

Canadian Income Tax Evaders Pay Heavy Price in Canada

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Tax avoidance is legal, tax evasion is not. It's that simple. Federal and provincial laws in Canada require all Canadians who earn any income file an annual return. That deadline is just days away - April 30th. Penalties for not filing a tax return or other ways of evading the taxman are stiff. The Canada Revenue Agency (CRA-ARC) Agence du Revenu du Canada enforcement division tracks down and prosecutes tax cheaters. Here are some recent convictions for a variety of tax evasion schemes:

There is no end to creative ways tax evaders attempt to cheat

Evading taxes certainly did not pay off for these cheating Canadian companies and individuals. All were convicted and sentenced to heavy fines, in addition to repaying all unpaid taxes as well as resulting civil penalties and related interest under the Income Tax Act and/or Excise Tax Act. Ouch!

Tax evasion comes in many forms in Canada

Some times corporations conspire with their employees to avoid Canadian taxes. For instance, a CRA-ARC investigation discover that Melcor Investissements Inc. helped their employees evade paying income taxes for 2000 and 2004 by covering part of their additional earnings as expense accounts or invoices. The result was certain employees were able to omit reporting income of \$1,000,000 - you read it right - one million dollars!

In February, Melcor Investissements Inc. pleaded guilty to tax evasion charges before the Court of Quebec in Montréal and was fined \$240,000. Furthermore, employees implicated in this scheme will have to pay the additional tax on their unreported income plus interest and any civil penalty.

Other times, Canadians try to forge documents and falsify expenses. Yves Bouchard, a Québec floor-covering installer, was found guilty of tax fraud last fall. The Court of Québec fined him \$13,142, which represents 75% of the federal tax he tried to evade.

The CRA-ARC investigation showed that, for tax years 2002 and 2003, Bouchard had not reported \$165,985 of net business income from his main client for whom he acted as a subcontractor. Bouchard also overestimated his expenses by \$51,207 in his 2002 personal income tax return by claiming, for a second time, an expense from the previous tax year and falsifying the date on a sales receipt. Bouchard thus tried to evade \$17,523 in federal tax.

In addition to the fine imposed by the Court, Bouchard has to pay the full amount of taxes owing, all related interest, and any civil penalties that apply.

Routine audits can also turn up Canadian tax evaders

That's how Clark Stuparyk of Calgary, Alberta got caught. He pled guilty to tax evasion in Calgary Provincial Court and was fined \$32,526.

Court heard that an investigation was undertaken when routine company audit of a local bakery discovered \$135,025 in fees paid to consultant Stuparyk, which he had not reported as taxable income from 2001-2003 in his bakery consulting business, Brewbakers. Stuparyk attempted to evade \$32,526 of federal income tax.

Ignorance is not a defence against the taxman

Occasionally, some Canadians think that if they ignore the CRA-ARC, the problem will just go away. Wrong. Ignoring the taxman can even result in prison time.

Andreas Tsassis, a Montréal businessman, was found guilty of contempt of court for a second time after failing to provide the books and records of his wholesale company, Homard Dépôt Inc., for the 2003 to 2005 tax years. Judge Simon Noël, of the Federal Tax Court in Montréal, had fined him \$6,087 in fines and related costs, payable within 10 days following the decision.

Since Tsassis neither provided the requested documents nor paid the amount as ordered by the Court, he served a jail sentence of seven days.

The Canada Revenue Agency repeatedly asked Tsassis for the books and records of his company before sending him formal notices demanding that he produce the outstanding documentation. Charges were laid against him after he did not respond to these notices.

In another situation, a habitual non-filer was fined for disobeying a judge's orders. Albertan Richard E. Barr of Calgary was fined \$10,000 for failing to comply with judges' orders to file income tax returns.

Back in 2004, Barr was fined \$3,000 for not filing his 1999, 2000 and 2001 income tax returns. At that time the judge ordered him to file the missing tax returns by June 30, 2004.

He failed to file the returns, and as a result he was brought back to court in 2005, and fined an additional \$2,000. At the time, the judge ordered that the returns be filed by December 30, 2005.

On November 17, 2005, Mr. Barr was fined \$5,000 for not filing his 2002 and 2003 income tax returns. On that date he was ordered to file the returns by March 31, 2006. If he does ever file his Canadian income tax returns, he will be subject to late-filing penalties and related interest charges.

Even income on questionable transactions needs to be reported

Jean-Claude Saillant, a former pharmaceutical representative from Lac Beauport, Quebec was found guilty of tax evasion. The Court of Quebec fined him \$67,450, which represents 75% of the income tax he tried to elude.

The CRA-ARC investigation revealed that, for the 2001 to 2003 fiscal years, Saillant did not declare \$430,083 of income from the sale of prescription drugs to a drugstore in New Brunswick. The tax he tried to evade is \$89,934. A pharmaceutical representative and an employee at a Québec regional hospital supplied the prescription drugs to Saillant.

Bottom-Line: Pay Your Taxes on Time and Completely

"Tax evasion costs all of us," said Michel Dorais, Commissioner of the CRA. "The job of our inspectors and auditors is to ensure that all Canadians pay what they owe."
The Canada Revenue Agency pursues tax evaders to maintain public confidence in the integrity of the tax system. Canadians have to trust that our self-assessment system is working and that it is fair.

"The overwhelming majority of Canadians pay their taxes in full and on time," said Dorais. "In fairness to them, the Canada Revenue Agency makes sure that people who try to avoid paying taxes are held to account." And that's the way it should be! To discover who's been nailed by the Canadian taxman recently check out the CRA-ARC website for all the names and gory details.

Remember the quickest, easiest and safest way to e-file your Canadian income taxes is using NetFile online from Dr. Tax in English (uFile) or French (ImpotExpert) for a small \$15.95 fee.