

Behind the Counter

Tax preparing vs tax consulting.

Tax laws are complicated and to top it all off, they keep changing. As soon as someone finds a loophole, the Canada Revenue Agency starts working on a law to close that loophole. The law doesn't even need to be passed. If it is proposed, it is automatically considered law in the tax act and we need to report our income and expenses differently to comply with the new proposed law.

So that leads me to ask what is the difference between tax preparing and tax consulting?

Anyone can fill out a tax return. Put your income on line 1 and carry it down to line xx and over to the last page, then enter in the tax that was deducted on your T4 slip and subtract that from the tax that was calculated and bingo – the rest is what you owe. Some people prefer to have someone else fill out their tax returns and I am totally in agreement with that. Why spend time doing something that you can only do relatively well, when you can pay someone to do the same job more efficiently and hopefully accurately.

Tax offices are springing up all over this time of year, but what sort of credentials do these people have that you are trusting to do your taxes? A tax preparer is guided by the tax act and fills out the forms based on the guidelines as stipulated in the act. While the tax consultant follows the act as required, but helps you, the client, to find additional ways of reducing your tax bill. Normally you would develop a relationship with your tax consultant, so that as the years pass, the tax consultant can advise you better because he or she knows your level of risk and your plans for the future. Whereas a tax preparer

may not be there from year to year since the job is only seasonal and the location is usually only temporary.

There are also different levels of tax consultants, those that are really conservative and could easily be considered a tax preparer and on the other end of the spectrum, there are those that are extreme risk takers and may advise clients to do things that are at the cutting edge of the law. It is up to you to find a tax consultant that you are comfortable with.

Unfortunately, or fortunately depending on how you like to look at things, what happens in our local economy is that designated accountants (tax consultants) are so busy that they find it difficult to take the time with each client to develop the relationship and many times the tax returns get filled out by the support staff and the client never sees the accountant.

The reality is that this situation is not going to change. There is simply not enough time to properly prepare and research all the loopholes for a tax return in the 6 weeks between the time that clients receive their slips and the April 30th deadline. So here are a couple of suggestions. A person could tax plan before the tax season begins and set up a relationship with a tax consultant (accountant) before tax time so that when the busy season hits, it really doesn't matter about seeing the accountant, because the accountant and the client are already prepared. Alternatively, the client could meet with the accountant after tax time to plan for the next tax year and keep in touch with the accountant as circumstances change during the year. Or, the client could try to see a very busy accountant during the tax season who may be unable to give sufficient guidance due to looming pressures to get all the returns done before the deadline.

Here is a short summary from my recent tax update course material of 603 pages of some of the new tax items for this year – Pension Income Splitting; Registered Disability Savings Plan; Income Tax Credit for creating a Child Care Space; changes to the lifetime Capital Gains Exemption; Transit Tax Credit; Working Income Tax Benefit and Income Earned On-Line is Taxable. Please note that this is by no means a complete list.

Banka & Company has opened a satellite Tax Services office with McNamara & Company on the lower floor of the Towne Centre Mall to serve you. We have tax technicians that will record your information and enter the data into the tax program. The accountants review the returns before they are returned to you for signature. If you would like to discuss your return with an accountant, you have that option. We will be open during regular mall hours until May 9. Our regular office on the second floor is also open with extended hours 9 to 5, Monday to Friday and 10 – 3 on Saturdays.

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