

Beware of wolves in the Canada Revenue Agency's clothing

Moody's Tax
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Telephone calls by fraudsters posing as Canada Revenue Agency ("CRA") representatives who threaten immediate legal action unless a purported tax debt is paid continue despite warnings published by the CRA¹, media², and others. The fraudsters are often reported to have South Asian accents and to use aggressive and threatening language unless the fictitious tax debt is paid immediately (often by wire transfer or pre-paid credit card).

For taxpayers with unfiled returns, outstanding tax debts, or other non-compliance issues the scam may appear more real. That was the case at our firm last week when a client with unfiled returns received the call threatening his immediate arrest. Fortunately, the client referred the call to our firm and we identified the scam (which used a non-CRA telephone number: 613.800.9164). The client was noticeably relieved when we passed along the news that this was a scam. The relief is not surprising since the fraudsters ultimately are playing with a foundational human emotion – fear – and using an intimidating and complex area – tax law – to facilitate such fraud. This is shameful!

The Canadian tax system has many procedures in place to establish the correct amount of tax payable starting with the delivery of a written notice of assessment. An outstanding tax debt is not, by itself, a criminal offence. CRA Collections will also not ask a taxpayer to provide an access code to a pre-paid credit card to satisfy a tax debt, will not ask a taxpayer to wire funds to pay a tax debt, and will not threaten an individual's arrest or prosecution if a tax debt is not immediately paid³. For taxpayers with unfiled returns, the CRA's practice is to issue a written request to file your return by a specified date before taking any criminal enforcement action. However, should the CRA decide to pursue a criminal investigation, then the taxpayer will generally be notified of the investigation prior to any charge, an information must be sworn setting out the charge, a summons (or similar document) will be served on the taxpayer as notice of a court appearance, and paying the tax owing will not resolve the criminal proceeding.

When a telephone call from an individual claiming to represent the CRA doesn't smell right, write down the caller's information and follow up with one of the CRA's published general information lines⁴ to verify the authenticity of the call. Fraudulent calls should be reported to the Canadian Anti-Fraud Centre⁵, and victims or those who have provided personal or financial information to fraudsters should contact their local police. It should be noted that losses suffered by victims of the scam are not tax deductible.

Let's hope that our police services crack this case and bring the perpetrators to justice. In the meantime, be careful out there. Warn your family and friends who may be susceptible to such a fraud to not fall victim to this scam.

1. <https://www.cra-arc.gc.ca/nwsrm/lrts/2015/1150610-eng.html>

2. <https://www.cbc.ca/news/business/cra-phone-scam-uses-fear-of-tax-man-to-swindle-not-so-smart-canadians-1.3124432>

3. See Ruling 2010-036019117 "Criminal / bankruptcy proceedings against a taxpayer" (May 6, 2010) and section 141 of the *Criminal Code*.
4. <https://www.cra-arc.gc.ca/cntct/phn-eng.html>
5. <https://www.antifraudcentre-centreantifraude.ca/index.shtm> or toll-free at 1-888-495-8501.