

April 2013

An Open Letter from Robert G Allen Income Tax Consultant

Like many I just received my letter from RLG. First of all, it is considerably different from their previous letters to donors. To summarize:

1. In Dec. 2012, 2008 donors were sent letters telling them their prepaid interest had or was expiring and they needed to rewrite a new loan for 1 or 3 years or their loan would become due.
2. Sometime later donors were sent a letter advising donors to source and purchase the particular replacement pharmaceuticals on their own and ship them to the United Kingdom.
3. On March 6, 2013. I received another letter asking that I give them written approval to provide my personal info to an unnamed Authorized Vendor to sell me the appropriate pharmaceuticals.
4. Now I get this letter: They indicated they have a facilitator for my pharmaceuticals purchase.

They do not mention the cost of the pharmaceuticals or any reference to what timeline would be necessary to access my pharmaceuticals .There is no reference to written confirmation from one or more World Health Organization Good Manufacturing Practices regarding certificate of analysis for identical pharmaceuticals. There is no reference to who is responsible for delivery, storage and custodial costs.

On my statement of account they now tell me that if I pay to another company – Integrated Receivables Management Inc. - an amount of \$ 1262.80 that my outstanding loan of \$ 25,256.00 will be settled and I will be paid any un accrued prepaid interest. They also state that my coupon will be returned to RLG.

This proposal is completely contrary to my contract with RLG and creates a situation where the CRA will have the necessary facts to disallow my original tax credit.

The facts for those that follow this process are as follows:

1. The contract states that my loan can be repaid in 3 ways: - Cash, certified cheque or return of my coupon.
2. The loan has to meet the requirements of a full recourse loan as outlined by numerous court cases which include Bona Fide arrangements in writing at the time of the contract. If I settle my \$25,256.00 loan with a payment of \$1,262.80 as they indicate I can, there is no doubt a benefit or an advantage and numerous court cases have reduced the tax credit by the amount of that advantage.
3. RLG states that upon my payment, my coupon will be returned to RLG and my loan will be settled, but the contract states that I can only get back my coupon by providing identical pharmaceuticals with a specific expiry period to Agkuran Distributing Ltd. If I send my cheque, at that point, there are no identical pharmaceuticals to be provided to them under this process. The question is: How can they legally return my coupon if they have no pharmaceuticals as replacements? Again this is contrary to my contract.

4. This process no doubt gives credence to CRA`s position that the financing arrangement would be a sham as has been determined by Federal Court and Supreme court cases.
5. With regard to Integrated Receivables Management Inc., it has been determined that they are not at arm`s length with RLG which is another argument that the CRA has used in their reassessment of the donor.

In conclusion, there are many more facts and reasons for me to see this as the worst case scenario for myself and all donors. The above points are the basis for all of them. There are many conclusions made in numerous Federal and Supreme Court cases where taxpayers have lost based on taxpayers not adhering to actual contracts and , in my view, there is no doubt that this process provided by RLG is NOT in accordance with the original contract . As a donor, the onus is entirely on me to source and buy the identical Medicine Units, and I have the risk that the purchase price may be above or below the loan amount. In the words of the Federal Court of Appeal in *Antle v HMQ*, the required intent or state of mind for finding of sham is that the parties to a transaction present it as being different from what they know it to be. In my view and with my 8 years as an auditor and an Appeals officer with Revenue Canada and 30 years as an Income Tax Consultant there no chance of donors going forward with this RLG process being successful in the courts.

If I were to be asked to review and analyze a tax shelter based on the RLG process as they have laid out , I would ABSOLUTELY NOT even consider to any serious degree of participating.

A layman`s question would be: “Do I really think that paying an amount of \$1,262.80 can legally satisfy an outstanding loan of \$25,256.00 to a related company? Something to think about!

In consideration of all donor participants in the RLG Tax Shelter.

Sincerely

Bob Allen
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