

Accuracy in Compliance is Key to Retaining Tax Savings



BY ROBERT D. SCHEPER

I have had the honor of writing for Ontario Trucking News for almost six years and have usually focused on the topic of tax savings using subsistence allowances (aka per-diem, meal allowance, non-taxable benefits). I have received numerous responses from operators, accountants and auditors coast to coast, the vast majority providing interest and enthusiastic support. Many of those who have contacted me understand the issues and application with minimal clarification (or at least they come across that way). However, there are still some individuals who obviously are operating with half or less than half the information.

In my industry analyst blog, "Canada Truck Operators," (<http://thrconsulting.blogspot.com/>), I have repeatedly come out in deep opposition to accountants who apply a lazy or non-existent set of rules for compliance. "Non-taxable benefits" have erroneously been applied to per mile rates or simply lumped together in a year end journal entry (both of which are usually reassessed).

If you use the system (or think you do) and are concerned about your accountant doing it right, here is a litmus test to rate your personal compliance.

There are three qualifications: you must be a T4'd employee, the employee must have an employer-employee agreement, and there must be

an audit trail to support the agreement. Ask yourself these questions:

Did your personal income tax return show T4 income from your corporation? Did your corporation remit regular monthly (or quarterly) source deductions to CRA for the year 2012? Did you regularly (monthly) receive a separate check from your corporation for meal allowance which corresponds to your travel status via your log book?

If your answer to any one of these questions was no, you may be in trouble. Unfortunately, too many accountants and bookkeepers either got you to sign a waiver or will not be held liable anyway, (some situations may limit or remove liability of tax preparers). That means that if you or your corporation is audited you stand alone against the penalties and interest... and they WILL be substantial.

I have advised many operators that if you don't do it right, don't do it at all! The only reason I am so adamant about compliance is what non-compliance does to the entire lease/owner operator industry. Picture in your mind what will eventually happen. Someone who was under the impression that they were complying with non-taxable benefit rules gets audited (and it WILL happen). There is no adequate audit trail to support the system and the auditor reassesses the return. With an average reassessment of \$10,344.70 (2012 average savings) the operator has their financial guts handed to them (plus 10-30% interest and penalties). The accountant/bookkeeper may feel very sorry for you, but isn't liable because of a signed waiver (or other circumstances). Almost immediately the talk on the CB will be "meal allowance is a sham". Fear, anger and panic bounces

from coast to coast, and disinformation costs the lease/operator industry millions of dollars in potential tax savings.

In 2011 I produced a seminar on non-taxable benefits. It is two and a half hours long with interviews and Q+A's. The system is not what most operators are used to. Each operator must

understand the system and live with the seven disadvantages. The seminar can be downloaded off our website for free. You can then evaluate if your taxes are being prepared properly.

If your accountant is not willing to prepare your personal and corporate returns without a waiver, either do the research

yourself, find someone who will stand up for their work, or remain self-employed and keep your meal receipts. It would be irresponsible of me to advise otherwise. It's not BAD news, it is just accurate news.

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has a Masters Degree in Business Administration and is the author of the Book "Making Your Miles Count: taxes, taxes, taxes" (now available on CD). You can find him at www.thrconsulting.ca and thrconsulting.blogspot.com or call 877.987.9787 or Email: robert@thrconsulting.ca. ■