Canada Revenue Agency

News Release

Warning: Tax shelters are risky

Ottawa, Ontario, October 31, 2006... The Canada Revenue Agency (CRA) is warning Canadians of the financial risks associated with participating in certain tax shelter gifting and donation arrangements, including gifting trust arrangements, leveraged cash donations, and buy-low, donate-high arrangements.

“Be wary of any ad that uses tax savings as a key selling point, said CRA Commissioner Michel Dorais. The CRA reviews all tax shelters and challenges any arrangement that does not comply with the *Income Tax Act*. We will audit the tax returns of investors who participate in these tax shelters.”

The CRA is currently auditing many gifting arrangements and has completed a number of such audits. The fact that investors in some of these tax shelter gifting arrangements have not been reassessed should not be interpreted as the CRA's acceptance of the arrangement. The CRA generally has three years from the date of assessment to reassess taxpayers and these audits can take over a year to complete.

A new warning was posted on the CRA’s **Taxpayer Alert Web page today**. The CRA has previously addressed this issue in the form of a Taxpayer Alert in **November 2005** and Fact Sheets in **November 2004** and **November 2003**. All of these products are available at **www.cra.gc.ca**.

In a related Investor Watch issued earlier this month, the Canadian Securities Administrators are urging the public to investigate further when they encounter an investment opportunity advertised in the media. Tax savings can be used to draw attention to opportunities that may not be suitable. Investors should protect themselves by researching any investment opportunity before making a financial commitment. A full copy of the Watch can be found at **www.csa-acvm.ca**.

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