



Canada Revenue
Agency

Agence du revenu
du Canada

What you should know about audits

Why do audits?

As part of our regular activities, the Canada Revenue Agency (CRA) selectively audits tax returns and claims for rebates. Our objective is to ensure the fairness and integrity of our self-assessment tax system. We do this by making sure that tax returns and claims are prepared properly, and that taxpayers receive all the amounts to which they are entitled.

What does an auditor do?

The auditor will begin by giving you some general information, such as the scope of the audit, what years will be covered, how much time the audit may take, and what information the auditor will need from you to do the work.

The auditor will respond to your questions, inform you of your rights and obligations, and respect the confidential nature of information obtained during the audit.

The auditor may conduct a combined audit of both the Income Tax and GST/HST returns at the same time (not applicable in the province of Quebec). The combined audit process is less intrusive for the taxpayer than the process of being subject to two separate audits.

What are your responsibilities?

By law, you have to keep adequate books and records to determine your tax obligations and your entitlements. Generally, books and records must be kept for a minimum of six years.

If you use a computer to maintain your accounting records, you must keep the books and records in an electronically readable format, even if they are also kept on paper.

Using the services of a tax professional does not relieve you of these responsibilities.

For an audit, we ask you to make available to the auditor your books and records (both paper and electronic), any supporting documents, and explanations to the questions the auditor will have.

What happens in an audit?

We strive to establish a relationship based on co-operation, openness, and transparency—key factors in an efficient audit. The Canadian public and the CRA have a mutual interest in making sure our audits are conducted efficiently and concluded in a timely fashion.

Location and materials – The auditor will generally do the audit on your premises. However, in some situations, the auditor will borrow your books and records and give you a detailed receipt for the borrowed documents. It may also be necessary at times to make copies of your electronic records.

Time involved – The time an audit takes depends on the state of your accounting records and related documents, as well as the size and complexity of your business. Your co-operation will help keep this time to a minimum.

Discussing issues – During an audit, the auditor will identify issues and discuss them with you. At any time, you can also raise your concerns with the auditor.

Responding to an adjustment proposal – The auditor will discuss any proposed adjustments and explain the rationale for them. The auditor will give you a reasonable amount of time (usually 30 days) to respond to the proposal.

Before finalizing the audit, the auditor will carefully consider your explanations and respond to your questions about the findings. If issues remain unresolved, you can contact the auditor's supervisor to discuss them further.

Notice of Assessment and Notice of Reassessment – If we have to adjust your return, the auditor will arrange to have a *Notice of Assessment* or *Notice of Reassessment* mailed to you.

If the adjustment results in an increase in the amount of your refund, a payment may accompany the notice.

Interest charges – If the adjustment results in an increase in your balance owing, we can provide an estimate of the amount before we issue a *Notice of Assessment* or *Notice of Reassessment*. This will give you the opportunity to prevent further interest charges from accruing by paying all or part of what you owe right away.

What happens if you disagree with your assessment or reassessment?

We encourage you to follow the procedures outlined above in “Discussing issues” and “Responding to an adjustment proposal.” However, if you still disagree with your *Notice of Assessment* or *Notice of Reassessment* once you receive it, you can file an objection no later than 90 days after we mailed your notice.

For more information, see our brochure called P148 *Resolving Your Dispute: Objection and Appeal Rights Under the Income Tax Act*, and Chapter 31 of the GST/HST Memoranda Series. These publications are available online or from the Appeals Division of your tax services office.

Your feedback is important to us

Periodically, we contact a random sample of taxpayers who have been audited to obtain their views on the audit process. If you are not contacted but wish to make comments about your audit, please get in touch with your tax services office.

Need more information?

To get more information about our audit programs and policies, or to comment on the audit process, contact your tax services office. You can find the telephone number and location in the government section of your telephone book or by clicking on "Contact us" on our Web site at www.cra.gc.ca

Auditor's name:

Telephone:

Fax:

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