Canada Revenue Agency

Taxpayer Alert

Potential investors reminded to exercise caution with respect to certain donation arrangements

As the calendar year end approaches, investors may see an increasing number of advertisements for tax shelter donation arrangements.

The Canada Revenue Agency (CRA) reminds investors that the proposed legislative changes announced by the Department of Finance on December 5, 2003, to limit the tax benefits of charitable donations made under tax shelter and other arrangements, are in effect.

Investors should be aware of the risks associated with participating in certain tax shelter donation arrangements, including gifting trust arrangements, leveraged cash donations, and buy-low, donate-high arrangements. The CRA previously alerted investors about these risks in **November 2003** and again in **November 2004**, advising investors to take a number of precautions to protect their interests.

A tax shelter number is used for identification purposes only and does not guarantee that taxpayers will receive the proposed tax benefits. It enables the CRA to identify all tax shelters and their investors. The CRA then reviews these tax shelters to ensure that the tax benefits being claimed meet the requirements of the *Income Tax Act*.

Although most tax returns are assessed as filed, the CRA generally has three years from the date of assessment to reassess taxpayers. The fact that investors in some of these tax shelter donation arrangements have not been reassessed should not be interpreted as the CRA's acceptance of the arrangement. Such audits may take more than one year to complete.

The CRA recommends that anyone considering participating in tax shelter donation arrangements obtain independent legal and tax advice.

For media information:

Colette Gentes-Hawn
Media Relations
(613) 957-3522