Tax tip

Be well-informed when making investments

Did you know…?

Under the *Income Tax Act,* you may lower the amount of income tax payable as permitted under the law by making investments in certain arrangements, such as in RRSPs or TFSAs. However, you should be aware of the potential risks of other types of arrangements. The Canada Revenue Agency (CRA) is aware that abusive investment arrangements are offered by unscrupulous promoters and advises investors to take a number of precautions to protect their interests.

Important Facts

- Abusive investment arrangements can take many forms. Typically these involve investing with the expectation that income deductions and tax credits will result in tax savings in excess of the cash paid.
- Before investing, you should:
  - do your research on who is promoting the arrangement, and read any documents concerning the investment;
  - pay particular attention to any statements in the documents about the income tax consequences of the investment; and
  - obtain **independent** professional legal and tax advice about the investment arrangement.
- It is important to remember that **if the promoted return on investment sounds too good to be true, it probably is**.

If you believe you have participated in an abusive investment arrangement and you wish to correct your tax return, you can do so through the Voluntary Disclosures Program (VDP). Taxpayers will not be penalized or prosecuted if they make a valid disclosure before they become aware of any compliance action being initiated against them. More information is available at **www.cra.gc.ca/voluntarydisclosures**.

Learn more

For more information about abusive investment arrangements, go to **www.cra.gc.ca/alert**.

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