

Getting your return in – when and how?

The filing deadline for individual taxpayers (other than the self-employed and their spouses, who must file by June 15, 2010) is Friday, April 30, 2010. Taxpayers who are expecting a refund are well-advised to file as early as possible, as required processing times increase as the filing deadline looms. A return which might have been processed (and a refund issued) within three weeks if filed in early March will likely take twice that amount of time if filed in the last week of April. Taxpayers who will have a balance owing on filing and are disinclined to send that money to the Canada Revenue Agency (CRA) any earlier than absolutely necessary can still file well in advance of the deadline, and where there is a balance owed on filing, it's not necessarily a good idea to file as late as possible. Should the return be delayed in any way – for instance, through a computer or server crash or a postal delay, the return could end up arriving late, meaning that interest charges will be levied. In such circumstances, it's a better idea to file earlier and simply post-date the cheque to April 30, 2010.

For all taxpayers, including the self-employed, **all** taxes owed for the 2009 tax year are due and payable to the CRA on or before Friday, April 30, 2010 – no exceptions and, in the absence of extraordinary circumstances, no extensions. Taxpayers who are not in a position to pay taxes owing by the filing deadline sometimes put off filing, reasoning that there's no point to filing if the taxes owing from the return can't be paid. While that may seem logical, it's a mistake to file late, no matter what the reason. Where a tax return is late-filed, for any reason, the CRA levies a penalty calculated as a percentage of tax owing as of the filing deadline. The penalty varies, depending on whether the taxpayer has late-filed in the past (and how often), and how recently that late-filing occurred, but the minimum penalty is 5% of taxes owed, plus interest on those taxes. A taxpayer who cannot come up with the money needed to pay taxes owed on filing should file anyway, and enclose a letter to the CRA explaining the reasons for the late payment. Generally, the CRA will be willing to set up a payment plan with the taxpayer through which the tax owing can be paid over time. While it's impossible to avoid the interest charges which will be levied where taxes are paid late, a taxpayer who nonetheless files the return on time will at least avoid the late-filing penalty.

It's worth noting that while the CRA can and usually does notice and correct arithmetical and clerical errors that appear in returns, the CRA does not (and cannot) ensure that taxpayers claim all the deductions, credits, and benefits available to them. It's up to the taxpayer to ensure that the annual return is completed accurately, and all available deductions and credits are claimed and received – or lost.

At one time, the deadline for filing a tax return and the options for filing it were straightforward – everyone had to file by April 30, and the paper-and-pencil return was the only option. While paper filing is still an option, it's one used by a diminishing number of taxpayers every year. With each successive filing season, more and more taxpayers turn to one of the three available forms of electronic tax filing – E-FILE, NETFILE, or TELEFILE. Since most Canadian taxpayers are eligible to use at least one of these electronic methods, the choice is often one of personal preference.

The simplest electronic filing method is probably TELEFILE. Taxpayers whose tax situation is relatively straightforward and who are therefore eligible to use TELEFILE will receive a four-digit "access code" with their return package. Even if the return package didn't include an access code, it's possible to get one (assuming that your tax situation qualifies) by calling the CRA's e-service Help Desk toll-free at 1-800-714-7257. Using TELEFILE is quite straightforward, as the user is guided by a series of voice prompts and has the opportunity, at each step, to verify information entered or, if necessary, to correct it. The CRA's Web site also contains information on the dates and hours when the service is available, as well an explanation of how to use TELEFILE. That information can be found at <http://www.cra-arc.gc.ca/esrvc-srvce/tx/ndvdlstlfl/bt-eng.html>.

Taxpayers who are able and willing to prepare their returns using computer software can take advantage of the CRA's NETFILE option. Each year, the CRA certifies or approves specific commercial software packages or Web applications which may then be purchased by the taxpayer and used to file a return through the CRA's Web site. As might be expected, there are encryption requirements which must be met to ensure the security of the data. The CRA's Web site contains a listing of browsers which meet those requirements, as well as a link to a listing of approved software and Web applications for the filing of 2009 returns, at <http://www.netfile.gc.ca/menu-eng.html>.

Both TELEFILE and NETFILE are available for the filing of 2009 tax returns as of February 15, 2010, and will continue to be available until September 30, 2010.

Finally, taxpayers who prefer to simply let someone else handle the entire tax filing process usually turn to E-FILE. E-FILERS are businesses (usually accountants or accounting firms, or companies or individuals whose business is composed solely of tax return preparation and filing) who are authorized by the CRA to electronically file tax returns for clients. A link to a listing of authorized E-file services providers (organized by postal code) can be found on the CRA's Web site at <http://www.cra-arc.gc.ca/esrvc-srvce/tx/ndvdlstlfl-nd/menu-eng.html>.

No matter which filing method is chosen, it's important to make sure that any taxes owed are paid by the April 30 deadline. If that deadline is missed, the interest clock starts running on May 1. And, although interest rates are currently very low by historical standards, taxpayers are often surprised to find that interest rates charged by the CRA are, by law, well in excess of current commercial rates. Currently (until March 31, 2010), the CRA charges interest on overdue or insufficient tax payments at a rate of 5%. And, by law, those interest charges are compounded daily, meaning that on each successive day after May 1, interest is charged on the interest levied the day before.

While no one likes paying taxes, or dealing with the administrative burden of filing a tax return, putting it off just doesn't make sense, especially in light of the interest and penalty amounts which may be charged.