00:00:00:00 - 00:00:23:16

Unknown

If Sierra decides to get into a network audit, things get very scared and uncomfortable really quickly. They're trying to reconstruct events financially. It took a long time to prove out you're not guilty lawyer or tax lawyer to represent you. Get it to be cooperative. Understand what they're asking for. Have your story straight. Don't say too much. Not all your documentation as well.

00:00:23:19 - 00:00:49:21

Unknown

Look, what is my ROI on investment? And build a real estate in market. You need to promise land tax registration, luxury bags and cars and like watches, Rolexes. And you're posting that it's public. If you have a public account, CRA sees all those things and that might be a target for them as well. I don't know where to stop because of information, because it's for $8 million.

00:00:49:25 - 00:01:09:22

Unknown

Auditors started to kind of peel the onion. The minimum acceptable is when someone's perceived to get you or a target of an audit, because you chose to not get financing conditions for all your life savings with your business.

00:01:09:25 - 00:01:10:08

Unknown

If Sierra

00:01:10:12 - 00:01:23:08

Unknown

decides to get into a networth audit clients get very scared and uncomfortable really quickly. Rightfully so. Because they ask for so much information. Right. Like we've seen this with some of our clients. Yeah.

00:01:23:08 - 00:01:31:03

Unknown

They're trying to reconstruct your life financially. Right. They're not asking for your income. They're not asking for your T4 slip, your taxes.

00:01:31:03 - 00:01:39:20

Unknown

They're just looking at what are you spending money on? What assets do you have? And how do you explain? You have all this to spend money from?

00:01:39:23 - 00:01:55:04

Unknown

So, this is where they're asking for so much information about you to track every dollar you're spending. Yeah. Essentially. Right. And these types of audits, they're extremely broad. And sometimes

00:01:55:07 - 00:01:57:29

Unknown

you just don't know where it stops in terms of information

00:01:58:05 - 00:01:58:14

Unknown

request.

00:01:58:21 - 00:01:59:04

Unknown

Yeah. Because

00:01:59:05 - 00:02:16:03

Unknown

typically through like if we think of like an audit that we see sometimes they're just looking at deductions or they're wanting you to prove out how you've expense tonight. Or taking a deduction for. But in these audits they're asking for everything under the sun. Right. And they're and they're wanting to see how you're living, what

00:02:16:05 - 00:02:17:09

Unknown

you're spending on.

00:02:17:12 - 00:02:31:29

Unknown

What is your income. That might not be reported in some cases. And they want to see that. So we can. And seeing all the information providing all that information to Sierra can get very, very overwhelming.

00:02:32:06 - 00:02:33:05

Unknown

Yeah. And I think we should

00:02:33:06 - 00:02:41:07

Unknown

break it down like in terms of like, how does CRA target you were the targets. What's the audit process looks like?

00:02:41:09 - 00:02:49:14

Unknown

And then how you should be responding to these types of audits if and when your your your targeted. Yeah. Yeah. And what

00:02:49:15 - 00:03:00:06

Unknown

information they can ask for. What what they typically ask for. Maybe walk through some like kind stories that we've seen as well. Yeah.

00:03:00:08 - 00:03:04:02

Unknown

I think maybe it's maybe it's fair to ask like how common are these audits.

00:03:04:05 - 00:03:13:07

Unknown

I don't think they're super common. Like in your experience. Yeah. So I mean the net worth audit if you like. They are

00:03:13:07 - 00:03:25:25

Unknown

becoming in relative terms right. They're becoming more common that I see it. Like maybe it wasn't as as huge of a deal before. Yeah. But now I feel like they're asking these types of audits are emerging more often.

00:03:25:27 - 00:03:29:24

Unknown

Right. And they're coming in different ways and shapes and forms and it

00:03:29:26 - 00:03:32:20

Unknown

doesn't you don't really know that you're going to be

00:03:32:22 - 00:03:33:05

Unknown

getting

00:03:33:07 - 00:03:36:13

Unknown

into a net worth audit from the beginning, because you

00:03:36:16 - 00:03:39:01

Unknown

it doesn't never really start, start. Well, it

00:03:39:08 - 00:03:44:20

Unknown

can, but oftentimes it doesn't really start to say we're going to do a net worth audit on you.

00:03:44:22 - 00:03:51:08

Unknown

It based on my experience, like we're dealing with the most recent case right now. We have a client that, immigrated

00:03:51:08 - 00:04:06:01

Unknown

to Canada in, you know, pre-COVID in around 2018, 2019 time and immediately coming after us in this country wanting to figure out how to settle in this country and pre before, you know, coming from their home

00:04:06:09 - 00:04:09:09

Unknown

country, they were self-employed, always had, you know,

00:04:09:10 - 00:04:12:02

Unknown

knack of like running a business and had

00:04:12:02 - 00:04:13:14

Unknown

done well for themselves you know.

00:04:13:15 - 00:04:14:10

Unknown

And so when they moved

00:04:14:10 - 00:04:17:08

Unknown

to Canada they're looking for opportunity. Like what is a business. I can start

00:04:17:11 - 00:04:29:21

Unknown

in this country. And they decided to buy a business. And that business was very expensive because they had, I think they had that they bought the business for $8 million. Yeah.

00:04:29:24 - 00:04:35:05

Unknown

And so the funny story is that this company gets audited.

00:04:35:07 - 00:04:43:19

Unknown

Fast forward five years later, he's already purchased the business. Everything is well and good. The business is running, although it's not performing well because, you know, the economy's, like, kind of bad,

00:04:43:22 - 00:04:46:10

Unknown

but, the business itself

00:04:46:11 - 00:04:49:09

Unknown

gets audited. CRA is questioning some deductions

00:04:49:14 - 00:04:52:10

Unknown

and some losses. It's claimed. But the interesting

00:04:52:14 - 00:04:54:21

Unknown

thing is that the

00:04:54:27 - 00:04:58:29

Unknown

auditor started to, you know, kind of peel the onion.

00:04:59:02 - 00:05:06:11

Unknown

They're like looking into, well, okay, you you bought this business when like, oh five years ago. How which was the purchase

00:05:06:11 - 00:05:21:07

Unknown

price. It was $8 million. Oh. How come you don't have any debt related to this? Like, how did you pay for this $8 million. Oh, I I k I came with the money from my own home country and they're like, well, you have $8 million cash.

00:05:21:10 - 00:05:22:08

Unknown

Yeah,

00:05:22:10 - 00:05:24:22

Unknown

that's going to be surprising for them. Yeah.

00:05:24:25 - 00:05:27:10

Unknown

You know, you know, come across people that may have $8

00:05:27:11 - 00:05:30:12

Unknown

million in cash often. So yeah. Yeah. But like I think about like a

00:05:30:15 - 00:05:33:11

Unknown

generational savings. Know you're packing up from your home

00:05:33:13 - 00:05:36:12

Unknown

country and it can happen. But like that I could see

00:05:36:16 - 00:05:38:28

Unknown

that could put you cra on your radar.

00:05:38:28 - 00:05:41:09

Unknown

Now if you're saying things like that. Right. Yeah.

00:05:41:10 - 00:05:44:10

Unknown

Which is unfortunate. Right. Like, I mean, it is it's like I'm

00:05:44:12 - 00:05:46:18

Unknown

choosing Canada as my home and this

00:05:46:18 - 00:05:49:15

Unknown

is my personal you you're choosing Canada as your home.

00:05:49:17 - 00:05:51:11

Unknown

You're bringing all this money to Canada.

00:05:51:13 - 00:05:53:05

Unknown

Yeah. And and

00:05:53:05 - 00:05:58:18

Unknown

now you're a target of an audit or auditor because you chose to not get financing.

00:05:58:18 - 00:06:02:21

Unknown

You just used all your life savings into buying a business. Yeah, not

00:06:02:22 - 00:06:06:08

Unknown

to say there are no bad actors, but here's a situation that

00:06:06:13 - 00:06:12:08

Unknown

completely good faith. Now the client is in trouble because trouble in the sense that now they're going to be going through spending

00:06:12:09 - 00:06:16:02

Unknown

time and resources towards this audit. Yeah.

00:06:16:04 - 00:06:23:22

Unknown

So like now this auditor is like, asking for they don't

00:06:23:23 - 00:06:24:24

Unknown

know what they're looking for.

00:06:24:24 - 00:06:39:16

Unknown

Really. All they thought was like, hey, it's interesting this guy's not showing so much income, but he had $8 million to buy this business. Something is fishy. Where did he get this money from. Well I don't know. So I must ask questions. So

00:06:39:18 - 00:06:49:00

Unknown

now they want, bank statements, credit card statements. They want

00:06:49:07 - 00:06:51:13

Unknown

explanation of each deposit to the bank

00:06:51:14 - 00:06:55:29

Unknown

statements when they came to the country, where did the money come from?

00:06:56:02 - 00:06:56:15

Unknown

And they

00:06:56:17 - 00:07:07:13

Unknown

need not just Canadian bank statements. They need like worldwide. Yeah. Right. So, I mean, that's just to get started, right? Because now CRA is going

00:07:07:13 - 00:07:10:09

Unknown

to be the auditor will be,

00:07:10:13 - 00:07:13:09

Unknown

looking at not just these

00:07:13:13 - 00:07:19:13

Unknown

statements, but they're going to be compared to the lifestyle they'll be looking at. What other assets does this person owns if the business

00:07:19:17 - 00:07:21:13

Unknown

is making money or making losses,

00:07:21:18 - 00:07:22:24

Unknown

who is paying for those losses?

00:07:22:28 - 00:07:28:23

Unknown

So all to say is that they're not looking for a particular deduction or like a, you know, like they're

00:07:28:23 - 00:07:31:08

Unknown

looking at how does this person have money.

00:07:31:13 - 00:07:33:13

Unknown

They're looking at it actually like

00:07:33:14 - 00:07:39:07

Unknown

trying to piece together what is their actual net worth. And does that translate to tax being collected? I think

00:07:39:08 - 00:07:40:25

Unknown

that's a really good word. Use forensic.

00:07:40:26 - 00:07:45:10

Unknown

Yeah they're forensically combing through your life very carefully and

00:07:45:14 - 00:07:48:00

Unknown

reconstructing your financial dollar

00:07:48:04 - 00:07:50:14

Unknown

for dollar where you get that dollar from, how

00:07:50:17 - 00:07:52:27

Unknown

do you spend it and explain all the money. Yeah.

00:07:52:29 - 00:08:00:11

Unknown

They're just trying to see if it reconciles that. Like you know, how has there been tax collected where it should be. And they want to see has that been reported.

00:08:00:13 - 00:08:02:23

Unknown

And then asking more questions. Right. And

00:08:02:25 - 00:08:05:11

Unknown

it is unfortunate because that individual that's

00:08:05:14 - 00:08:08:15

Unknown

acting in good faith may decide to leave Canada.

00:08:08:17 - 00:08:11:14

Unknown

Yeah. After coming here and then having to put all this time

00:08:11:15 - 00:08:14:14

Unknown

and resources towards answering these questions. I think

00:08:14:14 - 00:08:20:04

Unknown

it's a turnoff, like if you're using Canada as a home and like just because you brought all the, you know, your, your

00:08:20:07 - 00:08:22:14

Unknown

generational savings to, to this country, only

00:08:22:16 - 00:08:24:25

Unknown

to have been badly.

00:08:24:25 - 00:08:32:06

Unknown

Now, looked at from some from that perspective. Yeah. It just doesn't sit well with me personally. It doesn't sit well. Yeah. But

00:08:32:08 - 00:08:37:11

Unknown

not to say that there are some bad actors who can do that bringing like, maybe money laundering

00:08:37:16 - 00:08:39:22

Unknown

money and, like, brought cash and, like, started. Yeah,

00:08:39:23 - 00:08:44:21

Unknown

there's definitely bad actors out there. But it's unfortunate for those that are acting in, they

00:08:44:23 - 00:08:47:16

Unknown

get caught up into these things because it is, you know, going through all

00:08:47:17 - 00:08:51:06

Unknown

this takes a lot of time and effort and a lot of information that you

00:08:51:06 - 00:08:51:10

Unknown

have.

00:08:51:11 - 00:08:53:29

Unknown

I bet you this, this audit itself of

00:08:54:01 - 00:09:02:14

Unknown

like right now we're in the midst of it that we're speaking of, this will take at least a year. Yeah, right. At least a year. And,

00:09:02:19 - 00:09:05:16

Unknown

by the time we're done with it, obviously,

00:09:05:18 - 00:09:10:23

Unknown

I do expect not everything will be like. Oh, like like it's good.

00:09:10:25 - 00:09:11:24

Unknown

There was no changes.

00:09:11:24 - 00:09:15:18

Unknown

Like, go ahead and, there's no bad consequences

00:09:15:18 - 00:09:18:18

Unknown

coming out of it. There's gonna be back and forth. Well, serious spending. And

00:09:18:19 - 00:09:25:06

Unknown

this is I think that's a good point to me because, like, if Sierra is about to dedicate one year of their time and resources on you, it

00:09:25:08 - 00:09:30:07

Unknown

looks very bad for a Sierra auditor not to walk away with any tax.

00:09:30:12 - 00:09:31:08

Unknown

Yeah. Oh,

00:09:31:09 - 00:09:33:24

Unknown

yeah. If you think about it from that perspective for sure. Yeah.

00:09:33:29 - 00:09:42:10

Unknown

So like they now the auditor is going to be spending so much time they gotta show to their team leader or their, their management is a business that at the end

00:09:42:11 - 00:09:44:18

Unknown

of the day look, what is my ROI

00:09:44:20 - 00:09:48:10

Unknown

return on investment I spent one year of time on this.

00:09:48:12 - 00:09:50:10

Unknown

I must be able to produce something whether

00:09:50:13 - 00:09:55:12

Unknown

or not they have, the right or the wrong result.

00:09:55:15 - 00:09:58:18

Unknown

They'll always say, well this is our decision and now we're going to the

00:09:58:21 - 00:10:01:22

Unknown

price will always be to try to collect as much tax

00:10:01:22 - 00:10:07:25

Unknown

revenue from you. Right. And they'll try to piece together that information and then it's up to you to prove them wrong.

00:10:07:26 - 00:10:08:03

Unknown

Yeah.

00:10:08:06 - 00:10:11:20

Unknown

Well, we, we've, you know, in one of the other podcasts that you and I spoke about

00:10:11:22 - 00:10:19:23

Unknown

not long ago where, what, 53,000, auditors, CRA employees are doing?

00:10:19:25 - 00:10:22:23

Unknown

We had spoken about, like, how many audits

00:10:22:24 - 00:10:29:27

Unknown

actually are done and how many are actually going through objection stage that they get appealed. And then the rate

00:10:29:29 - 00:10:33:29

Unknown

of win at the objection stage is like more than half.

00:10:34:01 - 00:10:34:21

Unknown

So if you just

00:10:34:24 - 00:10:36:24

Unknown

like take your audit, there's more than

00:10:36:24 - 00:10:41:25

Unknown

55% chance that you will actually win that audit at the appeal stage. What does that tell you? It tells you

00:10:41:28 - 00:10:45:24

Unknown

that they know they may be wrong, but it's up to you to put more time and resources in it

00:10:45:25 - 00:10:48:24

Unknown

to fix that is off the auditor's desk, I'm sorry to say that,

00:10:48:25 - 00:10:52:04

Unknown

but like it's off the auditor's desk, they just want to get the file out first.

00:10:52:07 - 00:10:56:24

Unknown

Yeah. Close it. And now it's like your problem to go on appeal it. An appeals group

00:10:56:29 - 00:10:59:25

Unknown

is like overly backed

00:10:59:26 - 00:11:06:25

Unknown

up with so many cases all the time that it takes one year to, to do a medium sized medium

00:11:06:28 - 00:11:11:19

Unknown

complexity case. Yeah. I think we spoke about in our previous podcasts like this, the

00:11:11:25 - 00:11:14:26

Unknown

statistics, the statistics is around like 335

00:11:14:26 - 00:11:15:21

Unknown

days on average.

00:11:15:21 - 00:11:21:25

Unknown

Yeah. To to to resolve a medium complexity case. Why is that? Because they're you're just getting way too many

00:11:21:28 - 00:11:24:25

Unknown

audits that are coming up for appeals. That's really

00:11:24:26 - 00:11:34:07

Unknown

constraining their resources. Yeah. And more than half are being like overturned by appeals at CRA. Yeah. That's so unfortunate that that's what

00:11:34:07 - 00:11:37:24

Unknown

you have to go through just to prove that you're right.

00:11:37:26 - 00:11:39:00

Unknown

It shouldn't be that way. It shouldn't

00:11:39:00 - 00:11:52:27

Unknown

be that way. So like, I think it's it just kind of like the the big picture lens is always important to see is like, where is the agency coming from from the audit side. And like if you if they start to do any audit on you and network audit is

00:11:52:29 - 00:11:59:02

Unknown

probably the worst one to go is because it's like he said he said, she said sometimes, yeah.

00:11:59:04 - 00:12:08:28

Unknown

Especially if you don't have documentation to prove out what happened, which is key in these audits. Yeah, and it definitely goes into he said she said which is it

00:12:08:29 - 00:12:16:00

Unknown

can take a long time to prove out that you're not guilty. Not that I think it's an important thing. You just mentioned,

00:12:16:02 - 00:12:18:07

Unknown

like guilty, not guilty. Yeah.

00:12:18:12 - 00:12:24:00

Unknown

The network audits generally you're you're guilty until proven innocent.

00:12:24:00 - 00:12:24:24

Unknown

Yeah. It's different

00:12:24:28 - 00:12:27:09

Unknown

from in criminal prosecution

00:12:27:11 - 00:12:30:28

Unknown

in general. You're innocent until you get this right. Well, you should be. It should be

00:12:30:28 - 00:12:41:22

Unknown

the same way. Yeah. Yeah. So like Sierra if if Sierra auditors convinced that, you have not declared all your income and they have proven you

00:12:41:29 - 00:12:45:23

Unknown

guilty, now it's up to you to prove yourself innocent at the next level of dispute.

00:12:45:28 - 00:12:54:29

Unknown

Yeah. And until then, whatever tax that they've charged you with and the interest and penalties that go along with it, very commonly, collections will be after

00:12:55:01 - 00:13:03:15

Unknown

you. And now it's up to you to actually fix that later. And the interest is compounding daily. So even if they know they're wrong and they're telling you this is your tax bill, audit's done.

00:13:03:18 - 00:13:05:29

Unknown

It's just adding up and adding up until you say, oh,

00:13:06:01 - 00:13:11:26

Unknown

daily. It's like I've seen cases like what Sierra interest has been like up to 9% compounded daily. But yeah, recently I

00:13:11:27 - 00:13:20:22

Unknown

have seen case of we have seen cases where like the interest could be like more like up to more up to 50% of the tax I had to do because of the time.

00:13:20:22 - 00:13:26:02

Unknown

Oh yeah. Right. So it adds up super quickly. It's like shark loan at the end of the day. Yeah. All

00:13:26:04 - 00:13:38:27

Unknown

nondeductible and and and on top of that if, if very commonly they do penalties on top of that and unreported income which is common allegation in these types of

00:13:39:01 - 00:13:42:28

Unknown

audits. The penalties are 50% of the unreported income.

00:13:43:00 - 00:13:43:07

Unknown

And

00:13:43:08 - 00:14:00:13

Unknown

the taxpayer is, paying professional fees and all these other fees to just prove themselves. Yeah. What you need because you need to make a strong case, right? That CRA is wrong, right? You need professionals to help you do that. Yeah, but it's unfortunate that it has to start that way. So

00:14:00:13 - 00:14:07:19

Unknown

so having all that like context at the beginning of this podcast, I think let's get into like who gets targeted by these types of audits.

00:14:07:21 - 00:14:09:19

Unknown

Yeah. Right. And

00:14:09:21 - 00:14:16:08

Unknown

specifically what puts a red flag on you and and start to go down that list. Let's do it.

00:14:16:16 - 00:14:16:22

Unknown

So

00:14:16:24 - 00:14:22:00

Unknown

Praveen like, very commonly. Right. Like the people

00:14:22:02 - 00:14:32:11

Unknown

who get targeted. I mean, obviously it's not random and CIA has some method to the madness in terms of how they go about, like choosing people for audits. I mean, the first example

00:14:32:13 - 00:14:41:20

Unknown

we spoke about was like happened to be a normal order for a company, but then it it seeped into a personal audit and became a networth audit that's going to blow up, which can happen often.

00:14:41:20 - 00:14:42:19

Unknown

I think. Yeah. Like

00:14:42:25 - 00:14:48:12

Unknown

sometimes like there's just happened to stumble upon where like with curiosity, the audit just becomes uncontrollable. Yeah.

00:14:48:14 - 00:14:55:26

Unknown

Or the taxpayer says something or gives extra information that they didn't need to or se. Right. That opens up that. But

00:14:55:28 - 00:15:01:16

Unknown

let's say like Sierra has not like started a normal audit on you that led to a networth audit.

00:15:01:16 - 00:15:02:08

Unknown

But let's say they're

00:15:02:11 - 00:15:11:08

Unknown

like actually going to start with networth audits. So let's talk about like who is the red flag targets for them.

00:15:11:11 - 00:15:14:22

Unknown

And how do they find these be how do they like target. You go

00:15:14:22 - 00:15:23:08

Unknown

to the target actually. Sure. Like one thing we can mention is like we were talking about it, industries that have a lot of cash being exchanged.

00:15:23:11 - 00:15:24:11

Unknown

Right. So like

00:15:24:14 - 00:15:28:11

Unknown

I always laugh at like, everyone knows nail technicians, like they will only take

00:15:28:15 - 00:15:33:20

Unknown

cash. Sorry. Nail nail technicians. Technicians like the nail salon, right? Like, yeah, it's very normal

00:15:33:23 - 00:15:36:11

Unknown

to go and pay cash. Yes. Right. Yeah.

00:15:36:12 - 00:15:40:10

Unknown

To get your nails done and, and and

00:15:40:12 - 00:15:42:18

Unknown

those industries like. Well,

00:15:42:19 - 00:15:44:22

Unknown

it's also like other. Yeah. Restaurants. Yeah.

00:15:44:26 - 00:15:47:08

Unknown

Construction. Well I get if certain restaurants if I

00:15:47:10 - 00:15:50:24

Unknown

go to I'll actually get 10% discount if I paid in cash. Same with your nails.

00:15:50:29 - 00:15:53:11

Unknown

Same with your nails. Yeah. Because

00:15:53:12 - 00:15:56:20

Unknown

they don't want money to hit their bank accounts. They don't. They want the cash

00:15:56:26 - 00:16:00:26

Unknown

in and then they'll spend that cash. Right? They don't want to report that income that it does.

00:16:00:26 - 00:16:01:11

Unknown

And

00:16:01:14 - 00:16:06:28

Unknown

same thing with construction. Yeah. Right. Like in construction industries like a very high risk.

00:16:07:00 - 00:16:08:25

Unknown

You tend to if you

00:16:08:27 - 00:16:11:04

Unknown

have trades work

00:16:11:05 - 00:16:14:13

Unknown

for you may not be like a huge project, but let's say but

00:16:14:15 - 00:16:17:12

Unknown

there's often discussion about like, hey, if you paid

00:16:17:13 - 00:16:24:14

Unknown

me cash, I won't charge you HST or like, yeah, there'll be less cost and etc. and that's like, like these

00:16:24:14 - 00:16:25:17

Unknown

things are not secrets.

00:16:25:25 - 00:16:28:14

Unknown

No. Everyone knows the theory themselves. Get their nails

00:16:28:16 - 00:16:36:23

Unknown

done, right, that are getting their nails done. Yeah. I don't know how much is more in the construction business, but they know people that are. Yeah. So it's they're familiar with it. Right.

00:16:36:25 - 00:16:39:11

Unknown

So like when you're, when you're like the, the

00:16:39:14 - 00:16:48:01

Unknown

point being is like when you're filing, a tax return often, not often you're required to

00:16:48:07 - 00:16:50:28

Unknown

choose from and your tax return software.

00:16:51:05 - 00:16:51:14

Unknown

What

00:16:51:15 - 00:16:56:27

Unknown

industry are you in. Yeah. Because they'll ask you, hey, are you in like professional services

00:16:57:00 - 00:17:03:14

Unknown

or are you doing in construction? Are you in retail? So like you have to choose your industry. So once you've taken

00:17:03:20 - 00:17:07:08

Unknown

that choice of industry that you're really part of, then

00:17:07:14 - 00:17:10:13

Unknown

each line item that you chose has,

00:17:10:14 - 00:17:14:25

Unknown

an attached risk, attached to it.

00:17:14:27 - 00:17:15:14

Unknown

Yeah. It's another

00:17:15:17 - 00:17:19:17

Unknown

data point for them. It's another data point for them. Yeah. So

00:17:19:19 - 00:17:20:13

Unknown

and I think

00:17:20:16 - 00:17:24:16

Unknown

restaurants, nail salons. Yeah.

00:17:24:19 - 00:17:28:16

Unknown

Construction, they're all like it trades

00:17:28:18 - 00:17:33:13

Unknown

in general, trades in general. I think they're like high risk for Sierra. So yeah. Go on. So like you were saying, we

00:17:33:15 - 00:17:36:28

Unknown

were also talking about crypto too, right? Yeah.

00:17:37:00 - 00:17:41:16

Unknown

I mean, those with crypto reporting I mean it's really I mean crypto is really,

00:17:41:22 - 00:17:44:27

Unknown

evolving. Yeah. Right. Like a

00:17:45:00 - 00:17:47:13

Unknown

lot of people feel very

00:17:47:16 - 00:17:57:00

Unknown

strongly about why they chose crypto to begin with and why they chose to continue to be in it because of privacy. It's because of

00:17:57:06 - 00:18:00:13

Unknown

decentralization. There's a whole principle of things why people got into

00:18:00:17 - 00:18:00:28

Unknown

crypto.

00:18:01:04 - 00:18:01:20

Unknown

Yeah, because they don't

00:18:01:20 - 00:18:05:15

Unknown

want like the big brother or like the government to be able to watch over their shoulders in terms of

00:18:05:17 - 00:18:09:15

Unknown

in terms of what they do. So now that the

00:18:09:17 - 00:18:12:16

Unknown

government and it's the anonymity is a huge thing, like you

00:18:12:18 - 00:18:14:13

Unknown

want to be anonymous. Yeah. They

00:18:14:18 - 00:18:18:09

Unknown

they're like against centralized financing, like they're against the big banks or against all that.

00:18:18:10 - 00:18:18:12

Unknown

Like

00:18:18:13 - 00:18:20:11

Unknown

a lot of them. Yeah. But you know, what's crazy is that the

00:18:20:18 - 00:18:23:12

Unknown

anonymity is dying. Like being anonymous in

00:18:23:18 - 00:18:26:18

Unknown

crypto is like a concept that is completely dying

00:18:26:19 - 00:18:33:16

Unknown

off now. Yeah. Because the governments around the world, tax authorities around the world,

00:18:33:19 - 00:18:37:19

Unknown

they have recognized that crypto is not something that they are

00:18:37:19 - 00:18:39:05

Unknown

so prepared for over time.

00:18:39:05 - 00:18:40:16

Unknown

And they've seen like

00:18:40:19 - 00:18:44:19

Unknown

how, you know, criminal organizations sometimes are using it to do about,

00:18:44:22 - 00:18:47:09

Unknown

you know, bad actors are using crypto. Yeah. For

00:18:47:11 - 00:18:49:16

Unknown

bad things. And they want to

00:18:49:19 - 00:18:52:19

Unknown

be able to collect all the data they can so they can like track crypto

00:18:52:22 - 00:18:55:19

Unknown

activity, be it for criminal prosecution,

00:18:55:25 - 00:18:58:16

Unknown

be it for tax evasion, be it for

00:18:58:19 - 00:19:00:22

Unknown

whatever makes sense from a government perspective.

00:19:00:22 - 00:19:00:28

Unknown

And

00:19:00:28 - 00:19:03:12

Unknown

they have now,

00:19:03:19 - 00:19:07:12

Unknown

instituted, a framework of standard,

00:19:07:15 - 00:19:11:15

Unknown

you know, carve. And it's a crypto asset reporting framework

00:19:11:19 - 00:19:14:16

Unknown

that's been developed by OECD

00:19:14:19 - 00:19:18:13

Unknown

and Canada, starting that is going to be part of that.

00:19:18:15 - 00:19:21:15

Unknown

And all the crypto exchanges will be or all the

00:19:21:19 - 00:19:24:13

Unknown

global main players who are like in the space,

00:19:24:20 - 00:19:27:11

Unknown

they're going to be giving a lot of

00:19:27:19 - 00:19:30:19

Unknown

information about who owns crypto, their

00:19:30:20 - 00:19:33:16

Unknown

wallet addresses, withdrawal addresses,

00:19:33:19 - 00:19:36:19

Unknown

the government ID that's tagged to it, and all

00:19:36:20 - 00:19:39:25

Unknown

of that information will be like soon available to

00:19:39:28 - 00:19:41:13

Unknown

tax authorities, including CRA.

00:19:41:20 - 00:19:43:01

Unknown

Yeah.

00:19:43:04 - 00:19:45:18

Unknown

So more data points, more data points like yeah

00:19:45:20 - 00:19:58:24

Unknown

may not be something I instantly see or I can figure stuff out. But like man, over over the years they're about to get a lot of data. Definitely. If they're investing in and looking into that, then they're going to get a lot of data at once because everything is traceable.

00:19:59:01 - 00:19:59:08

Unknown

Everything

00:19:59:09 - 00:20:02:08

Unknown

is traceable. Yeah. And if they know

00:20:02:11 - 00:20:05:06

Unknown

your one data point about

00:20:05:07 - 00:20:14:00

Unknown

you, let's say they know your name and your link to the wallet address, that wallet address is now

00:20:14:03 - 00:20:22:21

Unknown

basically has all the public ledgers, right. You can like go online and see what that wallet is doing. How is it spending money? How is it investing? How frequently the investments

00:20:22:25 - 00:20:24:12

Unknown

are, what

00:20:24:13 - 00:20:25:19

Unknown

are you doing with it?

00:20:25:21 - 00:20:27:10

Unknown

And all that is like publicly

00:20:27:13 - 00:20:30:23

Unknown

available information. Yeah. And they can reconstruct all

00:20:30:23 - 00:20:34:06

Unknown

your information, your activity

00:20:34:08 - 00:20:38:24

Unknown

with a high degree of accuracy. Yeah. So,

00:20:38:26 - 00:20:41:22

Unknown

but that's the thing. Like, in case of crypto, you can

00:20:41:24 - 00:20:44:24

Unknown

lose your not you can be not be anonymous more

00:20:44:25 - 00:20:48:16

Unknown

very quickly. Yeah. Even though that was the intention. Right. But for the bank statements

00:20:48:19 - 00:20:51:24

Unknown

like we're talking about like CRA trying to obtain your bank statements, credit

00:20:51:27 - 00:20:57:12

Unknown

card statements to reconstruct your financial, you know, how are you doing?

00:20:57:12 - 00:20:59:22

Unknown

Financial net worth basis. They need

00:20:59:25 - 00:21:02:04

Unknown

that information from you. Yeah. So it's

00:21:02:04 - 00:21:05:07

Unknown

like kind of ironic. Yeah. Yeah, it definitely is. You know,

00:21:05:10 - 00:21:19:04

Unknown

another industry is real estate flipping. You know, in general they're going it might start in that other direction but expand to more than that as well in in the last like what 15

00:21:19:04 - 00:21:22:15

Unknown

years I would say up until 2023.

00:21:22:15 - 00:21:29:23

Unknown

I mean, Canada had like a huge bull run on a real estate. And to this date, like CRA has huge

00:21:29:25 - 00:21:41:05

Unknown

return on investment. Whenever they focus on real estate, they recover so much money. Yeah, by finding people who have done transactions and they are just not like flipping new builds. There's a lot of they're

00:21:41:07 - 00:21:43:00

Unknown

not reporting, they're reporting their gains.

00:21:43:02 - 00:21:44:10

Unknown

And there's a lot of tax involved

00:21:44:11 - 00:21:47:20

Unknown

in building a home, which we've talked about in another episode. Yeah. But

00:21:47:21 - 00:21:50:00

Unknown

the funny thing is there's so many data points on real estate.

00:21:50:03 - 00:21:53:02

Unknown

You can build a real estate in vacuum. Yeah. You

00:21:53:04 - 00:21:58:23

Unknown

need permits, city permits, construction permits. You need, you're going

00:21:58:23 - 00:22:00:20

Unknown

to be buying a whole bunch of things from Home Depot.

00:22:00:20 - 00:22:09:10

Unknown

That's a data point, right? You're going to be, this land transfer tax registry that, province maintains. There's

00:22:09:10 - 00:22:17:29

Unknown

so much data points in real estate that easily they can find out, like, hey, this person did all this construction on this address and they sold

00:22:18:01 - 00:22:21:04

Unknown

it. They bought it, they constructed it with so you can see the permits.

00:22:21:04 - 00:22:21:29

Unknown

And then they actually saw

00:22:22:00 - 00:22:28:21

Unknown

the reasons they can trace that sale again because it's in the registry. Yeah. Land at a registry.

00:22:28:24 - 00:22:32:14

Unknown

But hey this person didn't report anything on their tax return. So the

00:22:32:14 - 00:22:35:00

Unknown

matching is so easy. Yeah. Well, if we're talking about red

00:22:35:01 - 00:22:42:01

Unknown

flags and people that are getting targeted, if they end up seeing that your lifestyle is,

00:22:42:06 - 00:22:46:23

Unknown

so yeah, you're spending so much on you have a really expensive car, a huge house.

00:22:46:23 - 00:22:51:01

Unknown

You live in a neighborhood where it's would be unaffordable for an

00:22:51:02 - 00:23:01:09

Unknown

average person, right? Or you have a social media account and you have bargains and like all these luxury bags and cars and like watches and Rolexes

00:23:01:11 - 00:23:14:27

Unknown

and you're posting that it's public if you have a public account. CRA sees all those things and that might be a target for them as well, especially if they just quickly open up your tax return, your personal tax return and see

00:23:15:01 - 00:23:17:28

Unknown

like literally next to no income reported there.

00:23:18:04 - 00:23:19:27

Unknown

They're going to question that. Yeah.

00:23:19:28 - 00:23:35:10

Unknown

I mean that looking at like where you live. Yeah. Comparing that to what income you have that's a huge like discrepancy sometimes like hey you report like $50,000 a year of income, but you live in like a mansion. That's like $10 million. Yeah. How do you

00:23:35:12 - 00:23:37:24

Unknown

explain how

00:23:37:24 - 00:23:39:03

Unknown

do you afford this? Yes.

00:23:39:10 - 00:23:40:02

Unknown

Like you were mentioning

00:23:40:06 - 00:23:43:19

Unknown

the property tax bills. Yeah. A home. And

00:23:43:21 - 00:23:57:28

Unknown

if you build a home like I've seen some of the homes that are like ridiculous, like because government the city will charge you property tax based on Newbuild house. Yeah. And sometimes the assessment on those houses are like ridiculous, like a property tax bill alone could be like

00:23:58:01 - 00:24:02:04

Unknown

$150,000 a year, $200,000 a year on, like, super like crazy mansions.

00:24:02:04 - 00:24:08:29

Unknown

Yeah. Like, okay, how how are you even paying for all of these? Like, maintenance, cost of a house just by buying? Exactly.

00:24:09:01 - 00:24:18:00

Unknown

If you're if you if you're a person tax return doesn't show anything or you're not tied to a corporation that's making a lot of money, then they're going to look into you. Yeah. No,

00:24:18:01 - 00:24:18:29

Unknown

I you know what?

00:24:18:29 - 00:24:26:10

Unknown

Not that there's another data point that CRA now has is, not long ago, maybe four years ago, the Trudeau

00:24:26:13 - 00:24:39:29

Unknown

Liberals had, instituted something called luxury tax on vehicles. Yeah, right. And so, like any car over $100,000 you bought, they the dealer now has to charge you 10%

00:24:40:03 - 00:24:44:24

Unknown

luxury tax on vehicles on anything over $100,000 as additional tax.

00:24:44:24 - 00:24:45:02

Unknown

So they're

00:24:45:03 - 00:24:47:28

Unknown

just quickly identify all those individuals. They

00:24:48:00 - 00:24:51:01

Unknown

can get a list of the luxury vehicles bought very

00:24:51:03 - 00:24:54:01

Unknown

easily because dealers are giving them direct information.

00:24:54:03 - 00:24:57:03

Unknown

Yeah. In terms of who bought what, right. And

00:24:57:05 - 00:25:03:08

Unknown

then they'll match that with their income and their like their reported income. Does it kind of match that. Yeah. Well

00:25:03:08 - 00:25:04:15

Unknown

they look at they can afford this.

00:25:04:15 - 00:25:06:07

Unknown

Yeah. They look at the the luxury vehicle

00:25:06:11 - 00:25:17:01

Unknown

bought by somebody or like dealers are providing them match that with like Ontario or like provincial licensing authority like new plates being issued. And then they can

00:25:17:05 - 00:25:25:14

Unknown

see where it was, what's the address of that vehicle. And then look at where that address, who lives. They're matched with the tax return.

00:25:25:16 - 00:25:28:01

Unknown

And then see what income taxes are being paid by that

00:25:28:05 - 00:25:32:02

Unknown

household. And then if it doesn't reconcile with all these like

00:25:32:05 - 00:25:35:19

Unknown

spendings and they might go on your social media Instagram page these

00:25:35:22 - 00:25:40:25

Unknown

days, these days, keep it private, guys. Yeah, yeah. No. These days people are like I

00:25:40:28 - 00:25:43:06

Unknown

mean, all serial auditors like it would be stupid not

00:25:43:07 - 00:25:43:11

Unknown

to.

00:25:43:12 - 00:25:45:29

Unknown

It's so easy to write. It's public information. You can Google

00:25:46:06 - 00:25:53:25

Unknown

everybody's name. You can see what comes up. You can go on their social media account and then trace what they're doing. Yeah. So

00:25:53:26 - 00:25:59:18

Unknown

easy. Yeah. They don't have to. They don't have to do much. No. No special tools,

00:25:59:21 - 00:26:04:16

Unknown

no enforcement stuff. You are the one who's putting it out there.

00:26:04:18 - 00:26:07:19

Unknown

And they are the ones watching you. Yeah,

00:26:07:21 - 00:26:10:06

Unknown

yeah. You might they won't be able that theory

00:26:10:08 - 00:26:13:18

Unknown

audited or reviewed your story might be something else. So

00:26:13:21 - 00:26:19:06

Unknown

they like say like we're coming after you. Just like all

00:26:19:07 - 00:26:22:05

Unknown

of them. Yeah. Yeah. That's scary. But you kind of

00:26:22:07 - 00:26:27:08

Unknown

put the target on your own. You did, you did. If you're you're flaunting all that, at least keep it private.

00:26:27:08 - 00:26:29:28

Unknown

Keep your account private. Yeah, yeah. I mean,

00:26:30:00 - 00:26:35:13

Unknown

I think those are easy data points these days quite easily. And, I think

00:26:35:14 - 00:26:44:18

Unknown

some people, not to say not everybody's that, you know, inconsistent. I think consistency or narrative matters the most. It does. You

00:26:44:20 - 00:26:50:16

Unknown

need to have a story. The story need to say, if I have this type of lifestyle

00:26:50:19 - 00:26:56:11

Unknown

that I can afford in live, what are the explainers behind those lifestyles?

00:26:56:13 - 00:26:56:23

Unknown

How

00:26:56:24 - 00:26:59:09

Unknown

do you explain that you can afford it. What's

00:26:59:13 - 00:27:05:07

Unknown

the source of money that you're spending? And if a person

00:27:05:12 - 00:27:13:27

Unknown

like an auditor is looking at you, what are you going to say that's going to hold up as a story. Yeah. If especially

00:27:14:03 - 00:27:21:07

Unknown

that story is gonna be super important if you don't have consistent source of income that is

00:27:21:10 - 00:27:23:15

Unknown

directly tied to your income tax return.

00:27:23:17 - 00:27:27:07

Unknown

Yeah. And if and if you're living off

00:27:27:10 - 00:27:33:29

Unknown

of mysterious deposits, gifts, foreign,

00:27:34:01 - 00:27:36:07

Unknown

you know, money coming from overseas to

00:27:36:10 - 00:27:41:10

Unknown

pay for your expenses, that's going to raise the bar, red flag to

00:27:41:10 - 00:27:50:10

Unknown

the max for sure. And then now the curiosity is super high for the auditor to figure this out. Maybe they've found, like, some, you know, criminal

00:27:50:16 - 00:27:51:08

Unknown

in their minds.

00:27:51:08 - 00:27:53:05

Unknown

And you figure out this mystery

00:27:53:10 - 00:28:08:11

Unknown

and, you know, they they get very like, worked up about these things. So they're curious, how did you make all this money? Know I'm sitting here auditing. Yeah. Yeah, yeah, yeah. I mean, it makes a good story, right? Yeah. It makes a good story. If you really get into your

00:28:08:13 - 00:28:11:10

Unknown

job. Right. You're just trying to piece together.

00:28:11:12 - 00:28:11:16

Unknown

Yeah.

00:28:11:23 - 00:28:13:11

Unknown

And then and they know that,

00:28:13:16 - 00:28:16:09

Unknown

you know you're guilty until proven

00:28:16:10 - 00:28:19:07

Unknown

innocent. So they'll do whatever they can to

00:28:19:10 - 00:28:21:10

Unknown

make it. Yeah. They

00:28:21:11 - 00:28:27:25

Unknown

build a case. Yeah. It's very simple. They'll build a case. Yeah. They'll look at, your

00:28:27:29 - 00:28:30:07

Unknown

they'll start to reconstruct a network statement.

00:28:30:10 - 00:28:34:21

Unknown

Right. They'll say, okay, list all the assets. Are you on line by line?

00:28:34:24 - 00:28:37:01

Unknown

The house, the car. What

00:28:37:02 - 00:28:39:18

Unknown

is the market? What? What did you buy it for?

00:28:39:20 - 00:28:40:13

Unknown

What are

00:28:40:13 - 00:28:43:07

Unknown

you spending? What are your daily like? What are your credit card

00:28:43:11 - 00:28:45:12

Unknown

spend? So add that on to the list. Yeah. The

00:28:45:14 - 00:28:48:07

Unknown

look at what are your investments. When did you buy

00:28:48:11 - 00:28:50:04

Unknown

them. And then come then

00:28:50:11 - 00:28:54:00

Unknown

after having list all the assets and expenses you're paying

00:28:54:02 - 00:28:59:22

Unknown

over, you know, maybe they'll do a year by your analysis and then say, okay, what is

00:28:59:22 - 00:29:00:23

Unknown

your income.

00:29:00:26 - 00:29:02:09

Unknown

So if you're spending is let's

00:29:02:11 - 00:29:05:19

Unknown

say I'm just making up a number, let's say $500,000.

00:29:05:22 - 00:29:08:07

Unknown

They said $500,000 of assets and

00:29:08:12 - 00:29:13:12

Unknown

spending you did in a year, in a year or two years. And they see in that period you

00:29:13:13 - 00:29:16:12

Unknown

only earn like $60,000

00:29:16:16 - 00:29:18:18

Unknown

of income. Well,

00:29:18:20 - 00:29:21:24

Unknown

guess what, $500,000,

00:29:21:27 - 00:29:24:18

Unknown

-$60,000 of income is

00:29:24:20 - 00:29:26:16

Unknown

undeclared

00:29:26:19 - 00:29:27:12

Unknown

reportable

00:29:27:13 - 00:29:29:21

Unknown

income. Net taxable income, taxable income.

00:29:29:21 - 00:29:30:06

Unknown

So they'll say

00:29:30:12 - 00:29:37:01

Unknown

500,000 -60,000. There's $440,000 of income that wasn't reported for

00:29:37:01 - 00:29:38:15

Unknown

that year or whatever.

00:29:38:18 - 00:29:41:14

Unknown

That period is. Right. And they'll apply interest and penalties on it and they'll

00:29:41:16 - 00:29:46:23

Unknown

say, unless you tell us where there's 440,000 all came from and you paid

00:29:46:25 - 00:29:53:07

Unknown

taxes on it, that is your income that you forgot to declare. Yeah. So let's work the math.

00:29:53:09 - 00:29:54:01

Unknown

It's

00:29:54:04 - 00:29:59:14

Unknown

440. Yeah. Is your taxable income. Yeah. Interest will be whatever. Let's say 9%

00:29:59:20 - 00:30:02:04

Unknown

compounded daily like crazy. Yeah. And

00:30:02:07 - 00:30:11:21

Unknown

then the penalty will be like 50% of your 40. Yeah. So do 20. Yeah. So for 40 plus 220 that's like 660. Yeah. And then add interest to all of that is crazy. You

00:30:11:23 - 00:30:21:16

Unknown

can soon be like if they found you like 3 or 4 years later after all this, you could be running a bill at like $900,000.

00:30:21:19 - 00:30:23:19

Unknown

Yeah, that and seeing

00:30:23:22 - 00:30:25:18

Unknown

that they can stop it and they can financially

00:30:25:21 - 00:30:28:23

Unknown

ruin you. Yeah. Then you

00:30:28:24 - 00:30:32:24

Unknown

got to hire a good team to say no, that's wrong. Yeah.

00:30:32:27 - 00:30:35:14

Unknown

Right. But that's but that's the avenue or

00:30:35:15 - 00:30:38:01

Unknown

the juncture. They will leave you out. They definitely will. They'll

00:30:38:01 - 00:30:45:07

Unknown

send you a letter. Auditor's complete. Here's a schedule that we've prepared of network statement of what we think it is.

00:30:45:10 - 00:30:48:17

Unknown

Your income. Exactly what I walk you through. Two seconds ago and

00:30:48:18 - 00:30:53:26

Unknown

they'll say, here's a schedule. You have 30 days to tell us. Change your mind. Yeah. And

00:30:53:27 - 00:30:57:07

Unknown

there's not a lot of time. And reassessment is being issued.

00:30:57:10 - 00:31:01:06

Unknown

Yeah. You know, it happens very

00:31:01:08 - 00:31:06:04

Unknown

quickly. Before they expect you to respond very quickly. Yeah. Unfortunately,

00:31:06:09 - 00:31:08:26

Unknown

you might not even see the letter right away.

00:31:08:29 - 00:31:14:06

Unknown

Right. The day you open it, you're like five days left to respond. That happens in practice with the

00:31:14:08 - 00:31:17:13

Unknown

online mail these days. You might completely miss because you're not checking

00:31:17:20 - 00:31:26:17

Unknown

online. You can't even access your C.r.a. account. Yeah, well, most of the time I think people are, I think the auditors will call you. Yeah. And say, hey, we're going to show you an

00:31:26:19 - 00:31:27:05

Unknown

assessment.

00:31:27:05 - 00:31:32:13

Unknown

We're sending you a proposal letter. You have 30 days to respond. And if you

00:31:32:14 - 00:31:41:18

Unknown

don't change our mind, like we are going to be sending you a notice of assessment or reassessment, pay the tax. Yeah. And then as soon

00:31:41:18 - 00:31:43:21

Unknown

as that assessment is issued and we

00:31:43:22 - 00:31:50:10

Unknown

election and we always say as advisors to sometimes just pay the taxes you want the interest to stop accruing so that we continue

00:31:50:12 - 00:31:52:19

Unknown

so we can now at least object.

00:31:52:19 - 00:31:56:07

Unknown

But it's impossible for some people to pay that know exactly that. Like not

00:31:56:10 - 00:32:00:26

Unknown

many people have that cash laying around. Yeah, yeah. Well

00:32:00:28 - 00:32:03:07

Unknown

it, it in

00:32:03:11 - 00:32:05:24

Unknown

a way it's, it's a

00:32:05:26 - 00:32:10:28

Unknown

hard pill to swallow, but I think I want to go back to, like, when they give you that proposal letter of like, 30 days, like, change our mind.

00:32:11:05 - 00:32:11:18

Unknown

Give us

00:32:11:20 - 00:32:23:15

Unknown

if you're missing something or if you think you're going to give us more evidence to prove it. Otherwise, oftentimes over at that stage of the proposal letter is being sent in. I don't know, in your experience, but like in my experience, I feel like the

00:32:23:21 - 00:32:26:10

Unknown

auditors already made up the mind. No matter

00:32:26:13 - 00:32:27:21

Unknown

what you present at that point.

00:32:27:28 - 00:32:28:19

Unknown

Yeah. They're

00:32:28:21 - 00:32:39:21

Unknown

ready to close their file. They don't want to drag this anymore. Yeah. And at that point in time it's a little too late to be presenting anything new unless there's like a, like something

00:32:39:22 - 00:32:42:19

Unknown

glaringly huge evidence that was missed

00:32:42:22 - 00:32:50:23

Unknown

or ignored by the CRA auditor. And then now that can actually change the mind. Yeah, right. I completely agree.

00:32:50:26 - 00:33:05:23

Unknown

And, and then collections will be soon after you. Yeah. And they will start to garnish your, you know, block your bank account, take money from it, garnish your wages. If there's wages coming in, seize

00:33:05:23 - 00:33:07:27

Unknown

your assets. Yeah. It can

00:33:07:28 - 00:33:11:12

Unknown

get really bad very quickly. Very bad. Yeah.

00:33:11:15 - 00:33:17:21

Unknown

So all to say is that, The net

00:33:17:23 - 00:33:20:23

Unknown

worth audit is one of the most complex

00:33:20:24 - 00:33:25:01

Unknown

types of audits because there's so much of subjectivity to it.

00:33:25:03 - 00:33:28:21

Unknown

And you need to figure out how you're going to

00:33:28:23 - 00:33:45:02

Unknown

be strategizing it and what lines you're going to draw in the sand in terms of gatekeeping that information and making sure you're giving the right information, drawing the right type of narrative for the auditor to come to a conclusion that you should not be penalized.

00:33:45:06 - 00:33:46:19

Unknown

Yeah, you definitely don't want to give them too much

00:33:46:24 - 00:33:47:13

Unknown

information.

00:33:47:13 - 00:33:48:13

Unknown

Yeah. Or

00:33:48:14 - 00:33:51:04

Unknown

that might give the wrong idea. Exactly.

00:33:51:06 - 00:33:56:04

Unknown

So say, let's back up a little

00:33:56:06 - 00:34:14:05

Unknown

bit and think about like what are the defense strategies when it comes to like dealing with this area audit that you as a professional would come in and you look at like this disaster of a file that's going on where like they have all the, they have not determined the unexplainable gap between lifestyle and income.

00:34:14:05 - 00:34:33:26

Unknown

And there's a huge gap that you need to fill. Yeah. And oftentimes people will say, well, I received a gift or I had an inheritance, or I took a loan and I took the estate or whatever, and like, why don't we start to, like, unpack? Between all these different types of ways,

00:34:34:00 - 00:34:37:15

Unknown

how people sometimes have money to spend.

00:34:37:17 - 00:34:40:14

Unknown

Yeah. And what proof CRA would accept. Well, we would

00:34:40:15 - 00:34:50:16

Unknown

also, as advisors, piece together the story. Right? Yeah. And we would do the same thing that we expect CRA to do and get ahead of things. Yeah. And I think like if they

00:34:50:16 - 00:34:53:19

Unknown

are receiving gifts, inheritances

00:34:53:22 - 00:34:58:06

Unknown

and all these things that we can prove out where the money's actually from, we need back up for it.

00:34:58:07 - 00:35:00:03

Unknown

Right? We don't want to be in a

00:35:00:08 - 00:35:07:09

Unknown

situation where, we're not able to prove out with supporting evidence, documentation where this money is coming

00:35:07:11 - 00:35:09:09

Unknown

from. Yeah, right. Well, there's also merits

00:35:09:10 - 00:35:16:23

Unknown

like, is the client credible? Yep. Is a story holding up. Yeah. Like before you can accept as a client. Like I think you kind of test for those things.

00:35:16:23 - 00:35:20:12

Unknown

Like is this person really for what they are or like they

00:35:20:14 - 00:35:23:06

Unknown

really are in trouble because they just don't they have like

00:35:23:09 - 00:35:30:14

Unknown

done tax evasion or something. That's not not trying to support somebody who's like done that. Yes. But you're also trying to make sure that,

00:35:30:17 - 00:35:36:25

Unknown

they believable. Do they come across good faith, good person. We will be

00:35:36:26 - 00:35:38:28

Unknown

able to maybe

00:35:39:00 - 00:35:40:19

Unknown

they're not able to explain their story.

00:35:40:19 - 00:35:46:09

Unknown

Well, maybe they're not presenting the right type of evidence that they should be. Yeah. And they just. Plain and simple.

00:35:46:13 - 00:35:57:08

Unknown

Maybe I out of, like, naivete, they just kind of gave all the information to this area. And they made they interpreted the way they did, and they're not given enough opportunity to

00:35:57:11 - 00:36:00:06

Unknown

fix, or provide enough

00:36:00:11 - 00:36:01:26

Unknown

explanation that were credible.

00:36:01:28 - 00:36:06:17

Unknown

And that happens because of like sometimes language barriers to. Yeah, right. Like foreigners

00:36:06:19 - 00:36:13:22

Unknown

come, they become Canadian residents and then language barriers. Huge. Yeah. No, definitely. And that was the case we're going through. But when

00:36:13:23 - 00:36:23:06

Unknown

we are trying to, figure out the story, understand you know, where this money came from, the first question we want to ask is, was it documented?

00:36:23:09 - 00:36:25:11

Unknown

Right. Because we have to prove it

00:36:25:11 - 00:36:33:11

Unknown

to CRA. Right. And it's it's with audits. You want to make sure you're keeping all your documentation right. They can go far back

00:36:33:13 - 00:36:36:11

Unknown

and question any year. So pretty much keep your feel.

00:36:36:12 - 00:36:41:25

Unknown

It's like a gross negligence or fraud or carelessness

00:36:42:00 - 00:36:44:20

Unknown

or misrepresentation. They can open up any year.

00:36:44:22 - 00:36:45:12

Unknown

Any year. Yeah.

00:36:45:12 - 00:36:56:11

Unknown

And a lot of people don't know that, that they can pick up any year. Yeah. So especially when you have these large transactions like you should make sure that there is documentation if you have a gift, having a legal documentation to show that that

00:36:56:12 - 00:36:59:12

Unknown

gift was made. Yeah. If it doesn't exist, third party

00:36:59:13 - 00:37:01:16

Unknown

confirmation. Who did it come from.

00:37:01:24 - 00:37:02:13

Unknown

Right.

00:37:02:16 - 00:37:05:28

Unknown

So premium in

00:37:06:00 - 00:37:09:01

Unknown

an audit defense. Right. Like,

00:37:09:04 - 00:37:12:01

Unknown

let's go through different

00:37:12:04 - 00:37:15:09

Unknown

types of explanations that people give.

00:37:15:11 - 00:37:16:22

Unknown

And what is the best explanation

00:37:16:25 - 00:37:22:20

Unknown

for each of these items? And what's the minimum acceptable thing in our experience that we see. So let's start

00:37:22:20 - 00:37:24:22

Unknown

with like someone saying, well, I can explain

00:37:24:23 - 00:37:28:13

Unknown

how I got this money through a gift. Yeah. And what's

00:37:28:14 - 00:37:32:04

Unknown

the best way to give that evidence to zero in your experience, if you have like

00:37:32:04 - 00:37:40:16

Unknown

a legal documentation to show like a gift aid that says that X person is giving a gift to X person, it's signed by both parties.

00:37:40:16 - 00:37:45:26

Unknown

In a perfect world, that's the best evidence, right? Right. If

00:37:46:04 - 00:37:51:06

Unknown

you have no evidence, at least to point to someone or

00:37:51:08 - 00:38:04:20

Unknown

like a direct like, I mean, not only that, it says gift, but then you have like a bank statement that shows like money came out of that person's bank account. Then it came to your bank account for the same amount on the same day.

00:38:04:20 - 00:38:07:22

Unknown

And they can vouch for you. They can vouch for you. Yeah. Yeah. Like a third

00:38:07:25 - 00:38:25:14

Unknown

party confirmation. Yeah. That's the best evidence in the perfect world. Yeah. How often do we see the best evidence? And that doesn't happen often. Right. Like you can have a gift from your parents or your grandparents and especially grandparents. That can be a substantial amount.

00:38:25:16 - 00:38:41:06

Unknown

Right. And in a lot of cases, there isn't documentation to show that that happened. And then it becomes a little bit more he say, she say like, you know, and you don't want to be in that situation. And it's better

00:38:41:08 - 00:38:51:15

Unknown

just to have that proof and keeping records and audit trails, even if it's not a legal documentation, but to show the bank activity that's coming from, like you said, one place to another place.

00:38:51:19 - 00:38:51:26

Unknown

So

00:38:51:29 - 00:39:00:21

Unknown

what's the minimum acceptable evidence that Sierra will accept in your experience when it comes to, explaining the gift? So obviously there's like a

00:39:00:22 - 00:39:05:00

Unknown

partial documentation and like a credible, like source, maybe

00:39:05:03 - 00:39:13:26

Unknown

like a store. Maybe you don't have the, the, the deed, the gift or the legal documents that show the gift wrapping up in a legal, legal document way.

00:39:13:29 - 00:39:36:24

Unknown

But you have like a story and then a bank transfer confirmation or something. Yeah. Right. Okay, cool. So say now, if you were to do a deed of gift, what does it include?

Like the name, who's giving it to whom? Their address, a contact information. Yeah, right. Typically

00:39:36:29 - 00:39:39:07

Unknown

that's what we see in a gift. That's that's what we see.

00:39:39:07 - 00:39:40:05

Unknown

Yeah. And

00:39:40:07 - 00:39:43:01

Unknown

there's also inheritance. Yes. I'll talk about that. Yeah.

00:39:43:02 - 00:39:52:20

Unknown

My. Because my uncle left me millions. Yes. Exactly. Like, how do you prove it late uncle. Yeah. The distant uncle from Europe left me millions. Yeah,

00:39:52:23 - 00:39:56:09

Unknown

yeah. How do we go about like, what is the. Tell us.

00:39:56:11 - 00:39:59:02

Unknown

What would they look for? Well,

00:39:59:04 - 00:40:03:28

Unknown

if I'm the auditor, I'd like to see a well, yeah.

00:40:03:28 - 00:40:05:14

Unknown

Which is common. Everyone should have

00:40:05:17 - 00:40:09:00

Unknown

a copy of the will. If you can get the probated

00:40:09:02 - 00:40:13:29

Unknown

documents, which are usually authenticated by the government of whatever country or whatever

00:40:14:01 - 00:40:17:24

Unknown

the local rules might be. You're

00:40:17:27 - 00:40:19:27

Unknown

also looking at similar to the gift

00:40:20:00 - 00:40:31:28

Unknown

deed we talked about, like money transfers from that source to your bank account on that date that they said maybe an executor who is willing to give a third party confirmation

00:40:32:00 - 00:40:35:02

Unknown

that, yes, I managed the estate

00:40:35:04 - 00:40:36:16

Unknown

of the late Uncle.

00:40:36:18 - 00:40:38:00

Unknown

And I can

00:40:38:00 - 00:40:44:14

Unknown

vouch that the money came from this estate to that. I think that should give

00:40:44:15 - 00:40:46:27

Unknown

like enough information, like

00:40:47:00 - 00:40:53:18

Unknown

a CRA auditor to find this might be credible, that yes, you have so many

00:40:53:20 - 00:40:54:12

Unknown

different data

00:40:54:15 - 00:40:56:25

Unknown

points that you were able to support. Yeah, I

00:40:56:25 - 00:41:01:24

Unknown

think like in reality, like in practice, like inheritances are easier to prove.

00:41:01:26 - 00:41:12:28

Unknown

Most cases, if people are going to leave you a large inheritance, there is a will to back it up. No one wants their estate to be confused who's going to whom. So in gifts I can see that you might not always have the

00:41:13:01 - 00:41:20:14

Unknown

documentation. By inheritance. I can see that you would. It's just important to make sure you capture that when it happens and have a record of that.

00:41:20:17 - 00:41:21:02

Unknown

Yeah. And I

00:41:21:04 - 00:41:33:06

Unknown

would say like, don't think about like time limitations here. Like don't think, oh, I need to keep records for only six years or seven years. No, keep it for 15, 20 years if any of you have to. Because you never know when you need to prove it. Yeah, right. These things

00:41:33:09 - 00:41:34:14

Unknown

don't come with time limits.

00:41:34:14 - 00:41:37:05

Unknown

Sometimes you create things like there's going to be,

00:41:37:07 - 00:41:41:00

Unknown

you know, willful misrepresentation. Not that

00:41:41:01 - 00:41:44:09

Unknown

you would be in there, but like, there's a possibility that you

00:41:44:09 - 00:41:48:02

Unknown

destroy those types of records, like very permanent type record that you should

00:41:48:04 - 00:41:55:20

Unknown

just always have. Yeah. Especially you can given, like, huge sums of money. Yeah. At one time. And now let's talk about loan agreements to loans.

00:41:55:21 - 00:42:00:18

Unknown

Yeah. I mean happens all the time. My brother gave me a loan and then yeah I

00:42:00:20 - 00:42:02:15

Unknown

just got it from my brother. But

00:42:02:16 - 00:42:05:00

Unknown

I have no documentation to prove it. Yeah.

00:42:05:03 - 00:42:10:27

Unknown

Look, it happens like it. I laugh about it, but, like, family members, when they're giving money to each other,

00:42:11:03 - 00:42:15:06

Unknown

oftentimes they don't document those things. Yeah. You know, it's it's a trust factor.

00:42:15:08 - 00:42:17:21

Unknown

Yeah. It's like I trust this person. I have

00:42:17:26 - 00:42:22:00

Unknown

money or savings that I properly pay taxes on sitting in my bank account.

00:42:22:03 - 00:42:28:13

Unknown

My relative asked for like someone in my immediate family. I want to help them out

00:42:28:16 - 00:42:35:03

Unknown

and, even sometimes two. Very commonly. Right. Like buying a house. Yeah, right. Like people buy a house all the time, be

00:42:35:04 - 00:42:35:25

Unknown

able to.

00:42:36:02 - 00:42:41:21

Unknown

And sometimes parents or grandparents even like they say, oh,

00:42:41:23 - 00:42:47:24

Unknown

they're like against having a mortgage or a loan. And if they see like, why should my child or grandchild should have a

00:42:47:26 - 00:42:49:17

Unknown

major mortgage, they

00:42:49:18 - 00:42:52:25

Unknown

just say, I'll give you my life savings. And like, like large

00:42:52:27 - 00:42:56:09

Unknown

sum of life savings to like help you buy the first home or

00:42:56:13 - 00:42:58:29

Unknown

buy a car like, yeah, whatever that is.

00:42:58:29 - 00:42:59:05

Unknown

Right?

00:42:59:05 - 00:43:02:12

Unknown

Like so in that case, like, although

00:43:02:14 - 00:43:05:12

Unknown

those are more gifts and stuff, but yeah, like the loans. Yeah, I don't know.

00:43:05:14 - 00:43:08:05

Unknown

Sometimes people want to put even

00:43:08:10 - 00:43:20:17

Unknown

though it might ultimately become a gift. They call it a loan because they don't want someone to spend money and not being able to repay that. Like, I think there's like that, there's a trust factor, but there's also like protection.

00:43:20:22 - 00:43:21:20

Unknown

Yeah. To say,

00:43:21:21 - 00:43:26:28

Unknown

hey, this person like, you know, gets married and divorced.

00:43:27:00 - 00:43:29:24

Unknown

I don't want that house to go to the ex. Yeah. So they

00:43:29:25 - 00:43:35:12

Unknown

may not call it a gift. They'll call it a loan for some time. And register security against it or something. Yeah, but,

00:43:35:15 - 00:43:38:16

Unknown

the gold standard for loans, I would be

00:43:38:18 - 00:43:39:12

Unknown

a loan agreement.

00:43:39:17 - 00:43:46:05

Unknown

Yeah. Typically how bank would do it, right. Loan agreement that has, like,

00:43:46:07 - 00:43:58:19

Unknown

the borrower's name, the lender's name, the period for which the loan is the interest rate. Even if the interest rate is zero, you say zero. Yeah. What is a payback period? I think

00:43:58:21 - 00:44:01:06

Unknown

those are basics, right? Yeah. Like if you have that agreement

00:44:01:10 - 00:44:04:21

Unknown

and have all those terms defined, that's like the best case scenario.

00:44:04:21 - 00:44:21:13

Unknown

Yeah. But otherwise minimum they'll probably take the same thing. Like we mentioned in a gift. It's coming from access bank account coming to yours. There's a confirmation that it was a loan. Yeah. That would be helpful. If you have none of that, it's going to be difficult to put that out. And I

00:44:21:14 - 00:44:26:07

Unknown

think the the red flag in this space could be like, you know, verbal agreements,

00:44:26:09 - 00:44:32:22

Unknown

no ability to show bank transfers, no, no documentation.

00:44:32:22 - 00:44:36:06

Unknown

And just like he said, she said, you said, you know. Yeah, exactly like that

00:44:36:07 - 00:44:41:25

Unknown

be the worst thing. Don't just pull out the cash and hand in a bag to be like, here you go. Have some

00:44:41:27 - 00:44:44:15

Unknown

documentation. You know, actually, that brings us to, like,

00:44:44:17 - 00:44:48:12

Unknown

the hardest of all. Yes. Which is cash. Exactly. If

00:44:48:12 - 00:44:54:01

Unknown

you literally have cash to spend, like, hey, like, I didn't receive money, but I just had cash to spend.

00:44:54:04 - 00:44:54:12

Unknown

Yeah.

00:44:54:14 - 00:45:02:06

Unknown

Like, if you have $100,000 under your mattress and as a friend, you give it to someone else that like. Yeah, that would seem like

00:45:02:08 - 00:45:04:08

Unknown

a very funny story to believe.

00:45:04:13 - 00:45:06:06

Unknown

Yeah. I mean, that's the hardest ones to

00:45:06:09 - 00:45:11:06

Unknown

like, actually. Even like, digest even us, like trying to assess a case. Yeah. Like

00:45:11:07 - 00:45:13:18

Unknown

some of those friends, like, I want to meet them.

00:45:13:21 - 00:45:14:25

Unknown

How did you

00:45:14:27 - 00:45:22:00

Unknown

get this cash? Oh, I got it as a gift. Yeah. Do you have a bank transfer? No. Where did the cash come from? I was given cash hundred

00:45:22:01 - 00:45:25:03

Unknown

thousand. Like, those are tough. Like, even

00:45:25:04 - 00:45:33:06

Unknown

if there was a slightest truth to it, even though. How unbelievable it might be. But, like, you know, I mean, you're just, like, asking for trouble at that point.

00:45:33:06 - 00:45:34:01

Unknown

You definitely are

00:45:34:04 - 00:45:36:10

Unknown

already. Yes. I think the only

00:45:36:15 - 00:45:39:20

Unknown

explanation for cash could be like,

00:45:39:23 - 00:45:42:26

Unknown

if you happened on a, this would be like a perfect

00:45:42:28 - 00:45:45:24

Unknown

maybe some people that just don't believe in the banks, they don't want to put their

00:45:45:25 - 00:45:50:09

Unknown

money there. So there are there are those there's definitely people out there like that.

00:45:50:10 - 00:45:57:19

Unknown

Yeah. But like, I mean, the only story that might hold in like this type of situation is like, if you got, say,

00:45:57:24 - 00:46:04:10

Unknown

you once you had $100,000 in your bank account and over time you actually drew it, all of

00:46:04:10 - 00:46:05:01

Unknown

it.

00:46:05:03 - 00:46:18:23

Unknown

And now you just kept that cash, then you can show. Well, I had cash that came to my account over time because I saved it. Then I drew all of it right. And then now that cash is what I have to spend. Think that

00:46:18:24 - 00:46:21:11

Unknown

would be like a perfect story? Yeah. Will add up to be

00:46:21:11 - 00:46:21:28

Unknown

like, okay. Yeah.

00:46:21:28 - 00:46:24:08

Unknown

You withdrew the cash. I see it coming out of the. Yeah,

00:46:24:11 - 00:46:28:16

Unknown

100,000 behind it. Yeah. Like you had $100,000 in bank. Yeah, $100,000

00:46:28:19 - 00:46:31:01

Unknown

cash. All reconciles. Yeah. I

00:46:31:02 - 00:46:34:21

Unknown

don't know how much that happens. It's like, how do I get to the bank account? Well, I

00:46:34:21 - 00:46:41:07

Unknown

had wages. I had savings, I earned investment income, cash. They can see a trail of all that happening.

00:46:41:09 - 00:46:41:23

Unknown

You know, I don't

00:46:41:25 - 00:46:45:20

Unknown

think it's safe to keep a $100,000 at your house, but no,

00:46:45:22 - 00:46:52:00

Unknown

not with, robberies and stuff. No, exactly. But, like, if that floats your boat, that's how you can prove it.

00:46:52:03 - 00:46:57:24

Unknown

Yeah. No, exactly. But you know what? Some of the biggest,

00:46:57:27 - 00:47:03:03

Unknown

evidence is, is your story. Yeah. Which happens to be,

00:47:03:07 - 00:47:06:12

Unknown

it can make or break

00:47:06:13 - 00:47:08:14

Unknown

your case sometimes.

00:47:08:17 - 00:47:09:06

Unknown

Yeah. The

00:47:09:07 - 00:47:12:20

Unknown

story will be.

00:47:12:23 - 00:47:13:00

Unknown

You know,

00:47:13:01 - 00:47:16:12

Unknown

given by you yourself. Because, you know, any audit you do, there's

00:47:16:12 - 00:47:23:12

Unknown

going to be an interview. Yeah. Siri auditor will do an interview with you and they're going to ask you a whole bunch of story, like whole bunch of

00:47:23:18 - 00:47:29:06

Unknown

questions like, give us a story about every asset, every expense, every credit card line item, your

00:47:29:12 - 00:47:31:04

Unknown

bank line item.

00:47:31:06 - 00:47:31:14

Unknown

And

00:47:31:14 - 00:47:33:20

Unknown

that's like being on a trial

00:47:33:23 - 00:47:36:13

Unknown

because they are looking for consistency.

00:47:36:19 - 00:47:41:10

Unknown

They're looking for your confidence. They're looking for how you're able to explain

00:47:41:12 - 00:47:45:07

Unknown

it. Are you hesitating? Are you like does

00:47:45:11 - 00:47:47:25

Unknown

your story not certainly. You know,

00:47:47:27 - 00:47:50:26

Unknown

drives apart from what you've given them

00:47:50:28 - 00:47:55:17

Unknown

and I think you just can, you know, mess that up. If you

00:47:55:18 - 00:47:59:22

Unknown

are really credible, then you will be able to stick to the story.

00:47:59:22 - 00:48:02:20

Unknown

And that matches the evidence you've given them. Yeah. And

00:48:02:21 - 00:48:06:13

Unknown

sometimes the best of stories and given and delivered in the best way, in a

00:48:06:13 - 00:48:09:12

Unknown

credible way that can go a long way even when you don't have

00:48:09:14 - 00:48:11:14

Unknown

proper documentation. Yeah. Well, you don't want to provide too

00:48:11:14 - 00:48:15:10

Unknown

much information. It's just going to cause more questions and more time on the audit too.

00:48:15:16 - 00:48:24:28

Unknown

Yeah, right. They're going to start fishing more, looking at more things. Even if you're credible, you should be careful with what you say, how you say it when you say it, or

00:48:24:29 - 00:48:26:12

Unknown

sometimes if you need advice or

00:48:26:15 - 00:48:29:10

Unknown

to. Yeah. And sometimes if you don't feel comfortable that you want to be an

00:48:29:13 - 00:48:31:28

Unknown

interview, like you can have professional help.

00:48:32:03 - 00:48:38:13

Unknown

Yeah, you can have a tax accountant, you can have a professional accountant, you can have a lawyer, a tax lawyer

00:48:38:18 - 00:48:47:12

Unknown

to represent you. And you don't have to be in an interview ever. Yeah. You just like because you're not on a trial. You're not on a, you know, you're not in a court of law where

00:48:47:13 - 00:48:50:07

Unknown

you're like, you're giving like, you know, your

00:48:50:07 - 00:48:52:14

Unknown

witness or like you're being asked under oath

00:48:52:18 - 00:48:56:12

Unknown

those questions just a an interview with the auditor.

00:48:56:18 - 00:48:57:02

Unknown

Yeah. And

00:48:57:03 - 00:48:59:13

Unknown

someone else can do the auditor audit interview on your

00:48:59:14 - 00:49:03:13

Unknown

behalf. This way sometimes people

00:49:03:14 - 00:49:08:00

Unknown

feel nervous. You know, they don't feel. They feel uncomfortable. Yeah. I think it's

00:49:08:01 - 00:49:15:03

Unknown

maybe a language barrier. They might be like other reasons why you don't feel comfortable with it. Yeah. Then. So that's something

00:49:15:06 - 00:49:17:04

Unknown

to have someone represent you. Yeah. Put the

00:49:17:06 - 00:49:18:06

Unknown

best foot forward.

00:49:18:09 - 00:49:21:10

Unknown

Yeah. Right. And I think the artists

00:49:21:15 - 00:49:30:15

Unknown

that go well in this space when it comes to the worth audits, give them legal documentation that stands with the narrative that you're

00:49:30:16 - 00:49:33:15

Unknown

going to be providing them. And if there's any

00:49:33:16 - 00:49:36:15

Unknown

unexplained gap that's doable by

00:49:36:17 - 00:49:40:13

Unknown

giving them, you know, information that's enough to

00:49:40:16 - 00:49:42:26

Unknown

make up, make the story at the end of the day.

00:49:42:28 - 00:49:47:08

Unknown

And, and that's it really. I mean,

00:49:47:09 - 00:49:58:21

Unknown

it's simple, like, it's not it's not as difficult per se. You just need to explain. Where did you get the money from? Yeah. Really? Yeah. Not rocket science, but I think over a period of time it can get difficult

00:49:58:23 - 00:50:07:11

Unknown

when if you consistently get money to spend from sources you can't explain and you have this lifestyle over time and then you're in for

00:50:07:16 - 00:50:07:26

Unknown

trouble.

00:50:07:29 - 00:50:19:29

Unknown

Yeah. So you got to figure this out. Like, what are you putting out there? Who can watch you? And if you got it, if you get scrutinized, how will you explain it? Yeah, that's the only way.

00:50:20:02 - 00:50:22:13

Unknown

So you know those were my $0.02 in terms of

00:50:22:13 - 00:50:26:13

Unknown

like how this how I view this type of right. Like but if you had like $0.02

00:50:26:14 - 00:50:29:22

Unknown

to wrap it up in terms of what would be

00:50:29:25 - 00:50:32:03

Unknown

Harvey's advice.

00:50:32:05 - 00:50:34:11

Unknown

Yeah. On these types of things. Yes. What

00:50:34:13 - 00:50:37:04

Unknown

would be your where's your style. Yeah. Yeah.

00:50:37:05 - 00:50:53:15

Unknown

No. First of all, I think if you do get into this and you are very nervous and frantic, like you're just so nervous about how to respond, I think it is important to have someone professional that has dealt with these audits before to help represent you, but other than that, I think it matters in terms of like how

00:50:53:21 - 00:50:55:13

Unknown

you cooperate with the auditor.

00:50:55:15 - 00:51:17:01

Unknown

Right? There are biases that exist, right? Everyone's human is so are the CRA agents yelling at them, being unprofessional, being angry is not going to get you anywhere. It's better to be cooperative, understand what they're asking for, and, you know, have your story straight, don't say too much and have all your documentation as well, right? Like like all the documents we mentioned.

00:51:17:06 - 00:51:18:18

Unknown

Hopefully you've kept it on file.

00:51:18:23 - 00:51:25:29

Unknown

If not, start gathering the information that you need to support that. Right. But being cooperative I think is really important.