

Praise for *The Grumpy Accountant*

“*The Grumpy Accountant* accomplishes an almost unimaginable literary feat: it’s funny and it explains the Canadian tax system. Yes, there are real-life tax tips. And yes, there are intriguing tax policy ideas. But best of all, it’s packed with hilarity as characters bumble through Canada’s maze of tax regulations and provoke searing satirical rants from the grumpy accountant. It’s like watching a hit sitcom that’ll get you a bigger tax refund.”

— **Scott Hennig**
President & CEO
Canadian Taxpayers Federation

“The clear reasoning, trenchant analysis and solid advice in *The Grumpy Accountant*, should shape an aggressive tax reform agenda for Canada, and the sooner the better!”

— **Hugh Segal**
Mathews Fellow in Global Public Policy
Queen’s University

“It is not easy to find a book on taxation that is fun to read as well as educational. Neal Winokur’s *Grumpy Accountant* is the story about how an accountant tries to explain a very complicated personal tax system to a hard working individual who understandably has no clue about taxes except they are deducted from his paycheque. I was impressed that the accountant had a pretty good idea about the reasons for many provisions in the tax system — not many do! The argument that the personal tax could be simplified by eliminating special deductions and credits resulting in a substantial reduction in tax rates is one we have heard before but hopefully Winokur’s book will make the persuasive case.”

— **Jack M. Mintz, C.M.**
President’s Fellow, School of Public Policy, University of Calgary

“*The Grumpy Accountant* was a great read. Neal somehow managed to make taxes interesting. I really like the book’s story format. I could really relate to the characters and learned a lot as I read along. Overall, I highly recommend this book to anyone looking to gain a better understanding of taxes. You won’t be disappointed.”

— **Sean Cooper**
Mortgage Broker and Bestselling Author of *BURN YOUR MORTGAGE*

“Believe it or not, early in my career, I was a grumpy accountant. I still have nightmares about those years: having no life during “tax season” (February until April 30 every year), filing endless tax returns and trying to deal with the CRA.

When I read *The Grumpy Accountant*, the catharsis I experienced was just one reason why I enjoyed this book so much. (Professionally or personally, I have encountered most of the scenarios and the frustrations Neal describes.) It’s well-written, easy to read and understand—and funny! It’s not just for grumpy accountants—it’s for all Canadian taxpayers who “don’t know what they don’t know” about our tax system. The 29 tips in the book will help you save taxes and avoid costly mistakes.

I am going to insist that my kids read it, but since they are *Seinfeld* fans, it won’t be a hard sell (special Easter eggs throughout the book for *Seinfeld* fans!)”

— *Robin Taub, CPA, CA*

Author of THE WISEST INVESTMENT & Speaker

“The personal tax system is a complicated muddle of expanding rules & forms that probably enriches the accounting industry more so than government. Neal’s book does a great job of shining a light on this godawful mess in a humorous manner, as well as offering some suggestions on what might be done about it. If you are a tax-paying citizen this book will either enrage you or result in an attempt to convince your kids to become tax accountants so they too can secure a lifetime employment annuity—or possibly both.”

— *Moshe A. Milevsky, Ph.D.*

Finance Professor, York University

“Neal Winokur has accomplished the seemingly impossible by writing an entertaining book on personal taxes! Jammed packed with practical, easy-to-implement advice and tips, *The Grumpy Accountant* is a great read. Highly recommended!”

— *Robert R. Brown*

Author of WEALTHING LIKE RABBITS

THE GRUMPY ACCOUNTANT

One Fed-Up Tax Pro's Practical Plan to Fix
Canada's Senselessly Complicated Tax System

NEAL WINOKUR, CPA, CA

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Laws, regulations and procedures relating to the taxation system are constantly changing, and the examples given are intended to be for general, illustrative purposes only. Information in this book is current to January 1, 2020, and reflects the law and publicly announced proposals for changes as of that date.

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To my dear wife Ali

Thank you for miraculously tolerating me and encouraging me to write down my thoughts instead of constantly complaining to you.

To my daughter Olivia

May you grow up in a Canada with a simple tax system.

And lastly, to every single Canadian suffering unnecessarily due to our ridiculous, antiquated, complicated tax system.

May we soon be freed from this insane tax filing nightmare.

THE MAKING OF A GRUMPY ACCOUNTANT

When I started working as a young, naïve accountant, I was eager, enthusiastic and excited for the career that lay ahead. I slogged through four years of drudgery to obtain my professional designation. I then spent the next seven years, at the time of this writing, running my own accounting practice.

I have filed countless tax returns throughout the course of my work. During this time, I have become increasingly frustrated as I came to understand how complicated and inefficient our tax system is.

I have seen how honest, hard-working people get ensnared in the maze of an uncompassionate and faceless bureaucracy. Canadians spend approximately \$7 billion every year to file their individual income tax returns, averaging \$501 per household.¹

I have seen how maddening and convoluted it can be to deal with the Canada Revenue Agency (CRA), which has an annual budget of \$4.3 billion² and growing. The CRA employs 40,000 people whereas the Internal Revenue Service of the United States employs 80,000 people even though the population of the United States is 10 times the size of Canada.³

Many other countries, such as Spain, Estonia, Finland, Norway and Iceland,⁴ have very simple tax systems in which the majority of taxpayers are not required to file a tax return. Ninety per cent of taxpayers in England, 87% of taxpayers in Denmark and 74% of taxpayers in Sweden do not have to file tax returns.⁵ In Estonia, it takes the average person five minutes to file their tax return.⁶ New Zealand has become the master of tax reform.⁷

If all these countries have a straightforward tax system, why don't we?

My dream is for the tax system to be massively simplified, at least for the majority of taxpayers and especially for those on the lowest end and in the middle of the income spectrum. People should be able to file their own tax returns without the need to purchase software or hire grumpy accountants like me.

Imagine if we could make changes to our tax system that resulted in a revenue-neutral impact to the government, such that government spending could remain at the same levels they are at now. Imagine if the system of collecting individual income tax was streamlined to a point where millions of Canadians could save hundreds of dollars a year on accounting fees, as well as saving the time, stress and effort involved in filing their tax returns.

Canadians from across the entire political spectrum must rally and work together on this very important issue. Even if Canadians disagree on whether or not we are paying too little or too much tax, we must all agree that the system under which we are obligated to file our tax returns must be made less complex and more efficient.

I wrote this book, because every night I lie awake in bed, unable to fall asleep, thinking about how strange it is that I have a job as a tax accountant. I truly believe it is shameful that my job is necessary.

I can no longer stand idly by while millions of us continue to suffer under this stress-inducing and expensive tax-filing regime. I feel a moral obligation to publicly call on our politicians to massively simplify our tax system as soon as possible.

Until my dream of a straightforward tax system comes true, *The Grumpy Accountant* will share critical tips on how ordinary Canadians can survive the mess of our tax system. These are based on my experience of seeing the most common pitfalls and tax traps that people fall into.

This book is written in plain, easy-to-read language so every single Canadian can understand. We will see how Jerry, a fictional character symbolizing the average Canadian, experiences the inefficiency of the tax

system as a student, an employee, a married man, a parent, an entrepreneur, a retiree and even as a dead guy as he is taxed beyond the grave. The tax traps, mistakes and nightmares that Jerry faces are based on real-life, true stories that my clients have experienced.

Jerry's grumpy accountant, George, will be there every step of the way to help him along and propose ideas on how to streamline the system once and for all.

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Chapter 1

WHY IS MY PAY CHEQUE SO LOW?

It was Monday morning, and, for Jerry, it was his first-ever Monday morning of his first day at his new job. He finally graduated from university where he studied architecture and was genuinely excited to begin the next phase of his life.

He arrived at work and his first order of business was to meet with the human resources department for an orientation. What in the world does it mean to be a “human resource” he thought to himself. Regardless, he had no time to ponder these great mysteries. He had forms to fill out.

He looked at the forms. They were strange and meaningless to him. There was one form for the federal government and another for the province. He had no idea how to fill them out. Each form had a list of “tax deductions” that he could fill out or leave blank. He had to fill in his social insurance number, which he didn’t know off hand.

Jerry was flabbergasted. He had worked odd jobs throughout high school and university. Some of them were unpaid internships and others were informal. He didn’t remember anything about filling out official-looking forms.

In all of his years in high school and university, he never learnt about any of these concepts. He felt lost and dejected. He was very embarrassed as he told the human resources employees that he must call his parents to ask them how he should fill out these forms. His parents told him his social insurance number but otherwise were unable to help him as they also had no idea what these forms were.

Please note: Numbers throughout the book have been rounded and simplified for easier readability.

The human resources employees giggled but were helpful and reassuring. They helped him to fill out the forms as best he could.

The next few days went by without a hiccup. He settled into his new job and felt very lucky to find a position in one of the top architectural firms in the country.

On Friday of his second week of work, his co-workers in the other cubicles were very excited. There was a feeling in the air that he never experienced before. It was pay day. Today he would receive his first pay cheque for his first two weeks of work. He was ready. He had worked hard for so long, throughout high school and university, and at his first two weeks of work. Finally, hard work was starting to pay off.

An envelope was placed on Jerry's desk. He eagerly opened it, full of excitement and anticipation. Based on his salary of \$40,000, he was anticipating a cheque in the amount of \$1,500 for his first two weeks of work.⁸ He looked at the cheque and noticed something very strange. The cheque was for only \$1,200.⁹ It was missing \$300.

He thought there must be some mistake. He then noticed another large piece of paper attached to the cheque that was entitled "pay stub."

Jerry examined the pay stub very closely. He noticed that there was one amount called "gross pay," and then there were several deductions such as "CPP," "EI," "federal income tax," "provincial income tax" and finally "net pay."

The gross pay was in fact \$1,500 as he expected. But he had no idea what all these other strange letters and words meant. Why were these deductions so high? He was only earning \$40,000 for the year and he felt he needed every penny, considering he still had student loans to pay off. Jerry vaguely remembered his parents frequently complaining of high taxes but he never imagined this would happen to him.

Jerry went home and prepared to go out to a friend's birthday party. At the party, Jerry regaled his friends with stories from his first two weeks of work. He explained what happened with the pay cheque and pay stub and suddenly became very sad and gloomy.

One of the young women there, who Jerry had never seen before, approached Jerry and introduced herself. “I have to tell you something. Back where I come from, across the pond in England, I never had to file a tax return. When I moved here to Canada, I thought it was so bizarre that almost everyone has to file a tax return. I felt completely lost so I asked around and I found a really good accountant. Perhaps you should meet with him and he can teach you everything you need to know.”

Jerry was thankful for this advice. “Thanks, that sounds great. My name’s Jerry by the way. And you are?”

“Elaine,” she replied.

They shook hands and she provided Jerry with the contact information of her accountant. They continued talking and getting to know each other. Jerry was enamored by her British accent and all his sadness and gloominess disappeared for the rest of the night.

Jerry called the accountant first thing Monday morning. Jerry’s first impression from the phone call was not that great. The accountant sounded exhausted and frustrated. Jerry was having second thoughts but decided to meet with him, so that he would have something interesting to talk about with Elaine.

Jerry walked into the accountant’s office. He looked around and noticed that there were boxes of paper and files laying around everywhere. The ceiling had dreary fluorescent lights, which have been known to cause headaches. There were no windows. The walls looked like they were something out of a 1970s movie. It clearly had not been updated in a long time.

The accountant stood up from his chair to greet Jerry. Jerry looked at him carefully. The accountant appeared to be much younger than Jerry originally assumed he would be, perhaps only ten years older than himself. Despite his youthful looks, he seemed to be quite stressed out. He looked very tired and had large bags under his eyes. His hair was all over the place. His shirt was untucked, his facial hair was unkempt and overall he seemed to be a mess.

Jerry noticed a poster on the wall above the desk. It was a First World War poster depicting Canadian soldiers in the trenches. He thought this seemed quite out of place for an accountant.

The accountant introduced himself, “Hello, thanks for coming in. My name is George. It’s nice to meet you. Why don’t you have a seat? We have a lot to talk about.”

Jerry sat down, showed him his pay stub and asked his new accountant if the pay stub was correct.

“Jerry, believe it or not, your pay stub is 100% accurate. Your employer is obligated to deduct all those amounts from your pay.”

“Okay, but what are all these strange letters and acronyms? CPP? EI? I feel so lost; I don’t understand any of this.”

“Don’t worry Jerry, I will explain everything. It’s not as bad as it seems. It’s bad, but not that bad. It could be worse. The first deduction is ‘CPP.’ This refers to the ‘Canada Pension Plan.’ These are payments that go towards a pension that will be paid out to you when you retire. ‘EI’ refers to ‘Employment Insurance’ and these funds are used to pay out benefits to workers who lose their jobs or go on sick leave, parental leave or for other similar situations. Lastly, the income taxes are sent to the federal and provincial governments to pay for all of the services and functions that we expect our governments to provide.”

“Okay, so let me get this straight. CPP is my pension, EI goes into a fund that I can access benefits from if I become sick or lose my job and the rest is income tax?”

“You got it. The important thing will be your T4 slip. Your employer will give you a copy of your T4 slip after the end of the year and will file it with the Canada Revenue Agency—or CRA is the abbreviation that is often used. Once you have your T4, you need to send it to me so I can file your tax return.”

“File my what?”

George sat back in his chair and smiled. “You need to file a tax return every year.”

“But why? You just finished explaining that my employer is taking off all the taxes from each pay cheque and filing my T4 with the CRA so why do I need to file a tax return?”

George smiled again, “Jerry, let me show you something. You see this?”

George placed in Jerry’s lap a 50-page document that looked freshly printed. Jerry glanced down at the 50 pages and stared back at George with a look of complete confusion on his face.

“Jerry, this is an example of a tax return I am about to file for a client. These 50 pages represent the client’s copy of the tax return that I will send him for his records. I will then ‘e-file’ his tax return electronically. Welcome to the Canadian tax system. Your T4 is not your tax return. You might be able to get a tax refund because you are entitled to claim a huge list of tax deductions and tax credits. Don’t worry. I will take care of everything for you. Now, we need to discuss my fees.”

Jerry was overwhelmed; this was a lot of information to take in all at once. George could sense Jerry’s stress level. He had dealt with these types of situations countless times before. He proceeded to calm Jerry down.

“Look, there’s a lot more to say but don’t worry. I will be here every step of the way. I am here for you, Jerry. And when I’m not here for you, I’m there for you! You should know you have other options you can use to file your tax return. You can download TurboTax or UFile or go to www.simpletax.ca and file your tax return by yourself using the CRA auto-fill system.”

“George, you know what, I wouldn’t even know where to begin if I tried filing my own tax return. Even though I would save a bit of money each year if I filed for myself, I feel like it would take me forever to figure out this stuff all alone. I will gladly pay your fee. Thanks so much for meeting with me today. I sort of—just sort of—feel a little better.”

As Jerry was leaving the office, he took one last look at that First World War poster. George saw that Jerry was staring at the poster trying to understand what it was doing there.

“Jerry, believe it or not, I am not a war buff. That poster is there to remind me of the history of the income tax in Canada. From 1867 to 1917, there was no federal income tax. In 1917, the government was running out of money due to the expenses of the First World War, which was raging on at that time. They introduced the *Income War Measures Act* to help fund the war effort. The legislation was only 11 pages long, could be read in 20 minutes and only forced the top 2% of income earners to pay income tax and file a tax return.

“The income tax was supposed to be a temporary measure to pay off the debts from the war. Of course, we still have the income tax today, over 100 years later. Except, today the *Income Tax Act* is over 3,000 pages, contains over 1,000,000 words and forces almost every Canadian to file a tax return. Every day I look at the poster and it reminds me of my dream to simplify the tax system and reduce the *Income Tax Act* from 3,000 pages back to the original 11!”

Jerry was fascinated by this piece of history. He thanked George for his time and was very thankful that Elaine made the introduction. He knew he had to call Elaine and ask her for the opportunity to thank her in person over dinner. But he was so exhausted from the meeting, when he arrived home, he went straight to bed. He didn't sleep well that night but he did feel relieved a professional tax filer was going to be on his side.

TIP #1 — *Look at Your Pay Stubs*

I often wonder if people look at their pay stubs. It's very important to ensure your employer is not making mistakes when paying you. The deductions from your pay can be complicated so it's not unheard of for employers to make errors in their calculations.

Whether you are paid weekly, bi-weekly, semi-monthly or monthly, it's always a good idea to look at your pay stub in order to ensure its accuracy. There are tools online that can help you verify these amounts. I have included links to these tools in the Resources at the back of this book.

I also recommend you keep copies of all your pay stubs just in case there is a problem with your T4. The amounts showing on your T4 slip should agree with the year-to-date amounts on the last pay stub you received for the year, in theory.

If you look at your pay stub right now and feel lost, don't worry; by the end of this book, you'll be a master. Or, at the very least, have a better understanding than you do now.