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## **IRS Relentless in Taxing Americans in Canada**

If you are a US citizen living or working in Canada, you are liable to pay taxes not only to the Canadian government but to the US government as well. This is due to the worldwide taxation policy practiced by the US.

The IRS has been having an Offshore Voluntary Declaration Initiative (OVDI) for the last few months that offers a limited amnesty to those who have yet to declare their offshore assets. These assets are not limited to just bank accounts but also include RRSPs, RESPs and TFSAs. As long as any one or a combination of these assets totals more than \$10,000 you are obligated to declare them. The deadline to make your voluntary declaration was August 31 but has been extended to September 9 because of Hurricane Irene.

The problem is not so much deliberate lawbreaking but ignorance on the part of many Americans in Canada. Many do not know that Americans in Canada are taxable even if you do not earn a single cent in the US, do not owe any back taxes and have not lived in the US for years. This is further complicated by the fact that children of American citizens are automatically US citizens and themselves are subject to these laws.

In their efforts to nab errant tax evaders who hide their assets offshore, the IRS has possibly cast the net too wide and will end up punishing more innocent people who owe the US government nothing than catch the real tax offenders.

On the other hand, the Canadian Revenue Agency (CRA) has not been party to this endeavor. Under the Canada-United States Income Tax Convention, the CRA is only

required to collect taxes and any penalties for neglecting tax obligations but has no provision to collect penalties related to reporting requirements.

In addition, by 2013 another law comes into effect that requires foreign banks in America to disclose the citizenship of their American clients. The penalty for non-disclosure is 30% of any cross-border payments and 30% of the proceeds of the sale of any American assets. This law potentially violates banking privacy laws not only in Canada but also various European countries.

Hopefully, the IRS can be persuaded to be more flexible in pursuing tax evaders and do not punish the innocent taxpayers in Canada and other foreign countries as well.

Americans living in Canada, some who hold dual citizenship should not have to face harsh tax penalties just because of their US citizenships.