YOU'VE FILED YOUR TAXES...
NOW WHAT?

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CONTENTS

YOU'VE DONE THE WORK, FILED YOUR TAXES, SO WHAT HAPPENS NOW?

Notice of Assessment

After you file your tax return, you'll be issued a **Notice of Assessment** (NOA) from the Canada Revenue Agency (CRA). We provide some tips below on what to look for when you receive your NOA, common discrepancies between your NOA and tax return and how to handle them.

What is a Notice of Assessment (NOA)?

The NOA is an annual statement that lets you know how much income tax you owe (or how much your tax refund is). It also lists important details like your RRSP deduction limit, and carry over amounts for next year's return, like unused tuition, education credits and capital losses.

A Corporate or T2 Notice of Assessment is issued to you if you have filed a tax return for an incorporated business. Your Corporate NOA shows a summary that includes the date your return was assessed and if you have a refund due to your business or you have a balance owing. If your return has a nil balance, it will indicates that as well.

What does a Notice of Assessment for personal, self-employed and unincorporated businesses include?

Your NOA has your contact information and statement information at the top of the page. It is important to make sure all details are accurate and nothing needs to be updated, such as your address.

Below your contact information, is a summary of the action you need to take, if required.

The next few sections outline the larger areas that break down your assessment:

- **Account Summary:** This section shows you the result of your assessed or reassessed tax return. There may be a refund, a zero balance, or a balance owing on your account.
- **Netfile access code:** This code is used when filing your taxes electronically for your next tax return. It's not mandatory but if you don't include it, you will not be able to use any information from that tax return when confirming your identity with the CRA.
- **Tax Assessment Summary**: This section lists the main lines on your assessed tax return. Next to each line are the amounts used to calculate your balance. The amounts listed here include total income, net income, taxable income, total federal and provincial or territorial non-refundable tax credits, net federal and provincial or territorial tax, and amount of your refund or balance owing.
  - It is important to compare these amounts to the ones on your return to see where any changes were made. This also shows if there is any interest, penalties or a balance owing from a previous assessment.
- **Explanation of changes and other important information:** This section explains in detail the changes or corrections that were made to your tax return, based on what you submitted and the information the CRA has on file.
  - If you disagree with your assessment or reassessment, you can register a formal dispute within 90 days of receiving your notice.
- **RRSP deduction limit:** This shows your deduction limit for your Registered Retirement Savings Plan (RRSP).
  - What is a deduction limit? Your deduction limit is the amount of RRSP contributions you can deduct for the next year.
  - Your statement also shows how your deduction limit is calculated. This is based on your previous return and information that is on file.
- **Available contribution room:** This shows the maximum amount you can contribute to your RRSP for next year.
  - This is your deduction limit minus any unused RRSP contributions you reported in past years.
- **Excess Contribution:** If your RRSP contributions are more than your deduction limit, you have an excess of contributions. You may have to pay tax on this amount.

What does a Notice of Assessment for corporations include?

Just like your personal tax return, your corporate NOA shows your contact information and statement information at the top of the page. It is important to make sure all details are accurate and nothing needs to be updated, such as your address.

Below your contact information, is a summary of the action you need to take, if required.

The next few sections outline the larger areas that break down your assessment:

- **Account Summary:** This section shows you the result of your assessed or reassessed tax return. There may be a refund, a zero balance, or a balance owing on your account.
  - The account summary may also show the result from concurrent assessments or reassessments.
  - What are concurrent assessments and reassessments? When you file several consecutive-year returns at the same time, there is a concurrent assessment. For example, you file your 2018, 2019, and 2020 returns together to claim some credits that you didn't know about before. When you send new information that changes your returns for several consecutive years, there is a concurrent reassessment. All affected returns are reassessed at the same time. The result appears in the account summary on the last notice of the series.
- **Tax Assessment Summary:** This section lists the main lines on your assessed tax return. Next to each line are the amounts used to calculate your balance.
  - It is important to compare these amounts to the ones on your return to see where any changes were made. This also shows if there is any interest, penalties or a balance owing from a previous assessment.
- **Explanation of changes and other important information:** This section explains in detail the changes or corrections that were made to your tax return, based on what you submitted and the information the CRA has on file.
  - If you disagree with your assessment or reassessment, you can register a formal dispute within 90 days of receiving your notice.

Do I need to keep my NOA?

Yes. Your NOA is an important tax document that contains information that the CRA uses to verify your identity when you call the CRA. You may also be asked by your financial institution or other organizations that require proof that you've done your taxes or to verify your income (along with a T4 or other income statements).

Keep it in a safe place and do not share your NOA with others unless it is necessary.

How do I view my NOA?

If you submitted your tax return through Netfile, the CRA's electronic tax filing service, it takes about two weeks for you to see your NOA in "CRA My Account," the secure online portal where you can view your personal income tax and benefit information.

If you feel you should have received your NOA — but haven't — contact the CRA at 1-800-959-5525 (for businesses) or 1-800-267-6999 for individuals.

What if I have discrepancies on my NOA?

Always compare your NOA against the calculations on your filed T1 or T2 income tax return and see if there are any changes. There are a few common reasons for discrepancies:

1 Your tax payment hasn't been processed yet

You already paid your tax bill, but your NOA says you have a balance owing or that you owe interest.

First step – don't panic.

The NOA is computer generated, which means payments sent with your tax return may not be reflected immediately on the NOA.

FOR EXAMPLE, LET'S SAY YOU OWED THE CRA $10,000 THIS YEAR. You paid the amount on April 30, but since the CRA hasn't processed your payment yet, the $10,000 is still sitting in your unallocated payments account and hasn't been applied to the amount you owe. The computer that reviews your tax return won't know you made the payment until after it completes the NOA — so it marks the amount as missing.

If the amount is marked as missing, you will receive a bill for the entire amount owing plus interest. So, you may think you owe hundreds of dollars in interest that you actually don't.

Your NOA includes a statement of your balance owing, pay attention to this balance and check your payments before submitting anything further. It's not uncommon for taxpayers to assume the NOA is accurate and pay the balance owing as stated, even if it's not up-to-date.

2 You are missing a tax slip

Sometimes you miss a tax slip that includes both income reported, and income taxes deducted (like a T4A pension slip).

If CRA added the slip later, they may add the income without adding the Income tax deducted. Always check that all amounts have been added.

3 A number was misreported on the tax return

Let's say you have $5,500 of investment income from a T5 slip. If you make a mistake and type in $550 instead of $5,500, the system adds the full $5,500 instead of just the $4,950 you missed. Your income is then reported as $6,050 ($5,500 + $550) and you will be charged tax again on the $550 you already reported.

You can always request CRA to send you a copy of a slip if you didn't receive it from your bank, financial institution or employer. Don't be afraid to ask so you can compare numbers.

How do I object to my Notice of Assessment from CRA?

To object to a CRA income tax assessment, you must file a notice of objection. Typically, the basis for an objection is a disagreement with the CRA assessment of taxes owed or a dispute over how the CRA has interpreted the income tax law.

To file your objection, choose one of these options:

1) File an objection online through CRA My Account (choose My Business or Individual depending on your situation). Choose "Register my formal dispute". You will receive a case number that you will need to refer to when submitting supporting documentation or for further correspondence with the CRA.
2) File through your authorized representative. They will use "Represent a Client" to file the dispute on your behalf.
3) File by mail or fax using CRA Form T400A, Objection – Income Tax Act.
4) Send a letter to the Chief of Appeals at the appropriate CRA Appeals Intake Centre.

You'll need to explain why you disagree with your assessment and include all relevant facts and documents.

What is the deadline for filing an NOA objection?

Individuals must file their objection by whichever of these two dates is later:

- one year after the tax filing deadline for the return; or,
- 90 days from the date of your notice of assessment or determination.

If your objection is concerning Tax-Free Savings Account (TFSA) or registered retirement savings plan (RRSP contributions), the deadline is 90 days from the date of your NOA.

Incorporated businesses must file 90 days from the date of the notice of assessment or determination.

If you did not file your objection on time, you can apply for an extension. The Chief of Appeals will consider the circumstances around why you missed the deadline, including if you were working with the CRA office responsible for sending your assessment before you filed the objection or if there were reasons beyond your control.

You can file for an extension at the same time as you file your notice of objection. You can apply for an extension up to one year after the deadline for filing an objection by writing to the Chief of Appeals at your Appeals Intake Centre.

What happens after I file my objection?

Objections are handled on a case-by-case basis and the length of time it takes to process your objection depends on its complexity and how long it takes for you to respond to any requests for information.

If CRA agrees with your objection, either completely or partially, your tax return will be adjusted, and a Notice of Re-Assessment will be sent. Otherwise, you'll get written notice confirming the original tax assessment.

If you disagree with the CRA's decision on your objection, you can appeal to the Tax Court of Canada.

If your case is unsuccessful in the Tax Court, you could take it to the Federal Court of Appeal and, ultimately, apply for leave to the Supreme Court of Canada.

The whole appeal process can be daunting and requires a lot of time and expense if you handle it alone.

Objections are handled on a case-by-case basis and the length of time it takes to process your objection depends on its complexity and how long it takes for you to respond to any requests for information.

Do I have to pay the tax I'm objecting to?

Generally, you do not have to pay the income tax amounts that are under review until the CRA has completed its review of your objection.

However, you do have to pay if the amounts you are objecting to are taxes you had to withhold and remit, such as payroll taxes.

If your objection relates to a charitable donation tax credit, you have to pay half of the amount in dispute. You should confirm this with the CRA beforehand.

When a decision has been made on your objection, you must pay any of the amounts you owe, including taxes, penalties, and interest.

If the review is ruled in your favor, you can ask the CRA to refund the amount if:

- you already paid your amounts owing; and
- you have not received a decision on your objection within 120 days.

Choose a representative that understands how to work with the CRA.

AUDITS

CRA Audit Selection Process

Unfortunately, a review of the CRA's practices by the Canadian Attorney General's office flagged "small and medium enterprises" (SMEs) for high levels of "non-compliance" with tax legislation. This resulted in more rigorous CRA audits for this tax payer group.

Audits are nothing to fear if you comply with the tax rules and regulations, but knowing how CRA selects taxpayers for audit — and what you can expect during an audit — should better prepare you if you are selected.

Some audits can't be avoided since they are selected through:

- *Computer-Generated Lists:* Compares similar businesses and generates a list of returns with audit potential, or randomly selects by postal code.
- *Audit Projects:* Tests compliance of a particular group and if there is significant non-compliance, members of the selected group may be audited.

However, others are based on your interactions with others or your personal filing:

- *Leads:* Information from other audits and investigations or outside sources.
- *Secondary or even Tertiary files:* Creditors, business partners or a spouse of someone already under audit may be selected for an audit as well.
- *Industry-specific ratios:* Your business varies from the average business that year.

Sometimes things that are out of our control can still trigger an audit, such as the sector you work in. In selecting taxpayers for audit, the CRA often pays closer attention to cash businesses such as construction or hospitality, and businesses whose margins or incomes are not within the norm for that industry. CRA also looks more closely at taxpayers who claim rental or business losses.

Many taxpayers are simply chosen at random for an audit. CRA also has its Compliance Measurement Profiling and Assessment System (COMPASS), a sophisticated automated tool that looks at over 300 factors in evaluating the relative risk level of self-employed individuals and GST registrants.

But don't lose hope, there are still some things you can do to stay under the radar, and knowing key audit triggers is important.

TOP 10 AUDIT TRIGGERS

AUDIT TRIGGER #1:

Filing your taxes late

Filing your taxes before the April 30 deadline shows that you follow the rules and could reduce your chances of being selected for an audit. As a self-employed individual your filing deadline may be June 15, but if you owe taxes you still have to pay them by April 30 or you'll face penalties and interest charges.

If your business is incorporated, you are required to file no later than 6 months after your fiscal year-end. If your fiscal year-end is December 30, your T2 return is due June 30 the following year. When the T2 filing deadline falls on a Saturday, Sunday, or a public holiday, the return is due on the first business day following the filing deadline.

AUDIT TRIGGER #2:

Filing a tax return with errors

The CRA is more likely to flag your tax return for follow-up or audit if they've found errors on your returns in the past.

Whether you complete your taxes yourself, or you hire a tax specialist, it's still your responsibility to make sure your taxes are filed accurately.

Review your tax return to ensure its accuracy and completeness prior to filing. Check the basics such as name, address and social insurance number. Double-check that all income is reported. CRA has copies of all your T-slips, so failing to report employment income, interest, dividends and capital gains catches the CRA's attention.

If you find a mistake after filing, be proactive and file an adjustment, rather than letting the CRA find the mistake for you. If you wait for CRA to find the error or omission, and if you owe money, you could be faced with penalties or interest charges.

If you make false statements, even if they're unintentional situations that result in excessive errors on your tax return, you could be fined 50% of the difference between your tax payable as reported and the tax that should have been paid if you reported correctly.

AUDIT TRIGGER #3:

Not providing information when requested

While you may catch the CRA's attention, most times they aren't looking to do a full audit.

Sometimes they just want additional documentation to support a claim you've made on your tax return.

For example – they could require clarification for childcare expenses, a rental loss or automobile expenses. If your books and records are organized, you can respond quickly with the requested information.

Be sure to send only the requested documentation. Sending more information than needed could prompt CRA to take a closer look at something they didn't flag when they first reached out to you.

Failing to provide the requested documents in a reasonable time frame could raise another red flag with CRA — they may believe there is the potential of unsubstantiated tax reporting and commit to a more comprehensive audit.

Canadian tax law generally requires taxpayers to keep records for at least six years after your last Notice of Assessment. However, if you're found to have incomplete or disorganized records, they can go back indefinitely. That's why it's so important to keep good records. Not only does organizing your receipts save you time and money each year, but it also guarantees you can respond quickly to the CRA's information requests.

AUDIT TRIGGER #4:

Claiming an investment loss

There are several audit flags related to investments.

CRA will want to verify any losses claimed on investments in small business corporations.

The tax rules regarding allowable business investment losses are complex, so the CRA verifies losses claimed on investments in small business corporations to make sure they are followed correctly.

Be sure you keep all documentation to support your claim for an allowable business investment loss. While carrying charges like interest and management fees related to investments are usually deductible, the CRA often requests supporting documentation.

Claims of capital losses and gains also receive scrutiny because many taxpayers don't track them correctly. You can't always depend on the account statements provided by your financial institution — often the cost base it provides is not accurate for tax purposes. Income trusts erode their cost base over time due to returns of capital and are hard to calculate. Investments in foreign currency can also be a problem because you need to account for the foreign exchange gain or loss, in addition to your economic gain or loss.

Today, many Canadians earn income from foreign sources, either through investments or employment. Claiming foreign tax credits because you've paid tax in another country is another item that the CRA often questions.

AUDIT TRIGGER #5:

Making too much money

You might do everything right when it comes to filing your taxes and obeying the CRA's rules, but if you're defined as having a high net worth by the CRA, you may be targeted for an audit.

Even if you're not earning a high income but have a family member or business partner who is, you could catch the attention of the CRA. In what is called the "Related Party Initiative" (RPI), the CRA looks at wealthy individuals, their families and the various entities (including corporations, trusts and partnerships) they may be connected with.

If you're flagged for an audit, warn your family they may be contacted too. When the CRA audits a spouse, investor, supplier, or subsidiary of an individual or company on which it is already doing a main audit, it's called a secondary review. They want to compare each person or business return to make sure any expense for one was claimed as income for the other.

The CRA will also choose audit targets based on leads from informants such as former spouses, ex-business partners, employees, competitors, and neighbours. Always make sure you part on good terms!

AUDIT TRIGGER #6:

Significant differences in revenue and expenses from one year to the next

Inconsistencies in your tax return from year to year can be a warning to the CRA that something may not be right.

Generally, if the proportion of expenses to revenues is consistent from year to year, the CRA is unlikely to investigate.

If there is a significant difference from one year to the next, the CRA may decide to follow up with a request for information or an audit. Expenses such as travel, and entertainment are ones the CRA keeps a close eye on.

It could be that your work requires a lot of travel, or you had a particularly good or bad year, so the variances are justifiable.

Take note of your previous year's income and expenses and be prepared to substantiate any variance with the CRA. This is where it's a good idea to have a tax specialist working for you.

AUDIT TRIGGER #7:

Failure to remit source deductions for employees

It is really important to ensure your payroll and deductions for your employees are done accurately and on time.

Failing to pay tax, CPP and EI on a regular basis for your employees can be one trigger for an audit. Also, failing to pay GST and PST correctly, and on time, could send another red flag.

AUDIT TRIGGER #8:

Shareholder loans and benefits

The CRA often flags businesses for an audit if there are outstanding shareholder loans (those that have not been repaid within 12 months of the corporation's fiscal year-end). In this case, the CRA may consider the loan to be personal income to the shareholder and will want to ensure that taxes have been paid for it as income.

The same applies to shareholders that take loans, pay them off just before they are due and then immediately take a new loan. The CRA looks closely at these types of transactions as it considers a series of loans and repayments as one continuous loan, which also indicates that the shareholder loan be counted as personal income.

A red flag to the CRA is having your shareholder loan account reporting an asset/receivable on your company's balance sheet for two years in a row. It is an indication that you may not have included your shareholder loan as personal income.

It is important that the loans paid to shareholders are properly documented through a ledger in case of an audit. It is also important to note that you have 12 months to pay back a shareholder loan, including the current interest rate of 1%.

What is a shareholder loan?

A shareholder loan is defined either as funds that you have withdrawn (due FROM shareholder) or contributed to your incorporated business (due TO shareholder).

Due from shareholder: If you withdraw money from your incorporated business and it is not designated as salary or dividends paid to you, it is considered a loan from the company to you, the shareholder. The same rule would apply if you used company funds to make personal or non-business purchases. Due from shareholder represents an asset (receivable) for the company.

Due to shareholder: If you pay for company expenses using personal funds or loan money to the company, this is reflected on the balance sheet as a debt owed (liability) by the company.

The "shareholder loan account" on your company's balance sheet represents the difference between "due from" and "due to" shareholder.

AUDIT TRIGGER #9:

Lifestyle and congruency

Another red flag can be the type of lifestyle you choose to live and how congruent (or aligned) it is with your income. If you report a level of income that does not match the type of lifestyle you live, you may be selected for an audit.

When an auditor attends a field visit, they look for things that may be inconsistent in terms of lifestyle choices. For example, if you report a low level of income yet have multiple luxury end vehicles, this may lead to more questions and reassessment of your taxes.

AUDIT TRIGGER #10:

Being self-employed

Unfortunately, being self-employed can also lend itself to an audit. Although you may follow all directions and complete your taxes properly and on-time, the expenses claimed as a self-employed business and other deductions may cause red flags that the CRA wants to check in on first.

GST/HST Audit Triggers

There are also some additional triggers specific to GST/HST audits. These include:

1) High Input Tax Credit (ITC) claimed on a return
2) A registrant that is usually payable from year-to-year files a return with a refund amount
3) Large variance from year to year
4) If GST/HST shows collected in prior years but not on a current return
5) If ITC amount is over $5,000, an automatic review is triggered and can result in a full audit

Keeping your records

The biggest tip for avoiding these audit triggers is to keep detailed records for at least 6 years (starting at the end of the tax period). This is the same rule for all businesses you own, and they must be accessible to the CRA to assist in fulfilling your tax obligations and to calculate your entitlements.

There are some key factors in record keeping to help you stay organized:

1) Convert paper files to electronic to reduce vulnerabilities and potential loss.
2) Invoices are not receipts, unless they are accompanied by a proof of payment.
3) Your records must be inclusive of other documents such as appointment books, logbooks, income tax and GST/HST returns.
4) Records and supporting documents concerning long-term acquisitions and disposal of property, the share registry, and other historical information that would have an impact upon sale of liquidation of the business must be kept indefinitely.
5) The CRA may require you to keep records for an additional period of time. In this instance, you will receive additional details by a registered letter.
6) In any tax assessment, the CRA is deemed right and you wrong, unless you can prove otherwise.

What to expect during an audit

Despite doing everything right, you still could get audited. If that is the case it is best to know the type of audit, how the audit will be conducted and the process.

Types of audits

There are three main types of audits:

1) Income Tax Audit. The CRA Income Tax Audit is the most basic and comes in requests for documentation, reviews or a full audit. The CRA re-assesses the money you took in and spent on a personal and corporate basis.
2) GST/HST Audit. The CRA assesses to see if you have been collecting and remitting GST/HST, as well as filing your returns accurately and on time.
3) Employer Compliance Audit. The CRA makes sure you have been properly filing, withholding and remitting statutory deductions from your payroll, and reporting.

Conducting audits

There are different types of audits and each involve a different level of complexity and time.

1) Desk or Office: by phone or mail-in information
2) Field: come to your home or business
3) Special investigation: may result in criminal prosecution

The field audit is the most common and what most people think of when there is talk of an audit.

Steps in an audit

If you do get audited, you can expect these nine steps throughout the audit process.

1) **CRA Contact:** The CRA reaches out through mail or phone, or both, to set a location, date and time for the audit.
2) **Initial audit interview:** An initial interview is conducted as part of the audit to understand your lifestyle and claims on your tax return, as well as discuss any other records, receipts or documents for the audit.
3) **Audit of books and records:** A CRA auditor reviews your books and records to see if there are any discrepancies between them and your return.
4) **Audit proposal:** If the auditor finds that your return has to be reassessed (which means you may have to pay more tax or are entitled to a refund), you will receive a proposal letter explaining the reason for the reassessment. You have 30 days to agree or disagree with the proposal.
5) **Taxpayer submission of information for counter proposal:** If you are in disagreement with your audit, you can discuss the reasons and submit documentation as to why you disagree with your auditor.

6) **Finalization of audit:** At the end of an audit, a final letter will be sent to you and one of the following things will occur:

   a. no adjustments will be made to your previous assessment

   b. an adjustment resulting in more tax owing will be made (reassessment), and you will have to pay the balance owing

   c. an adjustment resulting in less tax owing will be made (reassessment), and you will be entitled to a refund

   If an adjustment results in more tax being owed, the auditor can give you an estimate of the amount before the CRA issues a notice of assessment or notice of reassessment. This gives you the opportunity to avoid interest charges by paying all or part of what you owe right away, rather than waiting for a notice.

7) **Reassessment of tax, penalties and interest:** You will receive a new notice of assessment outlining any amounts owing, penalties or interest.

8) **Notice of objection to appeals directorate:** If you disagree on your audit and want to appeal the decision, you may file an objection.

9) **Appeal to Tax Court of Canada:** Once your objection is filed, you can appeal to the Tax Court of Canada.

What does the audit examine?

The CRA auditor examines the books and records, documents and information such as previous tax returns, credit bureau searches, property database information, your business records (ledgers, receipts, bank statements), your personal records (mortgage, credit card of bank statements), and any adjustments made by your bookkeeper or accountant to arrive at income for tax purposes.

The CRA may also verify your income through an Indirect Verification of Income, where they use other sources such as net worth assessments, third-party information, individuals not being audited (spouses, family members), sales projections, bank deposits and comparisons to industry standards.

What do I do if I'm selected?

First, don't panic! Arrange for qualified representation to have someone by your side who understands your business. Take a look at your bookkeeping — is it in good standing? Do you have all your records? Also, let your family members and associates know in case they are asked for information.

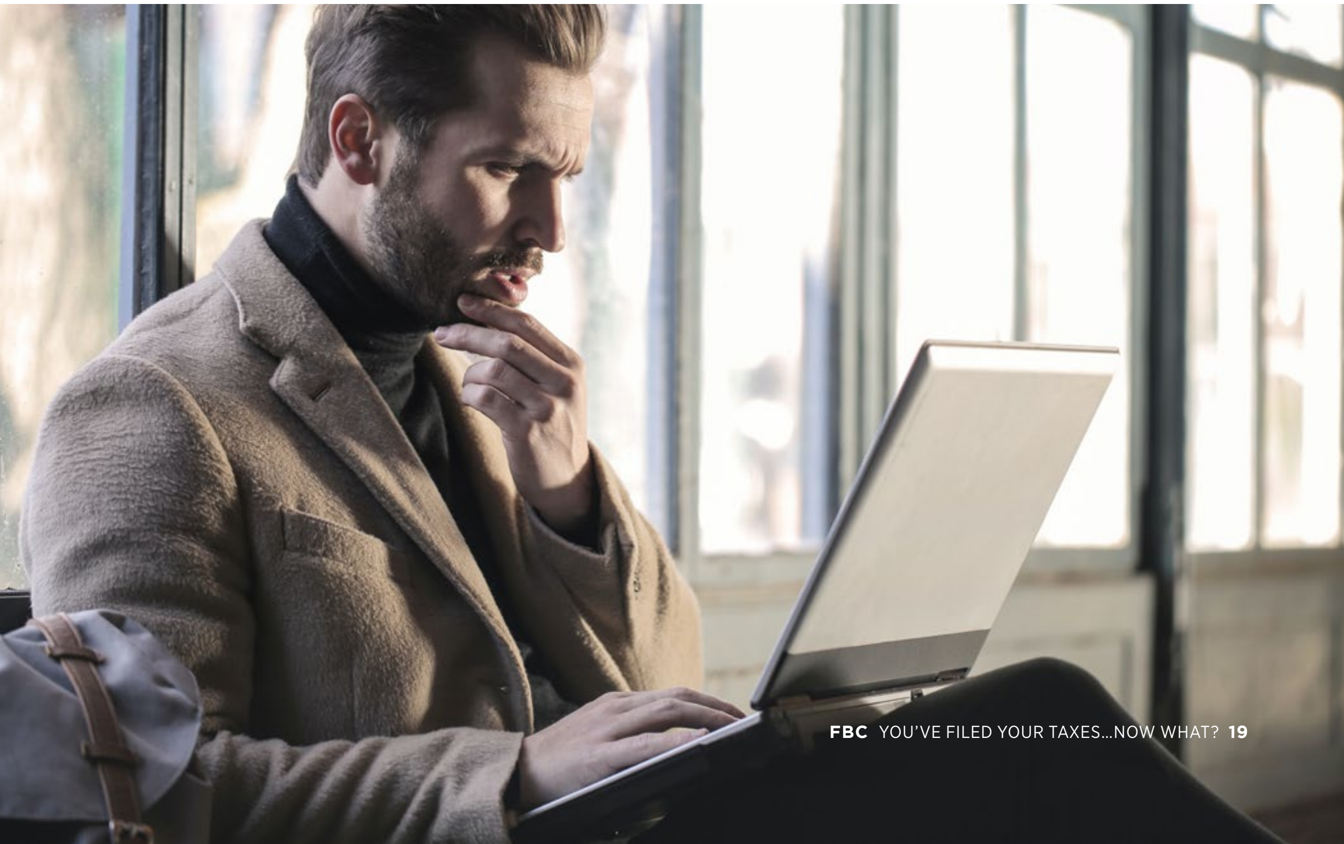
Contact the CRA to ask for a written request listing of all the documents they want to review and determine if they will be visiting you or if you only need to send documents by mail. Request enough time and avoid delays. If you need time to gather your records, ask for it, you don't want to waste anyone's time by being unprepared.

Don't forget your rights

If you do get audited, remember you have rights when it comes to dealing with the CRA and you need to exercise those rights.

The CRA has published the Taxpayer Bill of Rights outlining what you can expect from your interactions with the agency. The three most important in relation to an audit are:

1) You have the right to a formal review and subsequent appeal
2) You have the right, unless otherwise provided by law, not to pay income tax amounts in dispute before you have had an impartial review
3) You have the right to be represented by a person of your choice



HOW TO SURVIVE AN AUDIT

Once you begin the audit process, it can be overwhelming. These 5 tips will help you get through your audit as seamlessly as possible.

1 Provide appropriate space and access

a. Ensure the auditor has access to view your business and understand your operations

b. Provide a comfortable space for working with the auditor

c. Auditors have the right to tour your spaces and will be looking and listening for inconsistencies with your income and apparent lifestyle

2 Be helpful

a. Don't challenge or patronize the auditor, they are just doing their job

b. Your audit will wrap up quicker if you are prepared and provide all documents as soon as possible

c. Make sure your employees know, especially those in accounting who may need to be available to speak to the auditor

3 Be honest

a. Be direct and straightforward

b. Don't provide information that was not asked for, this can create delays

4 Be open

a. Accurate and detailed records are your best tools — always have these up to date even if you are not being audited, just in case!

b. You may need to authorize a check of your bank records — sign the form but decline any payments for service charges. If the CRA has to pay, the search will likely be more restricted and not cost you any extra money.

5 Have good representation

a. Going through an audit can be intimidating, not having a qualified expert is the same as entering a court room without a lawyer. Representation can ensure you do not make statements that can be misinterpreted or provide unnecessary information.

b. You also have the right to legal representation at the appeals stage in the Tax Court of Canada. While tax lawyers are not inexpensive, they are necessary to ensure your case is properly heard by the court. Do not underestimate the power of a lawyer in front of a judge.

Corporation Assessing Review Program

On top of audits, it is important to note that if you file a T2 Corporate Tax Return, you may also be subject to the Corporation Assessing Review Program (CARP)

CARP is another entity of the CRA designed to review specific line items of your T2s and ensure businesses are filing their taxes accurately. They don't conduct a full audit process, (although you can end up with an audit and a CARP limited review at the same time), rather they look at specific areas, (such as income or expenses), of your T2s for inconsistencies.

For example, if your farm files a T2 with equipment purchases, they may ask for additional receipts to back up these claims. However, they may not look at any other line items you have filed.

Like audits, there are triggers that might cause CARP to look at your T2 for a limited review.

What happens if I am selected?

Just like an audit, CARP contacts you through letter, phone call, or your CRA account to request additional documents. There will be a deadline stated for providing additional documents and details on extensions should you need them. Once you provide your documents, a Notice of Reassessment is issued.

What can I do to prevent a limited review?

As always, file your taxes on time and have the help of an expert if you need it to help you file. It is also important to ensure all information and documents are provided as the CRA requests them.

A few things can trigger a limited review. These include:

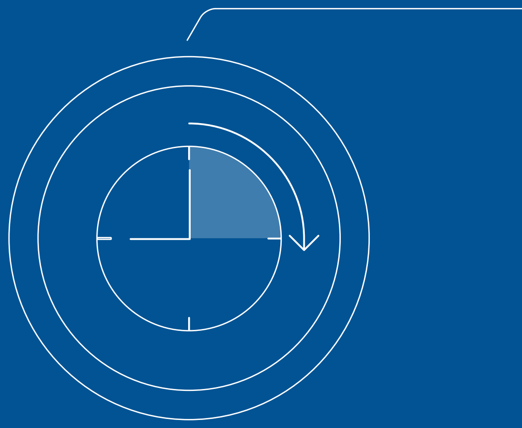
1) Name on receipts and invoices is different from company or corporation name
2) Expenses claimed are not supported with receipts and invoices
3) Claiming personal expenses under your business
4) Incorrectly claiming deductions or credits
5) Expenditures that should be capitalized (things such as repair/maintenance costs and professional fees should be capitalized)
6) Misclassification of your income

Just like an audit, it's important that you don't panic and follow all the directions that are asked of you by CARP or the CRA.

To find out more about how we can support your business, take 15 minutes to connect with us so we can get to know each other.

Click here to book a consultation

Call us at **1-800-265-1002**



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