

FAQ FOR TAX SAVVY CLIENTS

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AUDITS ARE A FACT OF LIFE

Tax Question:

How do I reduce my chance of having a tax audit on my corporation?

Facts:

Both the Federal and Provincial governments are reluctant to introduce new taxes. Just look at the backlash of the introduction of HST into BC in 2010 and the political fallout that ensued.

Healthcare, transportation and retirement costs are escalating and the government needs to generate revenue to fund the many services they provide.

To meet this ever widening chasm, CRA are sending out more and more auditors to identify where tax was missed either by honest mistakes or through aggressive tax planning. Collecting tax revenue that CRA was entitled to is easier and less politically sensitive than to raise taxes or introduce new tax measures.

Audits are now a fact of life. It is not if you are going to be audited, but when.

Discussion:

There are some things you can do to help reduce the risk of an audit.

- Don't stand out!
- File on time.
- Be consistent.
- Take steps in advance to prove your point.
- Keep good records.
- Don't make late changes (amendments) to your filings.

When you are audited, you will want to ensure you have an experienced corporate tax professional on your side. Defending a CRA audit is a complex process and both sides have rules and steps to follow.

We work to help you limit the scope of your audit and ensure CRA follows the rules. We work to limit and control the amount of information and documentation that CRA receives to keep the audit within the agreed upon scope, this reduces risk. We can help you determine when and how to fight by identifying the areas that are a question of law versus the areas that are a question of fact. Questions of law are black and white and questions of fact are grey.

Dollar wise, the majority of audits are won during the initial audit and appeal stage. In our experience, fighting your audit with an accounting professional during these two stages is much less expensive and more effective than the third stage of going to tax court.

Recommendation:

If the auditor is knocking at your door, please call Gilmour Knotts Chartered Accountants to get help early and prevent "foot in mouth disease", saying something to the auditor you may later regret.



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