



BE AWARE

CGA-CANADA'S GUIDE TO IDENTIFYING TAX SEASON SCAMS

Tax season is a prime time for con artists to take advantage of you. Recognize the signs, avoid becoming a victim and report the scams.



We see more than numbers.

FOREWORD

Every year, Canadians lose millions of dollars to fraud. Tax season is a prime time for con artists to take advantage of your stress and the demands on your time when it comes to preparing your taxes and receiving an optimal return.

According to a survey by the Certified General Accountants Association of Canada (CGA-Canada), one in five or approximately 20 per cent of Canadians have been exposed — themselves, a close friend or family member, someone they know — to a tax season scam. The survey also found that a majority, 54 per cent, of Canadians don't know where to report incidents of fraud.

I encourage you to share this guide with your friends and relatives, people who could also be victims of any of the scams described in this guide.

Original copy signed by:

*Anthony Ariganello, CPA (DE), FCGA
President and CEO of CGA-Canada*



TOP TAX SEASON SCAMS

Scams that take place in and around tax season are:

- 1 Phishing
- 2 Identity theft
- 3 False charities
- 4 Tax preparer fraud

1. PHISHING

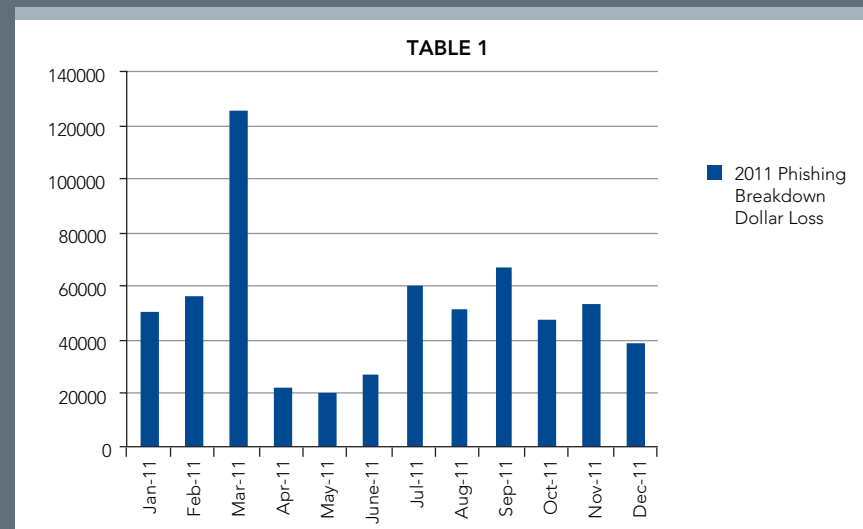
An email claiming to be the Canada Revenue Agency (CRA) asks to verify your personal tax information or offers a direct deposit on your recent tax return.

A phone call from the CRA or your bank asks to verify your personal and financial information.

SOUND FAMILIAR?

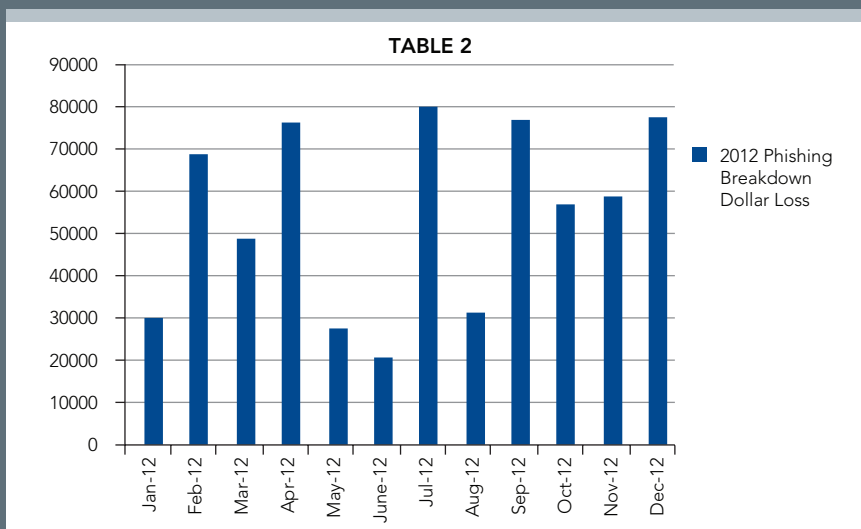
These are emails and telephone scams, 'phishing' for your personal and financial information. Phishing is when there are attempts to acquire private information by acting as a trustworthy source.

According to the Canadian Anti-Fraud Centre, in 2011 and 2012 there was an increase in phishing scams occurring at tax time. In March 2011, over \$125,000 was lost by victims of phishing emails – the highest reported loss in the year (Table 1).



Source: Canadian Anti-Fraud Centre, CGA-Canada calculations.

In 2012, the combined reported loss was over \$76,000 occurring in April of that year (Table 2).



Source: Canadian Anti-Fraud Centre, CGA-Canada calculations.

BE AWARE OF:

- Anyone asking for your personal information, such as social insurance, credit card, bank account, and passport numbers.
- Emails containing embedded malware, or malicious software, which can harm your computer and put your personal information at risk. Ensure you have a virus protection system to alert you.
- Emails or phone calls that threaten a consequence for not responding, such as additional taxes or blocking access to your funds.

TIP



- If you receive, either by telephone or email, a communication that claims to be from the Canada Revenue Agency (CRA) requesting personal or financial information, do not respond. For more information about security of taxpayer information and examples of fraudulent communications, go to www.cra.gc.ca/security.



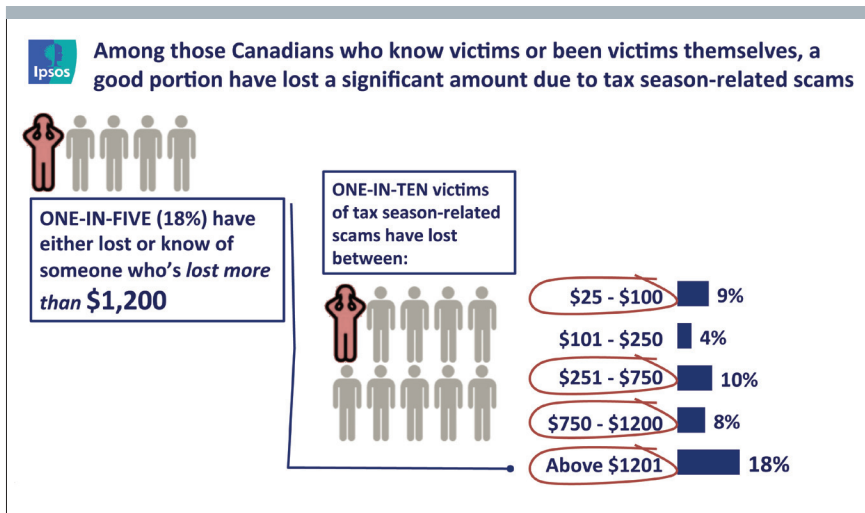
2. IDENTITY THEFT

Your credit card statement shows purchases you don't recognize.

You receive telephone calls, emails or mailed letters informing you that you have been approved or denied by a creditor that you never applied to.

SOUND FAMILIAR?

Your tax return contains enough personal information to allow someone to steal your identity. Identity theft is having personal or financial information stolen from your online accounts, your mail or other sources. Tax time presents a great opportunity for identity thieves. By managing your personal and financial information wisely, you can help guard against them.



Source: Ipsos Reid

BE AWARE OF:

- Revealing any personal or financial information until you know how it will be used and if it will be shared.
- Leaving printed personal or financial information or your computer unsecured.
- No longer receiving bank or credit card statements in the mail soon after sharing financial information online.

TIP



- If you feel you have been a victim, contact the fraud departments of the two major credit bureaus and request that a "Fraud Alert" be placed on your files. At the same time, order copies of your credit reports.

Equifax: (866) 828-5961

TransUnion: (800) 663-9980 except Quebec residents
(877) 713-3393



3. FALSE CHARITIES

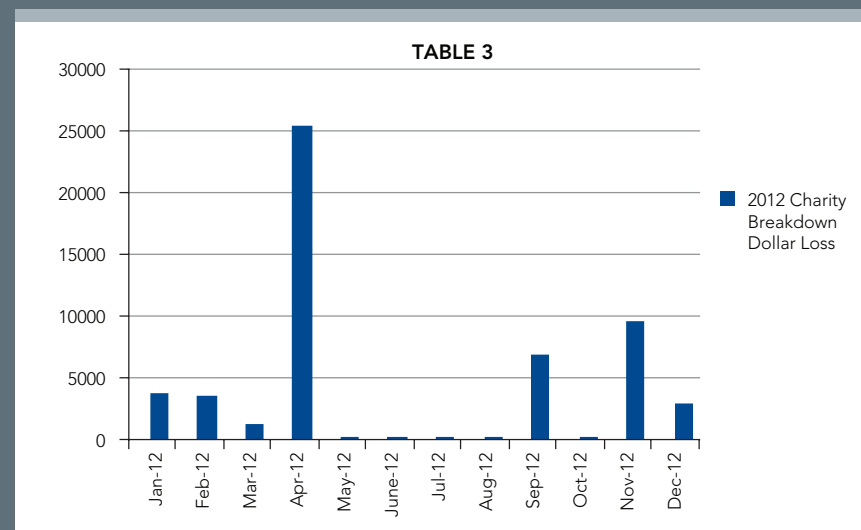
You receive a thank you letter for a donation you don't remember making and it asks for follow-up information to confirm the donation.

You receive an email from an organization you have not dealt with previously, looking for an online donation.

SOUND FAMILIAR?

Many Canadians support charities and claim the monetary donations on their tax return. If you receive correspondence or a visit from an unfamiliar charity, it is important to confirm that the charity is legitimate and that it is registered with the CRA Charities Listings at www.cra.gc.ca/donors.

According to the Canadian Anti-Fraud Centre, in April 2012 there was a spike in charity scam fraud. Over \$25,000 was lost by victims of charity scam abuse during tax time – the highest reported loss in the year (Table 3).



Source: Canadian Anti-Fraud Centre, CGA-Canada calculations.



BE AWARE OF:

- Who you are donating to. Sometimes fraudulent charities use names that are similar to well-known and respected charities.
- Schemes that promise you tax savings greater than your donation, which would let you profit from donating to a charity.
- Inappropriate pressure to give immediately or being offered a receipt for more than you actually donate.

TIP



- Write cheques payable to the charity, not to an individual. Make sure that your online payments are secure.

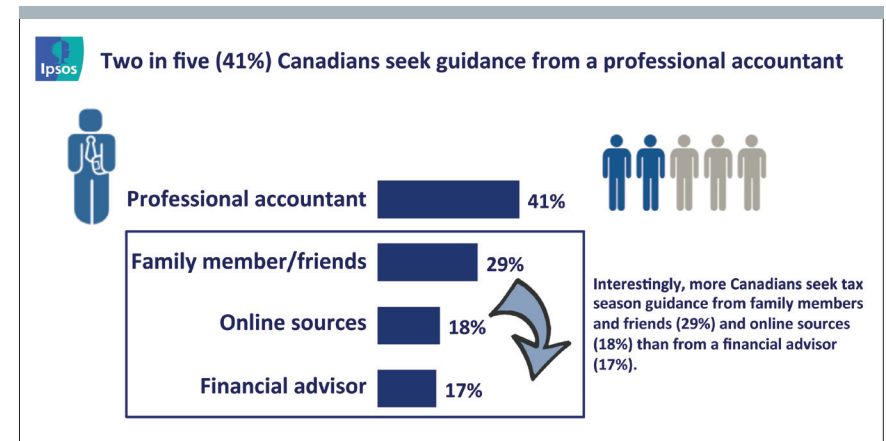
4. TAX PREPARER FRAUD

A flyer in the mail advertises a tax preparer offering a high return for your money at a reduced rate.

A tax preparer offers to base his or her fee on a percentage of the amount of the refund.

SOUND FAMILIAR?

Tax preparer fraud occurs when a preparer alters return information without the client's knowledge or consent in an attempt to obtain inflated refunds or to divert refunds for his or her personal gain. The taxpayer is usually unaware of the preparer's actions but is left liable.



Source: Ipsos Reid

BE AWARE OF:

- Who you are dealing with at tax time and verify their credentials.
- Return preparers who suggest inflating deductions such as charitable donations, child care expense claims, or business expenses or losses as a way to get a larger tax refund.

TIP



- Make sure the tax preparer gives you a copy of your return for your records and never sign a blank tax form.



HOW TO AVOID BEING SCAMMED

- Get references and do your research. When in doubt, ask yourself: is this too good to be true? Scams often are.
- Get referrals from people you know and make sure the company or professional is legitimate.
- Look for credentials. Seek a tax professional who is a certified accountant. Certified accountants have completed extensive examinations on tax matters and must stay current by meeting continuing professional education requirements.

WHERE TO REPORT FRAUD

If you, or someone you know, have been a victim of fraud, you need to report it. Reporting scams prevents others from being scammed. The first place to report fraud is to your local police department.

Canadian Anti-Fraud Centre

www.antifraudcentre.ca 1-888-495-8501

Competition Bureau

www.competitionbureau.gc.ca 1-800-348-5358

FIND A CERTIFIED GENERAL ACCOUNTANT (CGA) IN YOUR AREA

Public Practice Firms Directory

www.needanaccountant.org

RELATED RESOURCES

The Better Business Bureau of Canada (BBB)

Listing of Canadian National Accredited Businesses

www.bbb.org/canada

The Canada Revenue Agency (CRA)

Fraud Prevention

www.cra-arc.gc.ca

CGA-Canada Personal Tax Planning Book

2012-13 Personal Tax Planning book

www.cga-pdnet.org

Competition Bureau

The Little Black Book of Scams

www.competitionbureau.gc.ca

Financial Consumer Agency of Canada (FCAC)

Fraud

www.fcac-acfc.gc.ca

Royal Canadian Mounted Police (RCMP)

Victims Guide

www.rcmp-grc.gc.ca

SUPPORTED BY:



ABOUT CGA-CANADA

Founded in 1908, the Certified General Accountants Association of Canada serves 75,000 Certified General Accountants and students in Canada and nearly 100 countries. Respected accounting and financial management professionals, CGAs work in industry, finance, government and public practice. CGA-Canada establishes the designation's certification requirements and professional standards, offers professional development, conducts research and advocacy, and represents CGAs nationally and internationally.

www.cga.org/canada/fraud

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