Something old, nothing new in taxes

**TAX PRACTICE**

**The amount of revenue that a tax system raises is a simple mathematical function: revenue equals tax base multiplied by tax rate.**

Vern Krishna, CGA, lawyer

Governments of the G20 countries, desperate for tax revenues to support ailing public finances, are overhauling tax systems. A new kind of tax system raises more revenue than an old one, but it is not clear that any new systems raise much more revenue than the old.

In addition to this simple formula, there are many other factors to consider. For example, the tax base can be expanded or contracted by changing the tax laws. The tax rate can be increased or decreased by changing the tax code. The tax system can also be made more or less efficient by changing the administration of the tax system.

In a nutshell, the tax system is a delicate balance of political, economic, and social forces. A change in any of these forces can have a profound impact on the tax system.

**TAX VIEWS**

By Vern Krishna

**Location of stored data as important as security**

By Richard Morochove

As accountants become more mobile, convenient access to data becomes more important. If data resides on your desktop PC at the office, you’ll need to remember to copy client-related data to a mobile device before you visit your client. If you’ve made any changes to the data, you’ll then need to copy it back to your desktop computer upon your return.

In addition to this simple manual copy-and-replace method, there are other, more sophisticated ways to handle this common data management issue. One way is to store documents in the cloud, hosted on a cloud provider on the Internet. A nontechnical way to store data on your own in-house server, optionally making it available via a VPN (Virtual Private Network).

These access methods offer the advantage of allowing others in your firm to access the data, in your office or remotely. Furthermore, these data can sometimes be accessed by different computing devices: notebooks, tablets and smartphones. So far, developers who cater to accountants have noted these advantages and now offer solutions that are in hand in existing products.

Last month, Intuit Canada hosted sessions to let accountants know about their cloud data access solutions: QuickBooks Online Accountant (QBOA) and ProFile Connect.

QBOA lets an accountant access the data of clients who are using QuickBooks Online. It offers one-stop access for all clients using QuickBooks Online who have authorized you to access their data. Up to two accountants may be authorized by each client, without additional user charges. This addresses the common scenario where a small business uses the services of both a bookkeeper and public accountant.

In addition to quick and easy access to data, QuickBooks Online also provides some additional efficiencies, such as batch reclassification and write-offs. This service is no doubt intended to persuade accountants to have their clients switch to QuickBooks Online. However, look carefully at its capabilities before going this route. Online tax preparation is different from QuickBooks desktop software. For example, it has rather rudimentary inventory calculation capabilities.

ProFile Connect is a free iOS app for iPhone and iPad which lets users view and print tax returns stored in Intuit Canada’s cloud. It also provides client contact details and lets you view audit messages.

I’m a little surprised that Intuit would launch this handy though somewhat limited app for the world’s most popular personal operating system. However, Intuit says this version for the most popular OS, Android, is in the works.

A according to Intuit Canada, ProFile Connect tax return data is stored on Canadian servers. QuickBooks Online and QBOA data are stored on U.S. servers.

There are gaps in Intuit Canada’s cloud solution. For example, how do you store other client-related data, such as correspondence and spreadsheets? Rummage has pointed out that particular gap is in the works.

Doxycycle ($195 per year for a single user), an in-house solution from Trilogy Software, is designed to integrate with the company’s TaxCycle tax preparation software. Doxycycle lets you scan documents or import them from common data formats such as PDF and JPG. It connects directly to TaxCycle’s T1 returns data. Founded in 2001, eFileCabinet is the brainchild of a U.S. CPA who originally developed it for his accounting practice. It’s a comprehensive solution which integrates closely with Microsoft Office. Its full-featured toolbar for Office applications makes it easy for you to store a Word document or Excel spreadsheet directly to eFileCabinet. Quickbooks (2010 and later) integration is an optional add-on.

eFileCabinet offers both in-house and cloud solutions. Cloud data is stored by Amazon Web Services in the U.S. It costs $19.99 U.S. to $34.99 U.S. per month per user, depending upon the features you require. The more mature in-house solution offers a few more capabilities, but takes more time to install.

If you choose a cloud storage solution, you may want to ask where your data will be stored. Typically, cloud storage for Canadians will be hosted on servers located either in Canada or the U.S. The U.S. state data is subject to American laws and regulations.

Some Canadian cloud storage users are concerned that surveillance procedures authorized by the USA PATRIOT Act permit access to electronic business records. If you’re one of them, then you may feel better about your cloud storage by running on a server based in Canada.

However, even though both you and your data reside in Canada, there is no guarantee that your data won’t transit the U.S. Data does not necessarily travel the shortest route on the Internet. It often travels the cheapest route.

For users in North America, that usually means going through the United States since it boats the world’s most comprehensive Internet capabilities.

This makes it available to the National Security Agency’s PRISM program. According to information leaked by former NSA contractor Edward Snowden, PRISM is a mass electronic communications gathering and analysis program which relies heavily on data provided by Yahoo, Google and Microsoft.

Richard Morochove, FCA, is president of the Toronto-based computer consulting firm, Morochove & Associates Inc., serving accountants and their clients. E-mail: rmorochove.com; office: 416-960-3600.