate from the dealer or local mechanic
- tire replacement costs using an online search combined with estimated replacement kilometres
- fuel costs based on the manufacturer's rating or from the manufacturer's website; Natural Resources Canada www.nrcan.gc.ca provides estimates for most vans, pickup trucks, etc.
- fuel consumption of long-haul vehicles is harder to estimate because of the variables in distance, loads and terrain; a starting point can be a review of various manufacturers' claims to arrive at an acceptable average; another source is the Natural Resources Canada website under the heading Fuel Efficiency Benchmarking in Canada's Trucking Industry where a recently updated study indicates that fuel efficiency is improving to 40L/100 km (seven miles per imperial gallon).

Operational Unit Costs

Once costs have been estimated, it is possible to estimate a per unit cost for operations. Thus, if a per year cost estimate is \$15,000 and the vehicle is driven 30,000 kilometres per year, 50 cents per kilometre should be added to the pro rata capital cost. Management has thus determined the minimum amount to include in billing to recover vehicle expense. At this point, you may wish to consider whether your billing model should include a mark-up on the established operational cost to recover administrative cost or downtime.

Recording Real Time Data

Software is now available for asset management and tracking vehicle costs. These systems help in building a data base for future reference. Sophisticated systems will also integrate driver records, provide service alerts, track service done, schedule future service, map vehicle locations through GPS, record distances driven and time spent at the docking bay, and create route optimization maps.

If software costs are prohibitive, a spreadsheet can be used. The most difficult aspect of tracking real time costs is educating staff to track vehicles and provide that information to the accounting department.

Actual versus Estimate

Actual costs per vehicle should be compared to the original estimated costs. If estimates are too high or too low, adjustments can be made to the cost allocation formulas.

Comparing tracked costs to various "job" revenue establishes whether a vehicle is making money. Management's review of data by vehicle enables informed decisions about the operational efficiency of capital assets by raising the following questions:

- Is an idle vehicle redundant and should it be sold or traded?
- Do we need to find more jobs that can use a particular vehicle?
- Are operational costs too high because of constant downtime for repairs and maintenance?
- Are we allocating the most effective vehicles to the job efficiently and economically?

Better Cost Management — Better Profit

Whether your business owns one, two or 10 vehicles, building a history that provides information to ensure the costs of owning and operating a vehicle are considered when bidding on or billing a job means a better bottom line.

Sorry, I Couldn't Hear That



Excessive noise levels can injure employees and result in expensive insurance claims.

Hearing loss is an occupational hazard covered by workers' compensation boards in most, if not all, jurisdictions in Canada. In Ontario, for instance, exposure criteria have been developed under the *Occupational Health and Safety Act* that would consider compensation if a person has been exposed to noise levels of 90 decibels or higher for eight hours a day for five years.

Many employers and employees simply accept noise as a necessary part of the job. This careless attitude can often result in hearing losses for exposed employees and ultimately costly claims. A decibel (dB) meter will determine the noise level at your place of work. They are easy to obtain; free iPhone and Android apps will provide you with a rough estimate of the noise levels in your workplace.

All provinces have some form of agency concerned with workplace safety. In Ontario, for example, the Workplace Safety and Insurance Board (WSIB) asks employers/employees to consider whether they have a noise problem at work by considering the following questions:

- Is noise very noticeable or aggravating while you are working?
- Do workers have to shout to be heard for at least part of the day?
- Do workers describe a temporary hearing loss after a shift that goes back to normal by the next day?
- Do workers complain of ringing in the ears at the end of a shift?
- Are vibrating or noisy tools used during the course of work, such as power saws, blowers, hammers, etc.?
- Can certain machines be identified that cause noise, such as woodworking or forging machines?
- Is the work environment noisy, such as in demolition, foundries, mining, etc.?
- Are there explosive sound sources (called impact noise) such as metal hitting metal?
- Who is exposed to noise?
- Do any people work in the area or close to the identified noise sources?

Many types of Personal Protective Equipment are available.

What Can Be Done?

To protect all workers from life-altering hearing loss and stay compliant with regulations, a good Personal Protective Equipment (PPE) program is essential. There are many ways to prevent hearing loss, and the first (and best) way is to reduce the ambient noise level. For the many circumstances in which loud noises are unfortunately unavoidable, many types of PPE are available. Two of the more common types of hearing loss prevention devices are the standard ear plugs and earmuffs.

Earplugs

Earplugs come in rubber, plastic, and materials that conform to the shape of the ear canal; most provide protection in the 10-33 dB range and are disposable or reusable, discreet or highly-visible, custom-made or off-the-shelf.

Standard Earmuffs

Earmuffs are best when used to provide supplemental protection in combination with earplugs; they also have the benefit of protecting the entire outer ear. Ratings of earmuffs vary but most have a noise reduction rate between 15 and 30 dB. Employees and employers should review job types and determine the most beneficial PPE for the specific work environment.

Electronic Earmuffs

When the environment is noisy and communication is necessary for instruction or safety, earmuffs are available with battery operated speakers connected to strategically positioned microphones that amplify the voice or sound to an acceptable level of 82 dB. Once that level is exceeded, the microphones shut down and the earmuff becomes passive. Stereo earmuffs combine the features of communications earmuffs with the ability to play AM/FM radio or an MP3 player, mobile phone or other personal audio device. If the employee wants to increase the volume of the music to drown out the ambient noise, manufacturers limit the sound level to a maximum of 82 dB.

Enforcement

Simply having the correct PPE available is not enough: to prevent hearing loss, use must be consistent. Educate employees on the effects the various noises in the work environment have on their hearing.

Resources

There are many resources available online for further research about hearing loss. Everything from the specific types of protective devices available to the average sound levels of various tasks to the regulatory guidelines for work environments is researchable. But before you get lost on the Web, check these sites first:

- The federal Ministry of Labour has a general guide to ear protection for both employers and employees: www.labour.gc.ca/eng/health_safety/pubs_hs/ears.shtml
- The Ontario Workplace Safety and Insurance Board (WSIB) provides a structured approach to identifying and preventing noise-induced hearing loss: www.wsib.on.ca/WSIBPortal/faces/WSIBArticlePage?fgUID=835502100635000369 or short URL: <http://goo.gl/vBQh1P>
- The National Institute for Occupational Safety and Health (NIOSH), a U.S. federal agency, has an interactive tool that audibly demonstrates the decibel level of various noise sources such as a mosquito, the human voice, a bulldozer, a spray painter and an impact drill: www.cdc.gov/niosh/topics/noise/noisemeter.html

TAXATION

Giving to Charity



Check with your tax advisor to make sure your charitable donation meets the requirements for your maximum tax deduction.

Canadians seem to be a very generous people and are more than willing to support charities or give to non-profit organizations that promote ideas in which the donors believe. A Statistics Canada study reported that in 2010, approximately 24 million or 84% of Canadians 15 years of age and older donated a total of \$10.6 billion.

The Canada Revenue Agency (CRA) facilitates this desire to help by providing a tax deduction. For the individual to receive the tax deduction, the donee (i.e., a charity or other qualified recipient of donations) must be registered with the CRA. Donees are not required to issue a receipt for a donation but the taxpayer cannot receive the deduction without supplying one to the CRA when remitting their tax return. Qualified donees include:

- registered charities and national arts services organizations (For a list of registered charities see www.cra-arc.gc.ca/chrts-gyng/lstngs/menu-eng.html)
- registered amateur athletic associations
- registered Canadian corporations providing low-cost housing for the aged
- registered government entities including the government of Canada, provinces/territories, and municipal and public bodies performing the function of government in Canada
- registered universities outside Canada that normally take Canadian students
- United Nations and its agencies
- Gifts to U.S.-registered charities to the extent of 75% of U.S. net income

Qualifying as a Registered Charity

To qualify as a registered charity, the organization must be registered in Canada but can carry out its activities anywhere in the world. Its structure is normally that of a charitable organization, but it can also be a public or private foundation.

To meet CRA requirements, the purpose of the charitable organization must be for:

- relief of poverty
- advancement of education
- advancement of religion
- other purposes that benefit the community in a way the courts have identified as charitable

Donations can be made in kind as well as cash.

Gifts in Kind

Gifts other than cash can also be made to registered charities. The valuation of these amounts can be complicated so discuss your plan with your tax advisor before you act.

The following are examples of donations in kind:

1. Capital gains realized on gifts of certain capital property may be subject to capital gains tax. Check with your tax advisor whether an inclusion rate of “zero” can be assigned.
2. You may not be able to claim a gift of an option to acquire property until the donee either exercises or sells the option.
3. Gifts of securities acquired under a security option plan provided by your employer may be eligible for additional deductions, provided certain criteria have been met.
4. Donations of ecologically sensitive land may provide an inclusion rate of “zero” for only certain institutions if certain conditions are met.
5. Gifts of certified cultural property.

What Potential Donors Should Look for

The CRA requires that the receipt issued by the donee contain the following information:

- a statement that it is an official receipt for income tax purposes
- the name and address of the charity as on file with the CRA
- the charity’s or registered Canadian amateur athletic association’s registration number (not required for other qualified donees)
- the serial number of the receipt
- the place or locality where the receipt was issued

- the day or year the donation was received
- the day on which the receipt was issued if it differs from the day of donation
- the full name, including middle initial, and address of the donor
- the amount of the gift
- the value and description of any advantage received by the donor
- the eligible amount of the gift
- the signature of an individual authorized by the charity to acknowledge donations
- the name and website address of the CRA

If gifts in kind are donated, additional information must be provided:

- the date the donation was received (if not already indicated)
- a brief description of the property transferred to the charity
- the name and address of the appraiser (if property was appraised)
- the deemed fair market value of the property in place of the amount of gift

Non-Profit Organizations

Taxpayers should not confuse a registered charity with a non-profit organization.

Non-profit organizations are not registered to issue donation receipts.

These organizations are managed and operated to provide benefit to specific groups but cannot earn profit. Non-profit organizations are usually set up as clubs for activities such as golf or curling, as leagues for sports such as hockey or baseball or as associations for festivals or seasonal celebrations. Non-profit organizations do not pay income tax but are required to file income tax returns. If the organization is active in only one province, the short version of the T2 annual form is filed; in more than one province, the regular T2 return will have to be completed. Quebec and Alberta require separate provincial returns. The non-profit organization must complete form T1044 if it meets any one of the following conditions:

- is entitled to receive taxable dividends, interest, rentals, or royalties of more than \$10,000 in a fiscal year
- the total assets were more than \$200,000 at the preceding year end
- an NPO return was filed in the previous year

If an organization's main purpose is to provide dining, recreational, or sporting facilities, then the property of the organization is deemed to be held by a trust and a T3 Trust Income Tax and Information Return must be filed. The deemed trust will be taxable on the income earned (including some capital gains) on any property held.

Check Then Cheque

Because the CRA now accepts so many different charitable causes and so many different methods of contributing, the taxpayer needs to be careful to meet the reporting requirements to ensure the maximum tax benefit. For complicated gifting, seek assistance from your CPA.

Disclaimer:

BUSINESS MATTERS deals with a number of complex issues in a concise manner; it is recommended that accounting, legal or other appropriate professional advice should be sought before acting upon any of the information contained therein.

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