

Hot times for summer tax action: The top five

Kim G C Moody FCPA, FCA, TEP
August 8, 2012

Our firm's tax groupies often ask us what is happening in the tax world. Given that we are in the heart of the summer, we thought it would be a good time to list the top five tax matters / issues that we are waiting for. Ok... ok... tax groupies might be a bit of a stretch, but we can only hope.

1. Direction from the Internal Revenue Service (“IRS”) regarding simplified “catch-up” procedures for “low risk” US persons who are not compliant

On June 26, 2012 the IRS announced new procedures that will enable non-resident US taxpayers who demonstrate “low compliance risk” to bring unfiled tax returns and related tax reporting obligations current and avoid potentially ruinous penalties. The new procedures will become effective September 1, 2012 and further details will be announced in advance of that date. All of this was discussed in our June 28, 2012 [blog](#).

We are rapidly approaching September 1, 2012 and are anxiously awaiting detailed guidance from the IRS. This will be of great importance and interest to US persons who are resident in Canada. Of course, we will react quickly and thoughtfully to the guidance when it is released.

2. Department of Finance technical bill

As mentioned in our February 1, 2012 [blog](#), the Department of Finance is responsible for introducing tax legislation. Over the years there has been a tremendous amount of technical amendments that have not been passed. Rampant rumors surfaced over the last six months or so that the Department of Finance was getting ready to release a large technical bill to pass much of the proposed amendments over the last ten years. Most tax practitioners have welcomed this. While we believe the rumors are true, the obvious question is when? No one knows for sure but we are hoping for sometime this fall. Fingers crossed.

3. Interpretation Bulletins (“ITs”) and Information Circulars (“ICs”)

The Canada Revenue Agency (“CRA”) has, in recent years, toyed with the idea of rescinding its ITs and ICs publications. Such publications are out of date. However, the professional tax community offered to work with the CRA to try and update the very useful publications. The CRA appears to have responded positively to the professional community and announced last week that it will be replacing its ITs and ICs with a new initiative that it is calling [Income Tax Folios](#). The Folios will be organized by subject matter and subdivided into [various chapters](#). The CRA announced, in conjunction with this new initiative, that certain ITs and ICs will be [phased out](#). Kudos to the CRA for this great new initiative! We look forward to seeing the first Folios being released soon.

4. CRA 2012 Budget follow-up

In the 2012 [Federal Budget](#) the Department of Finance announced significant budget cuts for various government departments. With respect to the CRA, the Budget [documents](#) contained the following statement:

“The Canada Revenue Agency continues to modernize its operations and reduce red tape to enhance services to Canadians while reducing its overall costs. It is increasingly providing services electronically to make it easier for Canadians and businesses to interact with the Agency at the lowest possible cost. By simplifying the way it collects taxes and distributes benefit payments, the Agency will ensure Canadians and small and medium-sized enterprises receive the benefits and credits to which they are entitled as efficiently and quickly as possible. In addition, the Agency will leverage the expertise of tax professionals to improve the effectiveness of its operations.”

The obvious question is how will the CRA “leverage the expertise of tax professionals...?” The CRA has not announced their plans yet. Accordingly, tax professionals are awaiting guidance on this matter. Stay tuned!

5. Registration system for Canadian tax preparers?

Our November 21, 2011 [blog](#) shared our thoughts about this possibility given the momentum this initiative has had around the world. The latest country that seems to have joined the momentum is South Africa. Noticeably absent from that momentum has been Canada. My educated guess – and it’s only a guess – is that Canada will eventually follow suit.

So there you have it... we will keep our “groupies” informed as soon as there is action to report. In the meantime, enjoy your summer.