

The lowest return airfare

Northern News Services

The Canada Revenue Agency conducts review programs that are an important part of the self-assessment tax system. These reviews, or audits, are an essential part of our tax system because they do correct filing errors and keep us honest.

The CRA is conspicuously auditing the 2010 travel deductions and I have received e-mail inquiries from taxpayers from British Columbia and the Yukon with a simple request — help!

Let's start with a brief overview of the travel deduction:

Taxpayers who have lived in the territories or in prescribed zones for at least six months qualify for a travel deduction if they received a travel benefit from their employer. For this deduction, you claim the lower of three amounts; the amount of the travel benefit, actual trip expenses or an amount described as the 'lowest return airfare ordinarily avail-

able at the time the trip was made.'

The CRA says the 'lowest return airfare...' is the lowest return airfare ordinarily available, including a discounted or promotional fare that is ordinarily available, on the day of the trip. You must also get a letter from an airline that says so.

For the 2007, 2008 and 2009 taxation years, the CRA agreed the lowest return airfare was, for a Yellowknife to Edmonton trip, about \$1,000. The CRA was silent when asked what the 2010 lowest return airfare was prior to the 2010 tax filing season. In that void, taxpayers in Yellowknife continued to use about \$1,000. The bombshell hit when the CRA decided the 2010 lowest return airfare, Yellowknife to Edmonton, was \$610.17 — in July of this year. Taxpayers in Yellowknife, whose 2010 travel deduction were audited, were reassessed with \$610.17 as the lowest return airfare.

Proving the 'lowest return airfare' is a perennial pain for both the

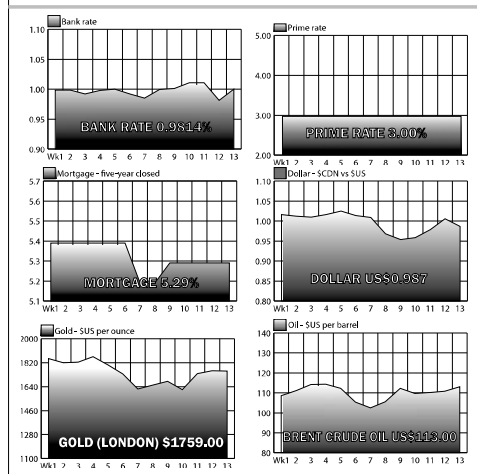
taxpayer who claims the deduction and the CRA who has to assess the claim. This assumes both parties understand what 'lowest return airfare' means. As part of the audit, the CRA asks the taxpayers to supply a letter from an airline to support their lowest return airfare. Trouble is, you'll need a magic wand to conjure up such a letter.

You can call an airline and ask for the lowest return airfare ordinarily available, including a discounted or promotional fare that is ordinarily available, on the day of your trip. Good luck with that. It is too much to expect the airlines to scour their historical fare records and figure out your lowest return airfare ordinarily available, including a discounted or promotional fare that is ordinarily available, on the day of your trip. And what does 'ordinarily available' mean?

Where does this leave you if your 2010 travel deduction is audited? In a bad spot because the CRA has the muscular position and will reassess you accordingly unless you produce the Holy Grail in the form of a letter from an airline.

Interestingly, the CRA's 'lowest return airfare' of \$610.17, Yellow-

TRENDS AT A GLANCE – past 13 weeks



knife to Edmonton, was not based on a letter from an airline. In fact, it is based on quotes from airline websites, normally gathered once a week, and the average was used.

Getting quotes from airline websites for this purpose is inherently flawed. You cannot get last-minute

online fares if the flights were sold out. Consequently, the data collected excludes costly fares you expect to pay on those busier flight days, which skews down the average. Furthermore, collecting 52 data points out of 365 data points does not produce a daily average.



TAX Break

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A NEW LOGO

Northwest Territories Association of Architects executive director Deleigh Rausch, left, and president Rod Kirkwood stand beside the association's new logo at its 10th anniversary celebration wine and cheese event on Friday, Nov. 4 at the Northern Frontier Visitors Centre.

NICO reaches agreement with Tlicho government

by Thandie Vela
Northern News Services
Tlicho

Fortune Minerals Ltd. and the Tlicho Government have signed a co-operative relationship agreement over the mineral exploration company's NICO project.

The agreement, over Fortune's gold-cobalt-bismuth-copper deposit located about 50 km north of Whati, is similar to a memorandum of understanding, the company said in a Nov. 8 news release, establishing the framework and path forward for further negotiations.

"The agreement lays the foundation for discussions on fundamental

topics of interest such as the possible environmental and cultural impacts of the NICO Project on Tlicho-owned lands," Fortune president Robin Goad said.

Monetary details of the agreement were not released but Grand Chief Eddie Erasmus said it "provides the resources for the Tlicho Government to collect knowledge critical to understanding the impacts of this project. It also provides resources to ensure the robust engagement of the Tlicho Government in the regulatory process," he said.

The NICO project is currently in the environmental assessment process stage.



Eddie Erasmus

Communities need more information: MLA

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make money for the company. The families are happy because mom and dad's going to work," he said, estimating a 3D seismic program scheduled to begin before the end of the year and the planned construction of two vertical exploratory wells will require upwards of 100 local workers.

Husky Energy's proposed Slater River drilling and 220-square-kilometre seismic program, taking place about 55 km southwest of Norman Wells, will involve the preparation of 40 km of winter access roads and the construction of an ice bridge across the Mackenzie River.

"These companies want to come in and work in the Sahtu because they believe that the mother-load is yet to be found," Yakeleya said, refer-

ring to glowing geologist reports of crude oil deposits within the Canol and Hare Indian underground formations in the region.

In May 2006, Husky Energy announced it had made a hydrocarbon discovery at one of two wells drilled on another lease, in the same Central Mackenzie Valley area. The well was drilled to a depth of 3,147 metres, and natural gas flowed to the surface on open-hole testing at a total rate of five million cubic feet per day, the company reported.

Husky Energy spokesperson Graham White declined to speculate on the hydrocarbon potential of the area, noting that "the purpose of the wells and the 3D seismic program is to learn of the underlying geology and produce high-quality core samples for evaluation."

Pending the sample evaluation,

White also declined to speculate on the types of extraction methods that may be required, as reports emerge of fracturing, or "fracking" being proposed by MGM Energy Corp., which won bids for three exploration licences in the Central Mackenzie Valley and committed to spend \$5 million along with a private partner company on exploration over the next four years.

"If you need to fracture, we believe we could demonstrate that that could be done without any environmental damage whatsoever," MGM Energy president Henry Sykes said. "I wouldn't rule it out but it will be up to the regulators and the communities."

"It does not pose environmental risks," Sykes said about the controversial extraction method. "We

believe that there is no risk to the land, to the water, and no risk to underground formations. I think we could prove that scientifically."

Yakeleya said he has heard reports of the different extraction strategies that may be used, and admitted the communities still need more education on the different processes.

"I don't know enough of it to give an educated opinion right now," he said. "I need to sit down with my people in the Sahtu and they need to really understand what fracking is all about; what are the impacts and the effects and why some countries have banned it."

MGM Energy does not have plans to begin drilling this winter, but has started consultations in the region for a proposed winter program next year.

Husky Energy has already struck Access and Benefits agreements establishing the terms for proceeding with exploration and development activity with several stakeholders in the Central Mackenzie Valley region, including First Nations and Metis land corporations.

"The days of coming in and giving us beads and trinkets and pots and pans are over," Yakeleya said, noting the people of Tulita and Norman Wells will see benefits of the oil and gas activity that has started in the region.

"It's going to be busy. A lot of people are going to be working and there's going to be a lot of dollars spent."

Shares of Calgary, Alta.-based Husky Energy closed at C\$24.53 Thursday on the Toronto Stock Exchange.