



Audit-Proof Your Tax Return

Description

Is there really such a thing as an audit-proof tax return? A way of preparing your return to guarantee that you won't be subject to an audit? Of course not. But there certainly are ways to minimize your risk.

You don't want to thumb your nose at the government, thinking that an audit won't happen to you. It just might, and if it does, you should be prepared. But what can you do to make your tax return less susceptible to the tax man's eagle eyes? Here are several potential strategies.

1. Be neat

Consider preparing your tax return by computer. A neatly prepared, computer-generated return looks much better to the tax staffer who will decide whether to audit your return. Virtually all reputable tax pros now complete their returns using computers, and there are a number of really good do-it-yourself computer programs for PCs and Macs alike. There are many websites allow you to securely complete your tax return from the comfort of your web browser. Turbo Tax Canada is a potential option.

If you're unable to use a computer to prepare your return, at least print clearly and carefully. Don't decide to get your revenge on the government by preparing your return with a red crayon. A messy return — cross-outs, sloppy handwriting, and smudges — is like hanging a sign on your return that says, "Audit me!"

2. Be accurate

The only thing worse than a messy return is an incorrect one. By "correct," I mean that all of your numbers add and subtract accurately. This is another reason to prepare your return by computer, since you don't need to worry about a computer program flubbing any of the math.

Remember that your tax return will be loaded into the government's computers, and those computers will check your return for math errors. If your return states that $2 + 2 = 5$, they might start wondering about some of your other numbers. Don't give them a chance. Double-check your numbers before you

mail your return.

3. Be square

Whatever you do, don't use round numbers. For example, if you report \$1,000 or \$12,000 instead of \$978 or \$12,127, it's an indication that you are estimating rather than keeping good records and reporting the actual, correct amount.

4. Live small

Live in a low-audit area. I'm not kidding! Audit exposure is different from city to city and province to province. If you have several homes, travel extensively, or otherwise have some flexibility in selecting your tax-reporting address, consider choosing the one with the lowest average audit rate.

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