Voluntary Disclosures: You can run but you can't hide

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Keith: Welcome to The Empowered Investor. My name is Keith Matthews and I'm joined by my co-host Marcelo Taboada. Marcelo, how are you today?

Marcelo: Keith, I'm doing great. I am super excited for today's show. It is going to be a very interesting subject for the listeners. So, can't wait for people to listen to this one.

Keith: You're absolutely right. It is a very niche subject. So it's tight. It's not going to apply to everybody but it is a fascinating subject and we've experienced some of this with our existing clients. Today's subject is voluntary disclosures. So what exactly is that, Marcelo?

Marcelo: Stephen does a better job of explaining exactly what it is, but voluntary disclosures are pretty much when you're a Canadian and you find yourself in a situation where you have an undeclared asset that you were supposed to declare to the government. You say, "Oops, I have this asset and now I have to come forward." So you call somebody like Stephen, and he then goes and declares this asset to the government and enters the program that's called voluntary disclosures. Now the interesting thing about this, Keith, is that a lot of Canadians may find themselves in a situation where they're doing everything by the book, but then they inherit something from their parents or a family member. And in there, there was a non-declared asset that now has to go through the voluntary disclosure program. Maybe sometimes you find yourself owning a house abroad or a portfolio of assets abroad or money abroad and you haven't been declaring that. So when you do find out that you have to declare it, this is where you enter the voluntary disclosure program. This is a great program that the government created. So if you live in Quebec, you go through the Revenue Quebec program. If you live anywhere else in Canada, you go through the CRA program. So it is something that is not very common but thankfully, the government created these programs to relieve the stress of a lot of people because sometimes it's negligence, right? It's not people who are outright trying to cheat the government. So the government recognizes this and gives the opportunity for people to come clean and fix the situation.

Keith: Yeah. And we've seen this through and helped probably a half a dozen clients or individuals that have come to us because they know that this needs to be taken care of. And so Stephen really is an expert in the field. Tell us a little bit about Stephen, our guest today.

Marcelo: Yeah. So today we interview Stephen Solomon. He's a fantastic lawyer. He is a partner at De Grandpré Chait. So he's a member of the tax law team. Stephen is an expert in many areas of taxation. He litigates; he's an expert in many areas of estate planning and anything that has to do with taxes. But his expertise and his niche practice is on voluntary disclosures. So he's helped a tremendous amount of people and brought back to Canada a tremendous amount of money. And he is the go-to guy when it comes to voluntary disclosures. So the interview was a lot of fun. I learned a lot from him. He is super qualified. He is also the North American chair of the global tax team of Interlaw. So that is a prestigious international legal network of lawyers. He specializes in, like I said, voluntary disclosures in people who have foreign assets that are undeclared or any type of asset that hasn't been declared. So you go to him, and then he deals with the government and tries to find a solution through the voluntary disclosure program.

Keith: Well, Stephen is a true expert. We're very appreciative of having him on today's show. Marcelo, have a great interview. Enjoy.

Marcelo: Stephen, welcome to The Empowered Investor podcast. How are you today?

Stephen: Hi, Marcelo. Thanks so much for having me. I'm doing great. How are you?

Marcelo: Very good. Stephen, I still remember how we met, and I think it's very telling of the times. And I've always appreciated how open and available you've been to myself and the firm. So I do thank you for taking the time and being with us today. I think we have a fascinating subject. You're obviously an expert in tax law. You do practice in a lot of areas, but one area that I wanted to talk to you today is about voluntary disclosures, which is an area that you're an expert on. But before we jump in, I want to ask you about—tell me a bit about yourself. How did you end up being a lawyer and why tax law?

Stephen: Sure. I'm 39 years old. I grew up in the West Island and was always told that I would be a good lawyer growing up. Looking back, it's a little weird. How do you look at an eight-year-old and say, "Hey, you would be a great lawyer"? I don't know. But that's what I was encouraged to pursue, and it just fit with the natural path that I had chosen from an education perspective. I studied commerce in CEGEP and wasn't so much into sciences. I was a good student, naturally aimed high. And if I wasn't going to go into sciences, I guess law seemed like a good natural choice. It was a bit of a fluke how I became a tax lawyer per se. I never really had much of an interest in tax law. I didn't really know much about what it was to be a tax lawyer. I just stumbled into it. I was traveling after graduating law school. I was in South America for several months, and I came back and was attending my nephew's birthday party. I met someone there, and a week later I was working in a tax law firm and learning the ropes on the job. And here we are 12 years later. That's how it happened for me, which is a little bit unusual and uncustomary when compared to my other colleagues. We're about 20 tax professionals at my law firm De Grandpré Chait. I don't know if anybody else took the same path that I did. I highly doubt it, but I couldn't have asked for more.

Marcelo: I saw your LinkedIn profile and I know you did an economics degree at McGill. So I thought that was interesting. Did that help you at all in choosing tax or in your law degree?

Stephen: Not really. When I started university at McGill, I was going to get an undergraduate degree. I wasn't going to go straight into law school. So I got a degree in economics at McGill. And when I chose economics, I had law school in mind down the road. I thought that it would be complementary. It just so happened that I ended up being a tax lawyer, and it was even more complementary than I would have expected it to be had I become some other type of lawyer. But things for me, I must admit, I've been fortunate and lucky. I got good bounces and things just fell into place. I think that in the legal profession, you on one hand have to try and control your own destiny, but on the other hand, you have to surrender to the forces that shape the industry. Hopefully, by putting yourself in the right position and by exposing yourself to the right opportunities, those larger forces at play will end up knocking you into the right place and then the dust settles, and it's as if it was meant to be.

So for me, that was my path. I've been at De Grandpré Chait now for more than a decade, and I'm very blessed to be here. It's a great law firm, a great culture, excellent lawyers, multidisciplinary. I'm very proud of the tax team that I'm a part of and that I've helped build over the last decade. I couldn't be more proud than to be a partner at De Grandpré Chait.

Marcelo: I remember the day we met; it was immediately evident that you're very passionate about the subject. I definitely could identify with that. And what you said at the beginning, sometimes you don't know what you're going to work in, but you have to find that passion and then you become good at it, and then it becomes an even stronger passion. So I definitely see that in your career. We've worked on a few files together and I've always appreciated the way you approach clients. You have a great way of talking to people. I always appreciated that.

Stephen: Thank you, Marcelo. Thank you so much. It's funny how things evolved. When I started by accident at this boutique tax firm, I started out doing tax litigation, defending taxpayers against Revenue Quebec and Canada Revenue Agency. I still do a lot of that. That was my initial calling. I was very grateful to be introduced to that niche and to learn from a great lawyer at this boutique tax firm. After a couple of years, it wasn't where I was destined to be, but it was where I got my feet wet and figured out what my path would be and what kind of a lawyer I would be, etc. A couple of years later, it was time to move on. I came to De Grandpré Chait and started working with a lawyer named Gilles Broussard who mentored me for many years. This was in about 2011. It was at that time where offshore banking and tax havens—stuff that we had only heard about in the movies but in truth were a very real reality for a lot of people—all of that was being brought into the spotlight. What was a very secretive, clandestine world was suddenly being exposed to everybody, and it was on 60 Minutes. It just so happened that I came to De Grandpré when all of that was happening. Countries were starting to realize that people weren't paying their taxes. We've all got the same problem; let's cooperate together to find the solution. All of that was happening when I came to De Grandpré and I started working in voluntary disclosures, which we'll talk more about. For me, it was on one hand very natural and organic how I ended up at De Grandpré Chait, how I ended up being a tax lawyer, how I ended up doing tax litigation and voluntary disclosures. All that was very organic. It just happened. It wasn't something that I strategized to become or something that happened because of purposeful steps that I took. But as this was all organically unfolding and I was coming to De Grandpré and offshore banking was really being scrutinized and people were running to do voluntary disclosures, it was exciting. It was exciting to be a part of something that was real and that was current and that was new and that was fresh and that was relevant to the world. I've been watching 60 Minutes every week for years, and it was amazing for me to see HSBC, a banker from Switzerland, being interviewed. He was caught at the airport, and now there was a news article and now everything's unraveling. It was an exciting time, and it was an interesting way that I stumbled into what I developed an expertise in.

Marcelo: Let's talk about the voluntary disclosure program. Break it down for me; explain to me what it is exactly and why people should care.

Stephen: Voluntary Disclosure is a program offered by Revenue Quebec and the Canada Revenue Agency designed to allow taxpayers to come forward voluntarily and admit that they made mistakes in their tax filings and to correct them without the same consequences that you would face if you were caught by the government. The idea is that if you come forward, we're going to make you a nice package, a nice deal, and the fact that you came forward on your own is going to count for something. This is a program that's existed for a long time. Traditionally, it was used sparingly—big companies sometimes don't realize when they don't report something, etc. But around 2010, 2011, 2012, it started becoming very popular in the context of offshore bank accounts. You have a lot of people—Canadian residents—who had bank accounts in Switzerland, the Bahamas, Luxembourg, etc., and they had money there and it was invested and they weren't declaring the income. This is something that has been happening for decades and decades, and you would be shocked to learn how frequent and common it was for members of the Montreal business community to have these types of foreign bank accounts. In 2010, 2011, and 2012, when everything was falling apart because information got leaked and there were newspaper articles and then bankers started sharing information, as this all started to unravel, these Canadians who had these bank accounts started running to do voluntary disclosures because they were scared they were going to get caught. There was a lot of attention being drawn to what otherwise had been a very secretive, discreet matter for a long time. So people got nervous and it started to become very fashionable for these people to do voluntary disclosures, to come forward voluntarily and come clean on their own and make a deal. For years, I've been doing those types of files, negotiating those types of deals, and we've brought back to Canada—me and my team—well over a billion dollars. Hundreds of millions of dollars in back taxes have been paid and we've resolved a lot of stressful situations for a lot of taxpayers. It's not always someone hiding money in Switzerland. Sometimes it's more benign. Sometimes you have someone who moved here from another country and they have assets in that other country and they didn't bring them and they didn't declare them, etc. Sometimes someone will inherit money in another country. If you're from India and your parents die in India and you inherit land or properties or investments in India and you don't declare it, you can be offside as well. Voluntary disclosures are also very common when you're talking about estates or trusts or companies. In those scenarios, you have people who are responsible for the liabilities of the trust or of the estate or of the company, right? We're talking about trustees, we're talking about liquidators, we're talking about directors. These people are liable for the taxes of the entities they control, so they often have a very serious interest in ensuring that the entities they control are tax compliant. There are all kinds of scenarios in which the voluntary disclosure program is used, but most frequently in the last decade, it's been a lot of foreign bank accounts, undeclared foreign income, etc. We negotiate some pretty amazing deals, I must say.

Marcelo: This is also if you're a Canadian citizen and you own a house or a property abroad; it's any type of asset, correct?

Stephen: Yes. The obligations that people typically falter on: number one, you need to declare your worldwide income on your Canadian income tax return. If you have a rental property in Egypt or in Florida and that property is making income, you have to declare the income on your Canadian tax return, even though it's not being earned or generated in Canada. If you have a foreign investment account earning interest, dividends, and capital gains, you have to report that activity on your income tax return. Some people omit to report foreign income. The second area where people falter is that when you have foreign assets that are not personal usage assets, you have to file a special form with your tax return. If you don't file that form and you get caught, the penalties can be very severe. So if you have a rental property in Florida that you're renting out, not only do you have to declare the income, but you also have to file this very special form.

Marcelo: Let me ask you something more specific. What happens if you own a house, for example, and it doesn't collect any income? Do you still have to declare?

Stephen: First of all, there's no income to declare. And number two, you don't have to report that asset on the special form because it's a personal usage asset.

Marcelo: Got it.

Stephen: So if you have a condo that you use personally, it doesn't have to go on the form.

Marcelo: Okay, that's great.

Stephen: But if it's a rental property or if it's a foreign investment account, that has to go on the form. So that's where people get in trouble a little bit, and that's where voluntary disclosures are pretty popular.

Marcelo: Yeah, there's always this perception—and I've heard this many times—some people think that it is illegal to own assets abroad if you are Canadian. But that's not the case. As long as you do it properly, you are entitled to own investments abroad, right?

Stephen: Yeah. Listen, there's absolutely no Canadian law that prohibits you from owning foreign property, but the law says you have to declare your income and the law says that you have to file your form. So the legality is related to the reporting of the income and the filing of the form. It's not related to the ownership of the foreign asset.

Marcelo: Okay. Let me ask you more about the specifics of the program. What's the state of the voluntary disclosure program in Canada and in Quebec? If you can talk to me more about that.

Stephen: If you live in a province other than Quebec, you file your voluntary disclosure only with the Canada Revenue Agency. If you live in Quebec, you have to file one with the Canada Revenue Agency and one with Revenue Quebec. The programs with Quebec and Canada are very similar. The general rule is that there are two programs: there's the general program and the limited program. We aspire to get all of our clients into the general program because in the general program, you get more benefits. In the general program, every single penalty and fine is canceled, and a significant percentage of the interest owing is also canceled. You also have an assurance that there'll be no investigations for tax avoidance or evasion.

Marcelo: Okay. Wow.

Stephen: Whereas in the limited program, yes, you get that same assurance against any criminal or penal investigations, etc., but only some penalties are canceled and no interest is canceled. These are what we call the new rules. It's a two-track system. Those who are really repeat offenders who really plotted and schemed and were really purposeful in their intention to avoid paying taxes, those people are going to go in the limited program. So we're going to welcome you into the program and we're going to give you some relief. But you're also going to pay a little more than you would have had you just declared it originally because of the way you did it. Whereas if you're in the general program, we're getting you an even sweeter deal. You end up pretty much paying just the tax that you owe, maybe a little bit of interest, and that's it. Most importantly, taxpayers that participate in this program get peace of mind because a lot of people are stressed out about the things that they didn't do right. They know what they did, sleeping with one eye open, if you will. I can see over the years how much peace and serenity I've brought to people who were otherwise very anxious about these types of issues.

Marcelo: I could definitely see that. I could also see a situation where they neglect the problem and then it ends up becoming the problem of their children once they pass away or the estate, and that's not a good situation.

Stephen: Yeah. Listen, someone who does something like that on purpose is naturally inclined to maybe not address the issue. You're right. We represent a lot of estates and a lot of trusts, and it's a lot of other people now cleaning up the mess. Unfortunately, there's a big psychology to this type of stuff. I can see my clients and sometimes their unwillingness to participate in the program or their unwillingness to let go and to admit things to themselves. Listen, that's sometimes the way it goes. Sometimes it's the kids or the spouse who have to clean it up.

Marcelo: Yeah, I guess when you have that level of stress about money, it just leads to more inaction and it just makes the problem worse. But I guess if you have the intention of coming forward, the government has created this great program for it. I guess the door is closed after you're caught, right? You have to address it.

Stephen: Of course, because once you're caught, it's not a voluntary disclosure anymore. Now you're only disclosing because you got caught, right? So that doesn't work. What's important also to understand is that why has everybody run to do voluntary disclosures, right? Why have I alone got more than 600 voluntary disclosures on assets exceeding $1.5 billion? The reason is because all the countries that belong to the OECD (the Organization for Economic Cooperation and Development) have agreed to start sharing information. So if you have a bank account in Switzerland, Switzerland is going to tell Canada about it. When Canada finds out about it, they're going to send you a nice little audit letter. Then you're going to call me and say, "Steve, I received this audit letter from the CRA and they got information from Switzerland and they know about my account." Now, yeah, I'm going to be your lawyer and I can help you, but it's going to be what we call the hard way. It's going to be painful. It's going to hurt. Knowing that countries are sharing information, knowing that getting caught is more an inevitability than anything, people are motivated to come forward, to face the music on their own, and grab whatever benefits they can. It's a much smoother, more tranquil path and the end results are astronomically better. Listen, I represent people who do voluntary disclosures; I represent people who got caught. I represent both. If you get caught, it's going to cost you at least double what it would have cost you in a voluntary disclosure. So the incentive is there and the landscape is there.

Marcelo: Of course. You can see the international push of not only sharing information like you just said with the OECD, but now there's even a bigger push. You saw the Biden global tax. So it seems like it's very hard and there's this international push to make everything fair for everybody, not only for corporations but also for taxes, right?

Stephen: Yeah. And listen, everything we're talking about in terms of offshore banking is part of a larger global discussion and global trend towards greater transparency. You look at the way the world is smaller today than it's ever been with social media, with telecommunications. We have tremendous ease sharing information and anyone can be anywhere at any time. That trend towards greater global transparency applies as much in communications and trade as it does in banking and in commerce. So not only is the end of offshore banking and voluntary disclosures a symptom of the larger issue, which is the trend towards greater transparency, but so is that Biden initiative for a fairer tax system, right? What's fair is that everybody pays their taxes.

Marcelo: Correct.

Stephen: What's not fair is that you and I pay our taxes but our neighbors have foreign bank accounts and they're not paying their taxes, right? So it's all in the name of greater equity and fairness in taxation. Biden's package is very similar. There's this global initiative called BEPS (Base Erosion and Profit Shifting). What BEPS is basically saying is that companies cannot structure themselves in a manner so that the vast majority of their income gets taxed in a more favorable jurisdiction when a lot of the work is being done in another, right? Famously, you have Apple, who's domiciled in Ireland or something like that and pays no taxes even though there are thousands and thousands of people in the United States and other countries working for Apple and contributing to that bottom line. Biden's initiative and the BEPS OECD global initiative and voluntary disclosures and countries sharing information, etc., it's all perpetrated towards the same thing. It's all perpetrated towards greater international transparency and fairness and equity when it comes to taxation. You have a lot of America's greatest companies that don't pay a lot of tax in the United States.

Marcelo: I do see that as a positive. But going back to the Voluntary Disclosure Program, I think it'd be good for the listeners to go over some case studies. I don't know if you have any, obviously without getting into any names for obvious reasons, but if you can share with us some interesting cases that you've worked on, like maybe one with bad penalties and another one that ended up in a nice relief type of thing.

Stephen: Yeah, listen. We had one client who got caught. She was on a list of clients that was leaked from the HSBC Bank in Switzerland in 2008 if I recall correctly. She had about $2 million in Switzerland, and in the end, after years of litigation with both federal and provincial governments, it ended up costing her about $2.3 million. So she ended up not only losing everything she had out there but she had to dig into her Canadian pockets for about another 15%. Whereas in voluntary disclosures, the results vary substantially, but we've had files where we've made deals at under 10%.

Marcelo: Wow.

Stephen: If you made a million dollars under 10%, it could have been five to 8%. Now, though, that is an extremely positive conclusion to a file, but 40% is a lot better than 100%.

Marcelo: Correct.

Stephen: And as long as the delta between doing a disclosure and getting caught remains big, the program will always be viable. It will always be popular. It will always have value and merit, and taxpayers would be wise to consider it.

Marcelo: If you do a voluntary disclosure, I guess there is that relief in the penalty, but you still have to pay the taxes of the years you haven't filed or declared that income, right?

Stephen: Yep. These files are more complicated than you think. A lot of the time, the facts about the case go back many years. The documentation is no longer available. It often involves other countries who don't have the same banking system that we do. Public document systems that we do. Sometimes the people involved are no longer with us. Sometimes the clients have died, their parents have died, the banker died, the accountant died. So we're often operating in a bit of a vacuum when it comes to information and documentation. So that opens the door to a little bit more of, "Let's find the common ground and let's try to figure out what happened," because it's not obvious, right? So because of the lack of certainty regarding the facts surrounding each individual case, sometimes it ends up being a little bit of a give and take in terms of carving out something that everyone can live with.

Marcelo: Yeah. So we know a case of a person who became the legal representative of a person, and that person had undeclared assets, right? And they had to hire somebody like yourself and just puzzling all that together could be a lot of work because the assets were in another country and you have to contact people over there. So it can become problematic and messy.

Stephen: Yeah, listen. We're accustomed to handling that situation. We have a lot of clients in that situation. That's the reality. Sometimes if you're a tutor to someone who's incapacitated or if you become a liquidator of an estate, etc., these things happen. We're connected to lawyers. We're part of a legal network that has law firms in 120 cities across the world. We have lawyers in these jurisdictions, so we have boots on the ground if we need it. It's more difficult when you're a third party kind of taking over the administration of someone's affairs and you stumble into this, and now all of a sudden you have to piece it all together because you're personally liable. We manage. We always manage. There hasn't been a situation yet that we haven't been able to resolve. One thing that's important to note is that these files with Revenue Quebec are very complicated. They take a long time, and Revenue Quebec tends to be pretty aggressive in terms of what they want. I think it's important that professionals and your listeners, etc., be aware that we have so much experience negotiating those files. We have developed techniques. If anybody finds themselves in a file represented by another firm and Revenue Quebec wants a whole lot of money, etc., and you think maybe you'd like to get a second opinion, I would really encourage people to come hear what we have to say because we have some really interesting tactics to negotiate better settlements. We have a lot of clients who have come to us for second opinions once they got to the negotiating table. They ended up coming to us and we got them better deals than they would have otherwise gotten. We're at the point now where a lot of these files are being negotiated with Revenue Quebec. If ever someone doesn't like what their representative is telling them, feel free to come to us for a second opinion.

Marcelo: So let me ask you, what advice would you have for regular Canadians that may encounter situations like that? In simple terms, what should they be looking at in terms of doing if they find out they have some undeclared assets or they do know they have undeclared assets? What's the best course of action immediately?

Stephen: Listen, the best course of action is to inform yourself. Information is power. A lot of people don't know what their obligations are, don't know where they went wrong, don't know how to fix it, and they need to be escorted and guided through that analysis in terms of getting a grip on the situation and doing what's best. In general, it's better to deal with things. When it comes to taxes, there's interest, there's penalties. Things always get worse. Today's problem is a lot easier to deal with than tomorrow's problem. You know, the whole "penny wise, pound foolish," spend $2 today or $10 tomorrow. But address these issues. They don't go away and they don't get better. They always get worse. So be proactive, and I guarantee you that someone who has this issue, something maybe that they're reluctant to address, they will feel a lot better once they've spoken with me or one of my colleagues. Because we're confident and we know exactly what we're talking about, and that type of assurance and having that on your team and being equipped with that knowledge is very empowering.

Marcelo: Steve, if I can get away with a few more questions here. One scenario that I could see happening with a lot of people is maybe somebody in your family dies and you inherit assets, and maybe some of those assets weren't declared. What should that person do? Is that a problem that stays on the estate, or is that a problem for the person now? For example, if I inherit some assets from my parents and they didn't declare something, is that now my problem? How would you advise somebody in that situation?

Stephen: If you're the heir of an estate and you inherit something from a deceased person and that person did not pay all their taxes, the government can come after you, the heir, for the unpaid taxes of the deceased. They can collect against you up to the amount that you received from that person. So if you inherit $100,000 but that person owed the government $1 million in taxes, they can come after you and take that $100,000 from you.

Marcelo: Got it. Okay.

Stephen: If the person only owed $50,000 and you inherited $100,000, they can only come after you for $50,000, right? But an heir, as well as not only an heir but also a liquidator, as we discussed earlier, both of these people have an interest in ensuring that the deceased was tax compliant.

Marcelo: So the incentive is to always declare because the problem won't go away.

Stephen: Oh, 100%. Death does not make it go away at all. In fact, all that death does is transfer the problem from one person to another.

Marcelo: You can defer taxes but you cannot avoid taxes, right? That's the reality.

Stephen: We're still trying to find a solution to that problem, but yeah.

Marcelo: There are many tools that people can use to save taxes, but you still have to pay them eventually.

Stephen: That's an interesting thing. In the '80s, '60s, '70s, '80s, '90s, etc., when you look back and you look at how people managed to procure advantages for themselves, how did they do it? They hid money, right? Offshore bank accounts and stuff like that. They did very aggressive tax planning, etc. What we've seen is that the government has really been clamping down on all this stuff. It's about being fair. It's about following the law. It's not about taking advantage. It's not about finding loopholes and twisting things and using them in a manner that they weren't designed for. That's what our legislature, our tax laws, are trying to channel us to do and to think. There are still legitimate ways to do tax planning and estate planning and to shelter income from taxes and to create advantages for yourself. You have your TFSA, you got your RRSPs, you got your capital gains exemptions. There's things that you can do, and it's important, especially since our tax rates are so high, that your business be well structured, that your estate planning be well done, and that you take advantage of any possible rollovers and tax deferrals, etc., that you can. But the opportunities are fewer, but they're more legit. It's more important now than ever to make sure that you're taking advantage of the legitimate tax benefits that are available to you. Between the 53% highest income tax rate and then 15% sales tax and property tax and school tax and every other tax that we pay—which it seems never ends—you got to take advantage where you can.

Marcelo: Don't know if you like sports, but I think that a good analogy is basketball. So a lot of people say the basketball used to be tougher in the '80s than it is now. Players could get away with more contact and that type of thing. But at the end of the day, you're still playing a game that has boundaries and rules, right? Just because they become stricter doesn't mean that you can't play the game. So yeah, I think that's a good analogy.

Stephen: Yeah, people need to shift gears in terms of trying to find more legitimate solutions because the element of getting caught is there, and it's not a good time to commit to something that is not so compliant. But there are other strategies that people should be wise enough to research and to do.

Marcelo: Of course. So let me ask you one more thing. There's a lot of buzz right now in the media about cryptocurrencies, and I don't even know how the government is treating this. But tax-wise, if you're buying or selling cryptocurrencies, what would you advise people? How should you go about declaring this type of gain if you're having any gains on them?

Stephen: We represent quite a few people with large crypto holdings. From a tax perspective, like we discussed before, number one, you have to declare your worldwide income. It doesn't matter if it's derived from crypto trades or whatever. If you bought Bitcoin for $1 and you sold it for $2, you have a capital gain. You have to report that income. So a lot of people didn't do that. Every time you sell a crypto, you realize a gain or a loss, and you have to report that gain or loss. In addition, if you're trading very frequently, it might be considered business income, whatever you're making from cryptocurrencies, right? Similarly with trading stocks. If you do one transaction a week, one transaction a month, no problem. It's capital gains and losses. But if you're doing multiple trades every day, you're day trading, that's business income and you have to declare your gains and losses as income. So number one, if you're into crypto, make sure you're declaring your transactions because believe me, the government is aware and they're looking and they're coming up with plans to come down on everybody. You also have to make sure that if your crypto holdings are in another country that you file that special form that we spoke about earlier to declare your foreign assets. So we've done voluntary disclosures for people who made a lot of money in crypto in 2018, etc., and who never declared it and are offside in a major way. Those are pretty popular files these days because crypto has gained a lot of value in recent times. Make sure you declare your income. If it's crypto, it's like anything else. It's like buying or selling gold or stock or property or anything. Make sure you file your forms for foreign assets.

Marcelo: I'm glad we talked about this because I do see a lot of people out there thinking that this is a game where they can just collect money and not pay any taxes, and that's definitely not the case.

Stephen: And Marcelo, what's very important is that they maintain records of their crypto transactions. Maybe you did some transactions on a crypto exchange that doesn't exist anymore. And now you can't get the details of your purchases and your dispositions. That's going to make it more difficult to establish your gains and losses, right? So it's very important that people who do crypto transactions regularly maintain a history of their transactions so that down the road, if they're audited, they're going to have the supporting documents that they are legally obliged to maintain. If I need my bank statements from Toronto Dominion, I don't need to maintain them. I know I can call them anytime. TD's not going anywhere. These crypto exchanges come and go. Some of them have fraud allegations. We see all kinds of things, like the recent crypto fraud with the exchange in South Africa, the largest African crypto exchange. It's important that you very actively download your statements and maintain your transaction history.

Marcelo: That's great advice, Stephen. Before we break, I want to ask you, okay, so you're a Canadian, you just come to realize that you have an asset that you haven't declared, and you want to do a voluntary disclosure. What's the first step that person should take?

Stephen: Give me a call or get an introduction to me through yourself, and we'll have a preliminary free consultation to see if you have reason to be nervous. There's some way we can help you. So don't be scared. Come get the information. We don't charge to help people orient themselves. There's really no reason why you should be discouraged from contacting us and informing yourself. Knowledge is power.

Marcelo: Perfect. Thank you so much for your time. I do appreciate you taking the time and walking us through the voluntary disclosure program and your expertise. I'm wondering if you have a takeaway for people or you think we've discussed enough. Takeaway for people. I have one, but I'm going to wait for you to give yours.

Stephen: What are the chances that I have the exact same one as you? That would freak people out, I think.

Marcelo: I would say mine is when in doubt, always declare.

Stephen: Yeah, I was going to say something more along the lines of you can run, but you can't hide.

Marcelo: Yeah, that's a good one.

Stephen: I know you've heard my slogan before, Marcelo, but kicking the can down the road never works, not when it comes to tax law. That's one thing I've learned over my years in the industry. You can definitely count on that. You can run, but you can't hide.

Marcelo: There you go. Let's leave it at that. Thank you so much for your time, Steven.

Stephen: Thank you, Marcelo. All the best.

Marcelo: Bye-bye.

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