

Dentons Canada successfully represents client on a TFSA tax penalty appeal against the CRA in front of the Federal Court of Canada

January 13, 2021

In a recent court case litigated by Dentons lawyer Gergely Hegedus, a judge concluded that the Canada Revenue Agency's (CRA) decision to deny a non-resident taxpayer relief from tax liability was unreasonable.

The taxpayer was slated to pay \$27,641 in tax, penalties and interest for excess and non-resident tax-free savings account (TFSA) contributions made between 2010 and 2018.

Discretionary decisions by the CRA refusing to waive taxes and penalties are reviewed by the Federal Court of Canada on the reasonableness standard, which considers justification, transparency and intelligibility. The judge found that the CRA's decision was unreasonable since it lacked the requisite transparency, intelligibility and justification. This is one of the first TFSA decisions made using the reasonableness standard since the *Vavilov* decision was ruled in 2019.

"It is extremely common for taxpayers to make errors with their TFSA accounts and for the CRA to assess penalties and interest for these errors," said Gergely Hegedus, senior associate in our Edmonton Tax group. "For that, we are pleased to be able to assist in this win for our client, offering an effective and innovative solution for an honest mistake."

Read more about this case in this article covered in the media by the *Financial Post*.

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