



# Tax alert

## Warning: Making false claims could result in serious consequences.

The Canada Revenue Agency (CRA) has uncovered a new scheme involving false claims on personal income tax and benefit returns. Although taxpayers participating in this scheme report their income, they include claims for large business losses from fictitious businesses. These false claims often lead to large refunds. Taxpayers should be aware that making these kinds of false claims is illegal and could result in serious consequences. If you were thinking about participating in such a scheme, don't be fooled! Chances are you will get caught and it's not worth the risk.

### Serious consequences

Taxpayers who fail to follow tax laws could face serious consequences. The CRA has the authority under the *Income Tax Act* and the *Excise Tax Act* to use a number of tools to address non-compliance. When taxpayers are convicted of tax evasion or tax fraud, they have to repay the full amount of taxes owing and any amounts fraudulently obtained, plus interest, as well as any civil penalties that may be assessed by the CRA. If they are convicted, the courts may fine them up to 200% of the federal tax evaded or false refunds claimed, and sentence them to a jail term of up to two years.

The CRA publicizes court convictions to maintain confidence in the integrity of the self-assessment tax system and to deter non-compliance with the law. More information on these convictions is available on the CRA Web site at [www.cra.gc.ca/convictions](http://www.cra.gc.ca/convictions).

### Come to us before we go to you

The CRA is always on the lookout for tax schemes. Have you reported illegitimate business losses? If so, you may want to come forward and correct your tax affairs through the CRA's Voluntary Disclosures Program (VDP). If you make a valid disclosure before you become aware of any compliance action being initiated by the CRA, you may only have to pay the taxes owing plus interest, and you will not have to pay penalties or face prosecution in the courts. More information on the VDP is available at [www.cra.gc.ca/voluntarydisclosures](http://www.cra.gc.ca/voluntarydisclosures).

Remember, if it sounds too good to be true, it probably is.



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