

# Mastering Money Podcast

## Season 9 – Dark side of money

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### S9 E06: Taxing Troubles: The Hidden Impact of Evasion – The Great Heist

**DORETTA THOMPSON**

00:00:11.63

Hi. You're listening to Mastering Money, where we explore the many aspects of good financial decision-making. I'm Doretta Thompson, financial literacy leader for Chartered Professional Accountants of Canada. We provide no-cost programs and free online resources that help Canadians own their finances and learn the language of money.

This season, we're looking at the dark side of money. We'll be diving into hot button topics, like how romance scams target vulnerable people, how we can protect ourselves and deal with the aftermath of robbery with the sharp increase in street crimes, to the fraudulent property sales that jeopardize our homes.

Today we'll delve into the clandestine world of tax fraud. We'll look at its prevalent nature, its impact on the economy, and the various techniques employed to avoid paying taxes. We'll also look at how these illicit practices impact Canadians and society at large, examining the consequences of cash payments on both our financial landscape and social fabric and the potential solutions for a more equitable system. My guest today is John Oakey, CPA Canada's vice-president of tax. John, welcome to Mastering Money.

## JOHN OAKEY

00:01:25.99

Thank you.

## DORETTA THOMPSON

00:01:26.86

So tell us a little bit about yourself. What made you a tax guy?

## JOHN OAKEY

00:01:31.48

Wow, that's an interesting question. So it would go back many years. I was always interested in the tax. And I'm one of those odd people that actually found tax interesting, found accounting interesting, and pursuing a career in tax just seemed like the right thing to do. So everyone has their passion for what they do. Mine happen to be tax, which is odd, but that's how I ended up here eventually.

## DORETTA THOMPSON

00:01:58.46

So today we're going to be talking about tax fraud, tax evasion, how it happens, and its impact. So right off the top, can you explain for our listeners what exactly tax fraud is and how it's different from tax evasion?

## JOHN OAKEY

00:02:14.64

So tax fraud and tax evasion are really the same thing. The difference lies in the legality of prosecuting. Tax fraud is prosecuted under the criminal code and tax evasion is prosecuted under the Income Tax Act, but they really result in the same thing, which is the nondisclosure of income or the excessive claiming of expenses, all resulting in the fundamental principle of not paying the fair share of tax that you are supposed to pay, and not within legal means, but by doing it in illegal ways.

## DORETTA THOMPSON

00:02:53.62

OK. So it's about either not reporting your income or falsely claiming exemptions.

## JOHN OAKEY

00:03:00.08

Correct. It involves a certain level of fraudulent activity, where you're not disclosing something or you're incorrectly claiming something that you weren't allowed to claim, and you knowingly are doing that, and that's probably one of the biggest distinguishments, is, it's not an accidental thing. You knowingly are doing something that you know is incorrect and wrong based on the rules.

## DORETTA THOMPSON

00:03:26.03

And what about tax avoidance? Is tax avoidance considered the same sort of thing?

## JOHN OAKEY

00:03:31.44

It's not, and this is where there's lots of confusion because tax avoidance, if you ask the general public, they put that in the same bucket as tax evasion and tax fraud. It all sounds very negative. But really, tax avoidance is working within the rules as the presented and working within those rules in order to minimize your tax situation.

Now like I said, a lot of times, it's a very negative connotation just to the word itself. But if we want to put this in simplistic terms, tax avoidance can be contributing to your registered retirement savings plan. It's a legal form that's allowed under the Income Tax Act, where you can make a contribution and deduct it from your income, reducing your personal taxes, that's tax avoidance.

That is exercising a plan to reduce your tax burden under the legal framework of the Income Tax Act. That is a simplistic form of tax avoidance, and they can become very complex forms, where people undertake a multitude of transactions in order to accomplish some tax efficient commercial transaction.

## DORETTA THOMPSON

00:04:44.51

So we tend to think about tax evasion, tax fraud as something that rich people do, something that big companies do. Is that true? Is that what it looks like?

## JOHN OAKLEY

00:04:58.21

I think that's the perception that's in the public, is, well, we average everyday people, we don't commit tax fraud or tax evasion, that's big company stuff. And you see that in the media. You don't see in the media that the individual down the street was flipping homes and not reporting his income correctly.

What you see in the media is large multinational companies that are moving their assets offshore to places where there's low tax jurisdictions and they're not managing it in a way that they're allowed to manage it in order to have that structure. So I think that's the perception out there. The reality is, a lot of people actually participate in some level of tax evasion.

The Canada Revenue Agency has various programs to try to minimize the underground economy. If you really go back to the simplistic aspect of reporting under the Income Tax Act, the fact that every employee gets a T4 reporting their employment income is a way to combat tax fraud and the underground economy because if everybody didn't get a T4 that was also reported to Canada Revenue Agency, then there would be the incentive for people to not fully report all their earnings.

And so we can go through lots of individuals who — maybe they buy something, and then they sell it at a profit, and they're doing it through these digital platforms, people that are working for Uber or sharing their vehicle, or Airbnb. All this is individuals gathering revenue from other sources, and if they don't report that, that's a form of tax evasion because they're not reporting their income that they're earning.

## DORETTA THOMPSON

00:06:47.12

Wow, that's really interesting. I mean, we all have heard about the idea of cash deals and stuff that nobody talks about, but that's really a tax avoidance issue.

## JOHN OAKEY

00:06:59.09

It is, and it's every day. We're faced with these decisions quite routinely in our day-to-day. I've had people come to my house saying, we'll do some work around your house. If we send you an invoice, it will cost you this much. If you just pay us in cash, well, then we'll reduce the fee. Well, maybe that's contributing to the underground economy because if you're paying in cash, they may not be reporting it.

It doesn't necessarily mean they're not going to report it because they may, but a lot of times, that's the trade off, is, if I get cash, then there's no way for Canada Revenue Agency to see that money because if I don't put it in the bank account or if I don't have an invoice, they won't see it. So therefore, if I don't report it, it's an untraceable transaction.

And so these type of situations can happen more often than we think. So I think that's the one thing that people need to be aware of, is, it's just not big multinational companies that are cheating this system that people like to assume it's only them. I think a lot of people probably, I would say, they're not doing it purposefully in a mean way, like they're trying to fraud the system.

I think these are innocent situations where they think, oh, well it's only a few dollars. That's not really hurting anybody. It's not really hurting the government. It's not hurting the economy. But when you take 30 million people, or whatever the number is, and you put \$100 to each person, the numbers start to add up, and I think that's where we become slightly complacent with this tax evasion concept and we blame the big companies and we don't look at ourselves to say, yeah, are we also contributing to this as well?

## DORETTA THOMPSON

00:08:41.16

That's really interesting. I know one of my colleagues was recently telling me about being in a situation in a store being really pushed by the retailer to pay cash because it would be cheaper and no tax, things like that.

## JOHN OAKEY

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Yeah. It's really interesting how sometimes it's viewed as very acceptable. I had a client that came through years ago when I was in practice. And the individual came in because this individual was reassessed by Canada Revenue Agency for flipping homes. So over a five-year period, he had sold four homes, claiming the principal residence exemption on each one of those homes paying no tax.

Canada Revenue Agency reassessed the individual saying, well, you're equivalent to a builder, and you should actually have recorded a profit on the sale plus HST for selling each one of your properties. Your principal residence exemption is not available. And this individual would have had — he ended up being reassessed for hundreds of thousands of dollars.

When he came in and met with me, he was extremely mad and angry at the whole situation, even though I tried to explain to him the way the rules work in the Income Tax Act. And his defense for doing this was that everybody else does it. So why am I not allowed to do this? And I tried to explain to him, well, that's not a defense. It just means you're contributing to the problem along with everybody else.

## **DORETTA THOMPSON**

**00:10:07.42**

And I guess, everybody else does it, is a bit of an overstatement too.

## **JOHN OAKLEY**

**00:10:11.13**

Oh, absolutely. It's not everybody does that, but justifying it by saying that everybody does that, that's not what you should be trying to do. You should try to look at the situation that the taxes you pay are going for government services. I think people forget that. People forget why we pay our tax because there's a disconnect between the tax we pay and the services we receive.

And, as we hear in the media, the government has a tendency to squander money. They have a tendency to be inefficient with spending money. And those negative aspects are promoted through the media. You usually don't hear the good things that the government's doing, you hear the negative things. And so people don't feel their tax money is going to the right places. And so there is that disconnect, that I'm getting value for the taxes that I'm actually paying.

## **DORETTA THOMPSON**

**00:11:03.10**

That, I think, really hones in on one of the important issues here. Some of the other areas we're looking at this season as we look at the dark side of money, you can see a clear victim if you're looking at romance frauds or you're looking at identity theft and things like that.

Clearly, people are victims of this. They suffer. But somehow people have the idea that maybe some of these more common practices or things people take advantage of personally, they're somehow victimless crimes. They don't matter. They're not really crimes, or there's something acceptable about them, and really lose that sense of who you're hurting.

## JOHN OAKEY

00:11:42.16

I agree completely, and it really goes down to, when you can't see the connection between what you pay and the value you're receiving — and I think there's just a general distrust on government spending money because in the news, you hear all the negative things. You don't hear the positive things, usually.

So I think there's just a general distrust that the government is going to spend your money wisely. And when you compound that with a lot of the problems we see in the economy today, we got hospitals which have huge waiting lists. So there's lots of issues in the medical field. You hear people complaining about the secondary education. You hear all these complaining with regards to government funded programs.

And not that all these programs are bad, it's just that people have a tendency to complain about the things they want to complain about, and that's what they focus on. And if you complain about something enough, whether it's true or not, it starts to become reality, and that further creates the disconnect between, I'm paying tax, and here's the value I get for the services that I'm paying.

## DORETTA THOMPSON

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So let's take a little bit of a deeper dive into tax fraud itself and what it looks like in Canada. What are some of the common areas where tax fraud happens?

## JOHN OAKEY

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Well, some of the common areas — the underground economy is probably one of the best areas to look at. And like I said, it's a lot of little things that add up to be a big thing. And the government over the years has put in lots of programs to try to mitigate that to the best of their ability, and that's why you have slip reporting, that's why you have T4s, T5s, T3s. All of that is to try to combat the underground economy by making sure that the government is aware of the earnings that you have.

The other one that is on CRAs radar for sure is real estate. With house flippers, that's one where there's a big concern where people are acting like builders, selling properties, either treating it like capital gains so they end up reporting less income, or claiming the principal residence exemption so that way it's fully tax free.

That has always been an area of concern, which the government has recently addressed by putting in some additional rules, where it basically draws a line in the sand that says, if you purchase a property and sell it within 12 months and you don't meet one of these specific exceptions, then we're going to treat it as income, not a capital gain, no capital gains exemption, it's straight up income.

So that's something that the government has said, we're tired of taking it to court to try to argue these situations. We're just going to put a line in the sand we'll put it into legislation, and there it is. So that's something that the government is doing with regards to that. The subtrades — there's reporting mechanisms that were put in place years ago in order to try to reduce the underground economy with regards to subtrades taking cash and not reporting it.

So what that does is, it puts the burden of reporting onto the contractor, making sure that all the subtrades, you report the income that you paid to them. So these are little mechanisms that they do in order to try to minimize that. But tax fraud, it can come in all kinds of different flavors. There's international tax fraud, where people are moving assets offshore and they're not reporting it.

Now, once again, there's a negative connotation when you say offshore. As soon as you say, well, I have offshore tax planning, it's automatically assumed that you are doing tax evasion or tax fraud. That is not true. Because I have assets offshore doesn't make me a tax evader or fraudulently cheating the tax system. What it means is, I just have assets outside of Canada.

There are reporting mechanisms built into the Income Tax Act that requires me to disclose these assets as well as report my worldwide income. So the Income Tax Act is designed to make sure that I can have assets anywhere as I want. As long as I disclose it and report it, everybody's happy.

The tax evaders and the tax fraud people of the world are the ones that move stuff offshore, try to move it into a location that doesn't have information exchange agreements with Canada, and they try to hide stuff.

So the one thing I'd like to point out there is, just having assets offshore does not make you an aggressive tax evader, it just means you have assets. It's what you do about it that matters. So if you report everything, that's great, you've done everything legally. If you're not reporting, well, then yes, you are evading tax.

## **DORETTA THOMPSON**

**00:16:37.17**

And I guess it's the same kind of news issue that you were talking about earlier. When you think about offshore, I think the average person thinks about things like the Panama Papers.



## JOHN OAKLEY

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Absolutely. And there are lots of strategies out there for moving assets around the world to try to find a lower tax jurisdiction. But like I said, there are a lot of rules, very, very complicated rules in Canada to try to repatriate that income back into Canada and make sure that Canada's tax base stays solid. But the thing to be aware of is that, when you structure these plans in place, you need to be operating the plan correctly.

So we hear lots of multinational companies. They have operations in different places around the world and some of them try to set them up in tax havens, where the Income Tax system is favorable. Once again, that's not a terrible thing. What becomes terrible is if they're not actually operating the operations in that foreign jurisdiction. Well, that's when it starts to become more like tax evasion, tax fraud.

And most countries are looking at this. If you look at the OECD, they're putting lots of rules in place. And the OECD doesn't create rules that legally apply to other countries. They create recommended rules that other countries that are part of the OECD can adopt and implement it into their own domestic tax system.

And so there are lots of international rules out there to try to make sure that each country is keeping their tax base, is intact as they possibly can and minimize some of this, what they call base erosion and profit shifting, where you're moving your profit around to different countries in lower tax jurisdictions.

## DORETTA THOMPSON

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What about what happens to somebody who is caught committing tax fraud? What happens to them?

## JOHN OAKLEY

00:18:34.68

Well, once again, it depends. If it's tax fraud and your prosecuted under the criminal code, I actually can't comment on that because now we're getting into the legal realm of criminal law that's beyond my expertise. If it relates to tax evasion, which is governed by the Income Tax Act, well, then they can be faced with fines, so there are penalties for tax evasion, as well as imprisonment. So there actually is jail time if you're convicted for tax evasion as well under the Income Tax Act.

And so these are some of the consequences that can happen. If you are doing tax evasion and you're prosecuted with that tax evasion, you can end up with the penalties as well as some time in prison as well.

## DORETTA THOMPSON

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So how does Revenue Canada find out — how does it find these situations? How does it identify potential tax fraud and follow up on it and examine it?

## JOHN OAKEY

00:19:30.40

Oh, Canada Revenue Agency has a lot of different tools that they can use. They have information exchange agreements with other countries. This helps combat the offshore tax evasion. If people are moving assets to other countries and not reporting the income or reporting the assets, well, Canada Revenue Agency has exchange agreements with various other countries to gather information and intelligence. So that's one way.

The world is slowly moving to additional reporting mechanisms. So if you have a trust starting as of January this year, your trust would have to report all the beneficial ownership information of that trust and report that to Canada Revenue Agency, allowing the government to be aware of who's involved with that trust.

The Canada business Corporations Act just recently — I think it was a couple of years ago, actually. They implemented a change in their legislation that required the directors to keep beneficial ownership information with regards to the corporation, once again, allowing the government to be aware of who owns some of these corporations.

Now some of that is not tax evasion. Some of that is getting into antimoney laundering and antiterrorism financing, but it still falls under the same umbrella of knowledge on who is involved with these structures. Other mechanisms that Canada Revenue Agency has is, they have a whole audit team, and they can just do random audits, so they can randomly audit people.

But they are moving a lot more to risk based audits, where they're looking at information in your return, they're looking at industry statistics. They're trying to find those red flags which gives them an indication that this particular taxpayer should be audited for whatever particular reason.

Another mechanism that has been quite successful for Canada Revenue Agency is unnamed audit requests. So they can go get a court order, and they can go to a particular company and say, we would like to have information on your client's on your customers and this is the information we're looking for.

They've been quite successful recently over the last few years doing these unnamed audit requests. And one of them, which is in another area of interest, is cryptocurrency because cryptocurrency is one of those areas where there's no intermediary with the money. So unlike a bank, where everything goes in and out of a bank and the bank reports the income that's being earned, and in some circumstances, actually report some assets, that will be reported back to Canada Revenue Agency.

With cryptocurrency, you can do peer to peer transactions and nobody knows. And if you're using a digital exchange like Coinsquare, originally, it was, well, all that information is on Coinsquare. It's all encrypted. So my actual cryptocurrency wallet, or my cryptocurrency address, is encrypted, nobody knows it belongs to me. So it was thought that, well, Canada Revenue Agency can never find out about any of my transactions.

Well, just recently — I think it was about two years ago, Canada Revenue Agency had done a request for information for unknown taxpayers to Coinsquare, and they were successful with requesting customer information with Coinsquare on various balances, what the tax — so getting a list of taxpayers, the balances they had, the transactions they did, and they had certain parameters on the top number of customers with high volume of transactions, large dollar amount of transactions, stuff like that.

So Canada Revenue Agency has a lot of tools at their disposal to try to police the system to make sure that there's integrity in the system so that way people are actually reporting their income like they're supposed to.

## **DORETTA THOMPSON**

**00:23:44.67**

So you were talking earlier about how we tend to think about tax evasion and tax fraud in terms of the big things, the rich, the big corporations, et cetera, but there's also that whole side of the kind of death by 1,000 cuts, where it's these little small transactions that people don't think are that important. Is there any way that CRA can monitor and get a sense of that kind of evasion?

## **JOHN OAKLEY**

**00:24:14.09**

And I like the fact that you said you know death by 1,000 cuts because that's probably a really good analogy when we sit back and think about it. Yes, it is lots of little transactions that eventually add up to be a big dollar amount. And continuing on the same topic, the CERB the Canada Emergency Response Benefit, there is a lot of fraudulent activity around that, and those were not large corporations. Those are individuals that were defrauding the system.

And sadly, Canada Revenue Agency fell victim to that because a number of their own employees were defrauding the system, getting access to CERB when they didn't qualify. So there are still lots of problems and implications there. Now with regards to CRA trying to find some of these small situations, it is very difficult.

But like I said, they have very routine programs that have been in place for a long time. Slip matching is one of them, where slips are issued. They match the slips with what the employer provides the employee to what is also provided to Canada Revenue Agency. So every year when you file your tax return, these slips are matched to make sure that they agree. If they do not agree, then you get a reassessment. So that's one very standard way of making sure that there's integrity in the system.

So you can look at — CRAs response is, there's a process that's there that provides integrity, and that's the slips, the filing of your tax return. All of that is designed to provide integrity to the system. Then they have auditing, and the audit procedures, either through a preverification or a post audit, those are procedures put in place to try to verify the accuracy of what people are reporting.

We could probably talk all day about all the different things, but I think the one thing we can be aware of is, CRA has a lot of tools, both with integrity in the system as well as auditing procedures. And they're getting more advanced as technology allows them to do a lot more data analytics, and the more data analytics they can do, the more they can narrow in on problem areas within the tax system.

## **DORETTA THOMPSON**

**00:26:38.64**

Interesting. Interesting. What about preventive measures? Do you see AI, for example, playing a role in looking for those kinds of anomalies, looking for variations that are completely unexpected and could suggest that there's some kind of fraudulent or evasive activity happening?

## **JOHN OAKEY**

**00:27:00.00**

I'm not a big expert on AI, but my understanding of the AI world, which is mostly from my son who's 19 years old and taking a computer science degree at Dalhousie — he would explain to me that the benefit of AI is the ability to have massive amounts of data as your input and then use amazing algorithms that learn from patterns and sequences, and it learns from itself to provide output.

So Canada Revenue Agency would have massive amount of data that they could utilize for input. So I would say that over the years, I would be surprised if Canada Revenue Agency doesn't start to utilize AI to try to determine what the trends are, what situations are becoming more common in order to find ways to battle the tax evasion to the best of their ability. You'll never stop at 100%, but I think the idea is to try to minimize the areas that are very crucial to the integrity of the system.

## DORETTA THOMPSON

00:28:06.15

And also, maybe be able to link up some of its databases so that income tax might be connected to things like land sales, things like that, so that you could see movements of funds that maybe should have been reported.

## JOHN OAKEY

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And we are seeing that today with the Underused Housing Tax, where the land registries are used as part of the integrity of that particular tax system. The land registry is what is being used to determine who is the owner of the properties.

Now it doesn't fall under the Income Tax Act because the Underused Housing Tax is its own act by itself, but you are seeing federal government programs mingling with, in that case, municipal programs with regards to the registry or provincial programs. I'm not sure which one records the land registry deeds, but you are seeing federal government working with other governments to try to match the policy behind the particular tax and in other governments.

## DORETTA THOMPSON

00:29:08.91

I'm just thinking — a few years ago, we had bought a piece of land that we were planning to build a retirement home on, and then we changed our minds and we sold a piece of land and there was a profit involved. And I was being advised, well, don't bother reporting that because nobody will ever find it. Something wrong with that story, which I did report and did pay tax on. But do you know what? I mean, it's like things aren't connected so nobody's ever going to find out.

## JOHN OAKEY

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That goes back to the whole value proposition. If you don't perceive value in what you're paying, then you have a desire to not want to pay it. I mean, that's a government problem. The government's really got to find a way to better connect the individuals Canadian citizens or the taxpayers to, here's what we're providing as services, which we know that'll be a difficult proposition for any government to be able to accomplish, but that's where it needs to start. You need to feel like, I'm getting value for what I'm paying.

One of the other issues we're finding in Canada as well is, collectively, our tax rates have been going up over the last number of years. And we've also seen recently in the last few years the introduction of taxes as a solution for a lot of issues that are taking place, a lot of the current issues.

## **DORETTA THOMPSON**

**00:30:28.64**

I think it's a really interesting point that you make about the perception of value for money. I mean, one of the things we know — and there's a lot of research in this, that it's the negative headlines that sell more than anything else. That's what sells papers, that's what sells online media, that's what is very easy to drive social media, et cetera, is always the negative stuff, that we seem to be hard wired to pay more attention to negative news. But really, why should people care? Why should we want to prevent tax fraud?

## **JOHN OAKLEY**

**00:31:00.74**

So we should want to prevent tax fraud because at the end of the day, the taxes provide the government services. So rather it's at the federal level, which would be the military, which protects our country, also provides assistance to other countries, but also with regards to the medical system, which is partially funded through the federal government as well.

And when you look at the services that you're provided, if everybody looked at the innocent — I'm going to call it innocent tax evasion because I believe that's what people feel, well, it's really so small. It's incremental. It has really no effect on the system.

But like I said, if everybody participates a little bit, well, then, as you had mentioned, that's death by 1,000 cuts. You end up into a poor situation, where the government can't fund some of these services, some of these extremely important services, like the military, the medical system. A lot of the transfer payments that we have for social assistance programs, that's funded by the government as well.

So if we all take a laissez-faire feeling to tax evasion and we all say, oh, it's not that big of a deal, ultimately, we're making it so our country can't fund what the things that we consider critical as Canadian citizens for services that we really, really do want.

And I think our medical system is probably the perfect example of a system that is currently probably almost at a breaking point, when you sit back and look what happened during the pandemic and COVID and how difficult it was for our medical system to be able to handle the excessive use during that period of time.

I think when you put it all together, there's a correlation between paying your tax, government spending the money, and the services that we're getting. And they all need to align well. And if they're not aligning, well, then that's where things in the system start to break down and you start seeing some of these problems in the media. So I go back to, each person has a responsibility to make sure that they're paying their fair share of tax.

I think the one thing that I'd like to mention is, the world has changed with regards to our ability as average people — now if we go backwards in time, a lot of tax evasion probably was wealthy individuals because they had the means and the ability to manipulate the system, and there wasn't this information age of reporting so it was a lot easier.

Well, times have changed, where we have a lot more information, accessible information, allowing governments to home in on the nonreporting of assets, the nonreporting of income, which makes it a lot more difficult. And a lot of wealthier people use advisors. And I would hope that most advisors — if you look at the CPA profession, we have a code of professional conduct. And so we're not going to do things that result in tax evasion.

There's always a bad apple in every scenario, but the CPA profession itself has that professional code of conduct, which means that if somebody is coming to us, we're going to make sure that they're not doing tax evasion. Tax avoidance, or good tax planning, that's legitimate, that's perfectly OK, but we're not going to cross a line to tax evasion.

So one of the things to be aware of now is, with the digital world that we're into, the ability for us to take what used to be the underground economy, where, I'm going to do some work for my friend down the street. He'll pay me in cash. Everything's fine. I'm not going to report it. Nobody's going to know. Well, now if I want to do work for people, or if I want to share assets that I have and make some additional money, I can do that on a digital platform and I can do it anywhere.

So if I'm a writer and somebody needs some writing skills or somebody needs a website developed, I can go on to one of these digital platforms and advertise my services all over the world and I can be hired from anywhere, and that increases the underground economy because I'm not just within my local marketplace now, I can be everywhere.

And if I don't report that income because I'd be self-employed, there's no T4 that's reported to the government. There's an ability there for me to say, well, I don't really need to. That's just extra money that I make on the side to help me. That's not reportable. But the Income Tax Act says that you have to report your worldwide income. And if your income is a source of income because you've earned it, then it's reportable.

And these platforms just give a — it allows us to take that small piece of work that we could do and not disclose it, and it makes it so we can do it in a much, much, much larger way. And we were talking before about, well, what is the government doing about that? And we talk about Canada Revenue Agency from a policing of the system. Well, finance's job is to build integrity into the system by making rules that people need to follow.

And one of the ones that received royal assent just recently is, with some of these digital platforms for the gig economy, or the sharing economy, there's rules in the Income Tax Act that will require these digital platforms to share information with governments, and this is where things are changing, knowing that people have the ability to provide their services or use Airbnb or Uber to, in a sense, share their assets and make additional money.

Well, by putting these rules into the income Tax Act, that now gives CRA another ability to say, ha-ha, we can find out. If you're doing this by getting these digital platforms to report to us what you are doing. And then if you're not reporting it, then CRA can come to you and audit you and then make sure that you're paying your fair share of tax.

## **DORETTA THOMPSON**

**00:37:35.89**

We've done some episodes before where we've talked to people about side hustles. So the message here is that side hustles count.

## **JOHN OAKLEY**

**00:37:43.06**

They absolutely do. And really, at the end of the day, everyone, no matter if you're on the low spectrum of income or what people might consider wealthy, above middle class, ultra wealthy, whatever the situation is, everybody needs to pay their fair share of tax. It's a progressive tax system designed to make sure that those who can afford more will pay more, those that can afford less will pay less.

And if you at the low, low spectrum, there are transfer payments to redistribute wealth to try to help those people on the low spectrum in order to meet their basic needs. But at the end of the day, everybody is party to the system. It's a self assessing system, and everybody has to do their part to make sure that the country runs — from a financial point of view, that it runs efficiently. I should say effectively. It runs effectively. Efficiency becomes, well, how the government spends the money.

## **DORETTA THOMPSON**

**00:38:44.25**

Well, but as you say, we all want our roads, our health care system, our parks, all the things that government provides. So that's the other thing. I think there's a disconnect between the things that we take for granted. And you don't get something for nothing.



## JOHN OAKEY

00:39:00.49

That's correct. Yes.

## DORETTA THOMPSON

00:39:02.44

Well, John, thanks so much for this.

## JOHN OAKEY

00:39:04.63

Well, thank you very much for inviting me on. I really appreciate the opportunity.

## MUSIC PLAYING

00:39:08.80

## DORETTA THOMPSON

00:39:11.68

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