

### Tax Talk

# What your software won't tell you

This year more than 91% of all T1 income tax returns were filed electronically, either by professional tax-preparers or by individuals using tax-prep software. That's up from 78% five years ago.

While few people relish the idea of preparing tax returns, Canada Revenue Agency has made filing them pretty straightforward. There are two ways to file a return electronically: EFILE is a service for accountants and others to file returns to the CRA on behalf of their clients; NETFILE is for individuals who want to file using CRA-authorized software.

Like other types of software, it's important to understand what tax-filing programs can and cannot do, and what you're paying for. Because there's a difference between filing a return and actually preparing one. Most do-it-yourself tax software has some sort of question-and-answer mechanism to come up with information but that's where the conversation ends. Let's take a look at how that might play out.

**Income splitting with spouse:** I realize that Mr. Trudeau has made this a touchy subject, with all sorts of new rules. But the bottom line is if your spouse helps run your com-

pany, you can pay him or her reasonably for their time and effort. That alone might generate a tax savings. But there might even be a long-term benefit. Say your spouse's tax payable bill is 50% CPP and 50% income tax, versus yours which is 100% income tax. Which is better? Your spouse will get the CPP back one day. The tax paid never comes back. Is your tax-prep software programmed to dig that deep and ask that question? You may never know.

**New service vehicle:** Between capital cost allowance and loan interest, any changes here can have a significant effect on your tax bill. Adding a vehicle and showing the disposal of the old one are not easy concepts for software to explain to you.

**Tuition from the kids:** The number of times I've had to chase clients to chase their kids for tuition receipts is incalculable. But the difference a tuition donation makes sure isn't, especially if the amount is transferred over to mom and dad's return.

**Rent:** Those same kids, if they moved to go to school in Ontario, can claim their rent. It's not a tax deduction but it contributes to their Trillium benefit calculation.

The more money the kids get from the government, the less they may ask from you.

**GST/HST from meal claim:** If you made a TL2 meal claim on your tax return look at Line 457. If it's blank you left money on the table.

**Trucking expertise:** A client of ours who closed his trucking business in 2018 took his tax info to an accountant who specialized in Uber drivers because that's what the trucker did for the remainder of the year. This specialist called with all sorts of questions about the trucking



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statement we had prepared. Good for her for asking but I could tell it wasn't sinking in. A few hours later our client called wanting us to do his tax returns. Our trucking expertise trumped the Uber expert. **TN**