

**Tax Tip**  
**Week of May 18, 2009**  
**Maximizing Interest from CRA**

The following tax planning strategy is compliments of Sheila Fraser, who is Canada's Auditor General. In her last report she noted that companies were using CRA as an investment vehicle by been deliberately overpaying their income taxes. This is often the result of a possible reassessment and the companies are attempting to limit the non-deductible interest expense resulting from an audit. However, according to the Auditor General, in December 2009 CRA was paying a 5% rate of interest on overpayments, at a time when the T-Bill rate was less than 1%. As of May, when the T-Bill rate is approximately .02%, CRA is still playing 3% on overpayments.

Although CRA currently pays a generous rate on overpayments, anytime the Auditor General embarrasses the tax collector, one can expect change in the immediate future.