



Surviving a CRA Audit

A CRA audit can be difficult, especially if you are a business owner who does not have the capacity to comply with the auditors requests by organizing and verifying your records. Having an accountant on your side can simplify the process from beginning to end. Accountants stand between you and the auditor, making it easier to handle the questions and produce the paperwork needed for completion of the audit.

CRA audits are nothing to fear if you comply with tax rules and regulations, and follow these handy tips!



How to avoid a CRA audit in the first place

Many taxpayers are simple chosen at random for a CRA audit, while others are targeted due to things they provide- or don't provide. Be aware of the following audit trigger to help reduce your chance of being audited.

- Unreported income: Discrepancies between reported income and actual income from all sources.
- Large business losses: Consistent business losses that seem disproportionate to the industry.
- Inconsistent Information: Inaccurate or conflicting information across different tax-related documents, such as T4s, T5s, and T4As.

You have been chosen for an audit- now what?

- Keep accurate and detailed records
 - In addition to helping avoid an audit, good bookkeeping habits can help the auditors do their job. Keep copies of all statements and invoices.
 - It is important that all invoices and receipts have the required information to be accepted by CRA as suitable documentation. It must be clear who the invoice is made out to, and the issuing company's GST/HST number must be visible and the GST/HST amount clearly broken out.

- Be sure you and your accountant request enough time to make your reply
 - If you have not kept copies of statements and invoices, it can take time to retrieve them. Make sure you allow enough time to gather all the required information for the auditor.
- Clarify your understanding
 - It is okay to ask the auditor for clarification of any questions they have posed or items they have requested.
- Only provide information the CRA auditor asks for
 - compile everything CRA has asked for- no more and no less. While it may seem helpful to provide extra information, it will complicate the audit and draw attention to items the auditor isn't focused on.



The audit is complete

Review the findings

- Don't be afraid to challenge the CRA audit assessment
 - Once the audit is completed, CRA will issue a letter with the proposed adjustments. You will have 30 days to respond to this letter if you wish to discuss the changes.
 - Go over any changes with your accountant and decide if you agree with the outcome. If you do not agree with the results you can appeal the decision through a CRA assessment appeal process.

