



TIPS FOR DEALING WITH THE CRA

It is inevitable during the life of your business that at some point you will have to deal with the Canada Revenue Agency (CRA). Here, I offer some tips and insights for dealing with the CRA and recommendations for when you should get your accountant involved.

One of the main reasons the CRA comes calling is if you owe amounts and are behind in taxes, GST, or payroll. The second reason is when they are verifying information on returns you have filed. This can come at different levels, from expense reviews to a full-blown audit. This verification process may result in a notice of reassessment, where CRA will change the numbers from what you reported. Although this reassessment can go in either the taxpayer or CRA's favour, it's more often that the CRA adjusts in their favour.

The CRA is not always right

A notice of reassessment is not always an indication you or your accountant has done something wrong. The CRA may be interpreting the facts incorrectly; leading them to a different conclusion. It is then the responsibility of the taxpayer to prove the CRA's method is incorrect.

If you feel the CRA's reassessment is incorrect, you must file an objection within 90 days of the date in which the CRA issued the reassessment. Once you have filed the objection, you will need to

wait for the CRA to respond. This can take months depending on the situation, so while waiting for CRA to respond, you can continue to collect information to support your position.

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Once the CRA reviews the information, they will decide on the grounds for your objection. They will either accept that their interpretation was incorrect due to some oversight and process as originally filed, or they will stick to their reassessment.

If CRA sticks to the reassessment and you still disagree, your next option is to take the issue to tax court. This involves hiring a tax lawyer and is a long and costly process.

CRA collections

The collections process can be one of the most stressful times for a business owner. If it is determined you owe the CRA money as a result of the notice of reassessment—and you cannot make this payment in full—it is recommended you contact them to arrange payment terms.

If you fail to contact them, the CRA's collection department will call you to arrange payment. If you fail to follow up with the collection's department, they can freeze your bank account and take

any deposits made to the account. This can be crippling to a business.

Notes on CRA scams

Be aware there are countless scam-

mers out there reporting to be the CRA. The CRA collections department will never threaten to arrest you and won't ask for your personal information. The CRA will also not ask for credit card information. Finally, the CRA will not take payment in other forms, such as Bitcoin or gift cards. If in doubt, call the CRA general inquiries line at 1-800-959-5525 to verify the caller's ID.

What types of reviews can CRA perform?

Each year, the CRA performs countless reviews across the country. These reviews vary in detail, from CRA letter campaigns to audit examinations or special examinations, including:

CRA letter campaigns

These are also known as information requests. Annually, the CRA will have an expense item they choose to review for most businesses. One year, it could be auto expenses and the next year, meals and entertainment. These are done to promote awareness and check for compliance from taxpayers. These requests can often be dealt with by the taxpayer without an accountant's assistance.

Audit examinations or special examinations

These reviews are a lot more involved and will require the assistance of a professional who has experience working with the CRA. In these cases, it is best to have your accountant assist in the review process. The CRA will send a list of information they wish to have reviewed before they come out for the fieldwork.



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The auditor will likely be at your workplace for two to three weeks for a full audit examination.

Audit review tips

If you are being audited, only provide the documentation for the time period the review has requested and the information you provide is only for the taxpayer being audited. If you accidentally give information for the wrong time period or taxpayer, the review may expand to those as well.

Tips to keep in mind:

1. Cooperate with the auditor, be respectful and expect the same in return. Once you've been selected for an audit, there's nothing you can do to change that but you and the auditors should expect professional courtesy as the auditors complete the audit. That said, your cooperation should always be informed by your knowledge about your rights, what is required, and what is not (see tips 2 to 5).
2. Understand your rights. The CRA has broad audit powers but that doesn't mean they're unlimited in what they can request and how they can complete their audit. Understanding your rights as well as CRA's rights and policies will help ensure you're treated fairly throughout the duration of the audit.
3. Understand the audit and key issues. Ensure you understand the information requested by CRA as well as any potential issues they identify. This will allow you to respond appropriately with concise information and the specific documents needed to satisfy their requests.

4. Know your appeal rights. There's a chance that you won't agree with the results of the audit. You have the right to appeal the audit result but any appeal must be made within 90 days of the date on your Notice of Reassessment.

5. Keep detailed records. It's important to keep detailed records of all correspondence with the CRA throughout the audit process. When possible, written communication is preferred as it limits the chance of miscommunication and ensures that there's an accurate record of information exchanged between you and the auditor. These records can be critical if you later need to appeal a reassessment.

Conclusion

When dealing with the CRA, be cautious and remember, they are not always right and do make mistakes. If you have concerns or questions, seek the advice of a professional who can alleviate your concerns and maybe even save you money. 🌲

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