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Tax debt can be cut down with a consumer proposal

BY CAROLYN COOKE, SURREY NOW MARCH 26, 2013

While looming tax deadlines may irk most Canadians, it's outright anxiety-producing for those who owe the government a sizeable chunk of change and can't pay up.

What few of these people know is that they have more options to deal with overwhelming debt than just filing for bankruptcy. This is good news because escalating tax debt is a problem that has been on the rise in Surrey and Langley, according to Blair Mantin.

He is a trustee with Sands and Associates, which has an office in Surrey, and he said he has been seeing quite an increase in people from south of the Fraser over their heads in debt to Canada Revenue Agency.

Recent stats from the CRA estimate there's about $8 billion in unpaid taxes in Canada. Mantin pointed out that B.C. is the most heavily indebted province, to boot.

A few factors behind the numbers are being self-tha employed and not keeping up with regular tax remittances, and sky-high real estate prices and cost of living here.

"I'm seeing a lot of $40,000 to $50,000 tax bills," said Mantin, adding that in Canada, tax debt is essentially considered the same as other classes of debt.

That means if you deal with a trustee - who is an officer of the court - you have legal options to resolve unmanageable debt. This includes debt from credit cards, lines of credit, unpaid taxes and student loans that are more than seven years old.

"I think a lot of people, when they find themselves in trouble with tax debt, they start to do kind of funny things," said Mantin, like cutting off all communication to CRA, trying to move some assets out of their name to try to protect them and so on.

But there is a way through it called a consumer proposal, he said.

What happens in a consumer proposal is that a trustee helps a person figure out how much they owe, to whom and what they can actually afford to pay back. The trustee then handles the legal documents involved in making the proposal to all of the creditors and, if accepted by a simple majority of creditors, filing it with the courts and overseeing the repayment.

In a consumer proposal, there is no interest on the debt to be repaid, which is normally in the range of 30 to 50 per cent of the total, paid out monthly for up to five years.

"It's a remedy that's out there that people are entitled to use," said Mantin. "The challenge is they just don't seem to know about it."

Among the misconceptions about Canadian consumer proposals are that taxes cannot be included and that homeowners will automatically lose their house. That may be true in the States, said Mantin, but not in Canada.

In addition, consumer proposals are almost always accepted in this country. "The main reason being that by doing a proposal, you're getting a better rate of recovery on your debts than if you'd filed for bankruptcy.

"The benefit to you is you get to avoid filing for bankruptcy. The benefit to your creditors is they get more money than if you filed for bankruptcy."

As a bonus, a person's credit rating takes less of a hit with a proposal, too, he said, going to R7 instead of the R9 associated with bankruptcy. And a consumer proposal is only on a person's credit report for three years, not six as in bankruptcy.

Mantin suggested that anyone who is struggling to manage their debt make an appointment to talk to a trustee, who is legally obligated to explain all of the options available.

"Nobody else in the system has that requirement because they're not regulated. The big difference being, everything you do with a trustee is governed by the law."
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