

PSC RISK? ARE YOU SAFE?

PSC Risk – Your Greatest Threat!

Should the Canada Revenue Agency (CRA – formerly Revenue Canada) determine that your IT consulting company is a “Personal Services Corporation”, you could be faced with personal/corporate income tax reassessments exceeding \$100,000!

PSC Risk is the greatest CRA threat facing incorporated IT consultants, and in some cases, an adverse ruling can result in personal and corporate financial ruin.

What is PSC Risk?

Incorporated independent IT contractors enjoy several income tax advantages compared to IT employees, such as business expense deductibility, income splitting opportunities with family members, and the low corporate income tax small business deduction.

Absent any restrictions to the contrary, any and all highly paid employees could simply resign from their employment, incorporate a company and offer the same personal services to their former employer through their newly incorporated company. This would result in a significant loss of income tax revenue for the government.

In order to prevent such a large income tax revenue loss, the government enacted certain Income Tax Act (ITA) sections that deny corporations the above income tax advantages in situations where the incorporated IT contractor could “reasonably be regarded as an employee” of the end client receiving IT consulting services.

Given such vague ITA section wording, the PSC issue has led to hundreds of Tax Court of Canada cases over the years.

Can PSC Risk Be Minimized?

Yes, fortunately there is much that can be done to minimize your PSC Risk, including both preventative measures, and ensuring that you have strong experienced representation to defend you against any CRA PSC attack. CA4IT clients are protected by CA4IT's unique tax audit representation insurance that provides protection from any CRA audit.

CA4IT Fights Against PSC Risk Since 1984

CA4IT, since it's origins in 1984, has been championing the income tax rights of incorporated independent contractor IT professionals, including defending clients against PSC risk. In the 1980's, many accounting firms actually turned away incorporated IT professionals as clients, as these accounting firms were themselves afraid of PSC risk.

However, CA4IT not only accepted all such IT professionals as clients, but CA4IT has also fought and won all of it's major PSC cases against the CRA.



**BOOK YOUR
FREE CONSULTATION**



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1-800-465-7532**