

Canada Revenue Agency

Tax Alert

## **Don't buy into illegal tax protester schemes**

The Canada Revenue Agency (CRA) is always on the lookout for illegal tax schemes and those who promote them. The CRA works closely with the Royal Canadian Mounted Police, provincial and local police, and other law enforcement agencies on tax cases to maintain the integrity of the tax system.

The CRA is particularly concerned that some taxpayers continue to choose to participate in the tax protester movement, which wrongly claims that people can refuse to file their income tax and benefit return and pay their taxes owed. The CRA pursues taxpayers for evading taxes or promoting tax evasion, or both, and warns and educates the public on tax schemes and that it will pursue investigations of tax protesters.

### **Natural vs. legal person**

One of the most common—and false—arguments tax protesters use is the natural vs. legal person argument, in which they treat themselves as two separate people for income tax purposes. They define the natural person as the individual who performs the labour required to earn the income and the legal person as the legal entity that the federal government creates when it issues and uses the social insurance number. Tax protesters allege that the legal person has to file a tax return but that the income received belongs to the natural person and is therefore not subject to Canadian income tax. Canadian courts at the federal and provincial levels have repeatedly and consistently rejected arguments made in these tax protester schemes.

### **Serious consequences**

Choosing to participate in one of these schemes can have serious consequences. For example, between January 2007 and March 2014, the CRA convicted 35 taxpayers who participated in the tax protester movement. In addition to having to pay the taxes owing, the taxpayers were sentenced to \$5.4 million in court fines and 325 months of jail time. Of these 35 taxpayers, 4 were promoters of the schemes and were sentenced to \$1.28 million in court fines and 188 months of jail time.

## **It's not too late to correct your tax affairs**

Individuals who would like to correct their tax affairs can voluntarily come forward, and they may not be penalized or prosecuted if they make a valid disclosure before they become aware of any compliance action being taken by the CRA against them with respect to their disclosed information. These individuals may only have to pay the taxes owing, plus interest. More information on the Voluntary Disclosures Program can be found on the CRA website at [www.cra.gc.ca/voluntarydisclosures](http://www.cra.gc.ca/voluntarydisclosures).

The CRA reminds Canadians that, when it comes to their tax affairs, they should get independent advice from a reputable professional.

The CRA website contains important information for taxpayers to help them understand how to protect themselves against tax schemes and the consequences of participating in such schemes. Information on various related topics can be found at [www.cra.gc.ca/alert](http://www.cra.gc.ca/alert).

## **Additional reading**

- [Don't buy into illegal tax protester schemes \(2011\)](#)
- [Debunking tax myths](#)
- [Tax Protesters - Questions and Answers](#)

-30-

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