

# The TaxLetter®

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Your Guide to Tax-Saving Strategies

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## TAXSTRATEGY

### *Amending Your Tax Return*

# Careful, now

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Last month I discussed the deadlines for your tax returns, which would depend mostly on whether you carry on a business. So, assume you are diligent and file on a timely basis so you can feel proud of yourself for not procrastinating about one of the most least interesting requirements in your life.

But of course, life is not always that easy. For some of us, the rush to get the tax return filed on time can sometimes result in sloppy mistakes. Or, perhaps, you simply forgot to include that extra income on the side. And then there's another group of you that may have received that dreaded Notice of Reassessment, meaning that your 2018 tax year administration is not yet over. If you fall into one of these two

groups, the following discussion may shed some light on how to proceed.

#### **Need to amend your return?**

CanRev's preference is that you do not file an amended income tax return in these circumstances. Instead, you should write to the Tax Centre where you filed your return, with an explanation and any additional material such as T4 slips, T5 slips and receipts requesting a change. The CRA also prefers that you include form T1-ADJ (available on CanRev's website [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)). Alternatively, you can simply go the CRA's website and make changes to your return through CRA's electronic service.

Don't forget to include your Social Insurance Number or Identification Number. If you want to discuss your return or assessment in person you may bring your own copy of the return and assessment to your Tax Services Office. If you think

the return actually filed is necessary, you should get in touch with your Tax Services Office to arrange for them to obtain the file from the Tax Centre. In some cases this may take a fair amount of time.

If you have already received a Notice of Assessment (discussed further on in this article) and did not formally object to it within 90 days of its mailing date, or within one year of the due date of the T1 return to which the assessment relates, whichever is later, you are technically bound by it. Happily though, the CRA's current policy is that you can apply for a change going back 10 years (technically speaking this is under the so-called "fairness package" introduced in the early nineties); but if you apply for a change within three years of your taxation year, the CRA will normally simply process your adjustment (exceptions may apply where your requested change is in respect of permissive deductions, such as CCA, or if it is based on a recent court case in which the taxpayer was successful). In spite of these policies, if you discovered an error in your favour and reported it to the CRA, but the 90-day/one-year time limit will expire before a reassessment is received, you may wish to file a Notice of Objection to protect your rights.

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A number of years ago, the CRA compiled a list of the ten most common errors that Canadians make on their tax returns. In order, therefore, to avoid having to request an adjustment outside of the 90 day/one year time limit, you should take a second glance at your return to make sure you don't also fall prey to the following common mistakes:

1. Making mathematical errors, such as adding and subtracting incorrectly.
2. Forgetting to reduce income by identifying amounts received for workers' compensation, social assistance payments, and net federal supplements.
3. Claiming provincial tax credits incorrectly, by not calculating provincial tax credit forms properly.
4. Forgetting to indicate pension adjustments. This affects unused registered retirement savings plan deduction room for the next year.
5. Claiming an incorrect goods and services tax/harmonized sales tax (GST/HST) credit, by using incorrect spousal income amounts.
6. Entering the wrong amount on the lines of the tax return that refer to contributions and overpayments to the Canada Pension Plan, Quebec Pension Plan, and Employment Insurance.
7. Claiming incorrect amounts as RRSP contributions.
8. Forgetting to claim the basic personal amount.
9. Claiming the spousal amount incorrectly.
10. Not claiming, or incorrectly claiming, the age amount.

Other miscellaneous errors or omissions to look out for include:

- Failure to pick up credits and/or deduction carry-forward balances from previous years (i.e., expenses related to home workspace, medical expenses, equivalent-to-spouse credits, capital and non-capital losses etc)
- Forgetting to file an RRSP or charitable donation receipt
- Not transferring credits to your spouse if you can't use them

The details for making a T1 adjustment are available at the following address:  
<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/chngtrn-eng.html>.

### Notice of Assessment – What to do?

If you receive an unfavourable Notice of Assessment, the first thing you must do is find out why CanRev has disallowed a claim or otherwise increased your taxes. If there's a difference between your figures and CanRev's, it's quite possible that no one has even looked at your return beyond a keypunching clerk. You have a legal right to appeal your case. More importantly, if you do this properly, you stand a very good chance of winning.

The first place to look is on page 1 of your notice, which is captioned "Explanation of changes and other important information". In the vast majority of cases, this explanation is computer-generated -- and much of the "explanation" you find on the page may actually have nothing much to do with the discrepancy.

In fact, at this stage, the vast

majority of problems relate to some type of clerical error. If your return has not been prepared via a computer program you may have made an error, or perhaps a CanRev clerk has simply punched in the wrong number. In other cases, there may be problems with the application of installment remittance (e.g., they've applied it to the wrong year or, worse still, a different taxpayer). Other discrepancies: there may be a late filing penalty even though you filed on time, or a manual check of your return did not reveal a receipt.

When reading the Explanation of Changes, look for something that "doesn't ring a bell", especially if there are numbers shown in the particular paragraph.

If, after reading the Explanation of Changes, you still don't know what's going on, then take a look at the "Summary" calculations contained in the notice. On the left-hand side of the page, you will see key "boxes" (data fields) in your tax return, with CanRev's calculations on the right-hand side of the page. Compare these to your return on a line-by-line basis; you should be able to zero-in on where the discrepancy is.

If you still don't know what's going on, one option is to call the folks at your Tax Services Office and ask them (of course, another option is to go to an accountant). The Notice of Assessment itself provides a phone number to request an "explanation" -- even though the Notice itself purports to give one.

Don't assume that, when you get through to a live person on the line, you are dealing with an expert on the matter in question. This simply isn't the case. In

many cases, the CanRev employees who staff the information lines may not have particular expertise in your problem and will certainly not be familiar with your tax return.

**The Next Step:** Once you understand the problem and you think that you're in the right, your next step is to contact CanRev itself. You may do this in writing by sending your enquiry to the Tax Centre to which you sent your return to the attention of the Enquiries and Adjustments Division at the address on the front of the notice. Requests by telephone or personal visits should be directed to the Tax Services Office which serves your area. The Notice of Assessment itself indicates that if the problem can't be resolved, you can contact the tax office's "Problem Resolution Program." The phone number is listed in the government pages – there is a separate listing under the name of each tax services office.

If the matter is straightforward and in your favour, so that it could be resolved on the spot, a visit to the Tax Services Office may be a good way to go, if you're able to take off work. You should have your Notice of Assessment and your copy of your return with you. The CanRev official will pull up your return, key in the

adjustment and you're finished. This sure beats waiting for weeks for them to respond to a letter. However, if the matter is more complicated, a letter may be a better way to go.

Once a Notice of Assessment is received, collection procedures may commence immediately. However, the collection procedures should stop if a Notice of Objection is filed on a timely basis.

Although some people go straight to a Notice of Objection, contacting the Enquiries and Adjustments section will give you an extra "kick" at CanRev, just in case there's a problem.

### **When contacting the CRA, I suggest the following:**

• If you write a letter, put "Re: [your name]; [Social Insurance Number] - 2018 Notice of Assessment" prominently at the top of the letter; in most cases, you should state that there has been an incorrect assessment; give the line number, the previous amount, the amount of the adjustment and the revised amount. Don't forget to include your phone number and name and address.

• Provide any reasons or details and whatever backup documentation may be relevant,

even if you have already included it with your tax return. What you want to do is give the CanRev adjuster a "self-contained package" so that he or she can zero in on the problem.

In general, you should keep your correspondence with CanRev factual and to the point. CanRev's interest is in resolving the dispute as quickly as possible. They don't want to hear your life story, or what you think of the government and our tax system. (For the latter, they can read this newsletter.)

CanRev will, as a matter of standard procedure, reassess returns if the adjustment relates to an error in arithmetic or a misunderstanding of the facts. If your dispute is based upon a different interpretation of the law, you have to file a Notice of Objection.

In many cases, your letter to CanRev may be sufficient to clear up the matter in your favour. But if it becomes necessary to actually talk to a CanRev auditor, always be courteous and to the point - I am convinced that a great many serious disputes with CanRev arise because of personality conflicts -- where someone draws the ire of a CanRev auditor. Getting along well with CanRev goes a long way towards success. □