

Technology's Impact on Tax Theory

BY ROBERT D. SCHEPER

The Canadian tax laws were written by both lawyers and accountants, written in such a complex way that the majority of the public becomes dependent on, you guessed it, lawyers and accountants. It's not fair, but who ever implied that taxes were fair?

The general rule regarding complexity and benefits (the more difficult the process the higher the benefits) is a phenomenon that runs in all tax-paying nations around the world. It's not just what you know but also who you know to defend what you know.

In my 2007 tax book "Making Your Miles Count: taxes, taxes, taxes", I quoted a portion of the movie, "The Firm," with Tom Cruise. Avery (played by Gene Hackman) was having a conversation with Mitch (played by Tom Cruise) in a luxury resort hotel in the Cayman Islands. Their characters were lawyers, with Avery specializing in taxes. They were dressing and preparing for a meeting with a client.

Avery quizzes his protégé with a multiple choice question: "What's the difference between tax evasion and tax avoidance?" A. 5-10 years. B. Whatever the IRS says it is. C. A smart lawyer. D. All of the above.

Ultimately, the dramatic plot interfered with a fascinating monologue concerning the tax game. As Avery expressed it, "Smart lawyers define what is acceptable and what is not".

The implication may be oversimplified and skewed towards dependency on Mr. Avery's profession, but the point is made. Saving taxes requires both knowledge and an adequate defense.

However, it's not nearly as bad today as it was in the 1993 movie. Twenty years of technology has changed entire industries. Software had the first impact and the internet the second. Together the concept of dependence on lawyers

and accountants has been significantly watered down.

Knowledge, for instance, can be gathered at well over 25 megabytes per second, and services that were once restricted by office locations and banker's hours are now 24/7. Speed and accuracy are the norm. For example, Avery in the movie wouldn't have even considered the impact of setting up corporations over the internet, filing personal and corporate returns instantly on line, downloading tax seminars to your IPOD, or doing a quick search of the CRA web site for tax rulings (IRS in Avery's situation). Gaining knowledge and expertise about your own tax situation doesn't necessarily require a face or even a phone conversation any more.

In fact, knowledge expands so fast that most times even lawyers and accountants don't keep up. (Good ones do, but even moderate ones are often caught unaware). I met a lawyer a few months ago who didn't know how to retrieve his messages on his cell phone, never mind how to text or search. An example of a good lawyer who is bad with technology!

I've heard many times that the trucking industry has a few large players but is completely dominated by small companies. Similarly in the accounting industry, when it comes to taxes for operators, there are a few large players but the vast majority of operators get their taxes done at firms who do not specialize in trucking and may not keep up with what the entire industry is moving towards. They may be competent in several industries, but not, unfortunately, in trucking. The standard response can often be "we've never done it like that before," or worse still, "you can't do that," even without researching the concept beforehand.

I've spoken with many accountants and operators coast to coast and

from what I've been able to discern, most operators (75%+) get their taxes done at a firm that has maybe 5-15% operator clients. Most of these accountants are very professional but many don't wish to assume responsibility for the Per Diem system of which I've written about many times.

The Per Diem system requires a level of mutual

training and co-operation that many firms do not wish to do. The defense of the system (to CRA) can also be costly to those who are not prepared for it. Many firms are just not interested in training drivers and staff, or risk exposure to a focused audit on their firm's practices for only a small margin of their clients who are operators.

Knowledge and ability, through technology, has changed many industries, making complex systems more digestible and training more universal. All things considered, this means more often than not that operators will probably be doing their own research into their own tax options.

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