



Canada Revenue
Agency

Agence du revenu
du Canada

What you should know about audits

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What you should know about audits

The Canada Revenue Agency (CRA) administers tax laws and various benefit programs for the Government of Canada and several provinces and territories. Audits are an important part of the CRA's range of activities aimed at making sure the tax system is fair for everyone. During an audit, the CRA closely examines the books and records of a taxpayer to confirm whether they are fulfilling their tax obligations, following tax laws correctly, and receiving the benefits and refunds to which they are entitled.

Most taxpayers comply with the tax laws in Canada. The CRA's auditing processes help these taxpayers better understand and meet their obligations, as well as help to maintain public confidence in the fairness and integrity of Canada's tax system.

If your file has been chosen for an audit, the CRA has information available to help you with the audit process. This publication gives you some information to get started.

How does the CRA choose a file for an audit?

The CRA chooses a file for an audit based on a risk assessment. The assessment looks at a number of factors, such as the likelihood or frequency of errors in tax returns or whether there are indications of non-compliance with tax obligations. The CRA also looks at the information it has on file for the taxpayer and may compare that information to similar files or consider information from other audits or investigations.

How does the CRA do an audit?

What is the first step in the audit process?

A CRA auditor will contact you by mail or phone, or both, to start the audit process and tell you the date, time, and location of the audit.

Normally, an on-site audit takes place at your residence, your place of business, or at your representative's office. The auditor will present you with a valid identification card upon arrival, and then start the audit. An on-site audit often allows questions to be addressed quickly and can minimize delays in completing the audit.

If an audit is not done on-site, it will take place at a CRA office. The CRA makes the best use of its resources by centralizing the management of some audit files in particular CRA office locations. This means that you may be assigned an auditor who is located outside your region. In that case, the auditor will ask you to bring or send any supporting documents required for the audit.

Wherever an audit takes place, the auditor may need to make copies of your electronic records or borrow some of your documents. The auditor will give you a detailed receipt for any borrowed documents and return them as soon as possible.

Sending your records online to the CRA

Auditors are not allowed to receive records by email because information sent this way may not be secure. Your assigned auditor can provide information about how you can send documents online using the CRA's secure services.

Did you know?

- Your personal records and the personal or business records of other individuals or entities are legally considered to be part of the items that relate, or may relate, to a tax return being audited, and can be reviewed by a CRA auditor.
- An auditor can examine the records of family members.
- An auditor may ask the employees who do your accounting entries about your business operations.

What does an auditor examine during an audit?

An auditor will examine books and records, documents, and information (collectively referred to as records). These include the following:

- information available to the CRA (such as filed tax returns, credit history, and property details)
- your business records (such as ledgers, journals, invoices, receipts, contracts, rental records, and bank statements)
- your personal records (such as bank statements, mortgage documents, and credit card statements)
- the personal or business records of other individuals or entities not being audited (for example, a spouse or common-law partner, family members, corporations, partnerships, or a trust [settlor, beneficiary, and trustee])
- adjustments made by your bookkeeper or accountant for tax purposes

During an audit, the auditor may find issues and discuss them with you. You can also raise concerns with the auditor at any time.

After the auditor examines the records provided, a number of things can happen:

- **Correct assessment:** If the auditor finds that your previous assessment is correct, nothing more has to be done. You will receive a completion letter and the audit will be closed.
- **More taxes owed or a refund:** If the auditor finds that your return has to be reassessed (which means you may have to pay more tax or be entitled to a refund), you will receive a proposal letter explaining the reason for the reassessment. You will have 30 days to agree or disagree with the proposal.

If you disagree with the proposal, you are encouraged to contact the auditor to explain why you disagree and provide any other documents that support your position. The auditor will carefully consider your explanations and respond to your questions about the proposal.

If an issue is not resolved, you can contact the auditor's team leader to discuss it. The team leader's contact information is included in all correspondence sent to you by the auditor.

What happens at the end of an audit?

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

- no adjustments will be made to your previous assessment
- an adjustment resulting in more tax owing will be made (reassessment), and you will have to pay the balance owing
- 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 will give you the opportunity to avoid interest charges by paying all or part of what you owe right away, rather than waiting for a notice. For more information, visit canada.ca/guide-taxes-payments.

What if you don't agree with a reassessment?

If you do not agree with a reassessment, you have the right to appeal it. For more information, see canada.ca/cra-complaints-disputes.

How long does it take to do an audit?

The time it takes to do an audit depends on a number of factors, such as:

- the state of the records
- the scope of the audit
- potential delays due to missing records
- consultation with other CRA tax specialists

Good records and co-operation with the auditor will reduce the time it takes to do an audit. If requested records are not provided or are hard to find, delays can result.

If you no longer have certain records, you have to try to get copies from the parties that created them (for example, financial institutions or suppliers). If you can't get the records, you can discuss this with the auditor or the auditor's team leader who will work with you to find ways to confirm the amounts reported on your return.

For more information, see canada.ca/taxes-records.

Your rights and responsibilities

What are your rights?

The Taxpayer Bill of Rights is a set of 16 rights that you have as a taxpayer in your relationship with the CRA.

These rights confirm the CRA's commitment to serve you with a high degree of accuracy, professionalism, courtesy, and fairness.

To make sure the interactions of small business with the CRA are as effective and efficient as possible, the Taxpayer Bill of Rights also includes the Commitment to Small Business.

Under the Taxpayer Bill of Rights, you have the right to file a complaint if you are not satisfied with the service you receive from the CRA. For more information, see canada.ca/cra-complaints-disputes.

To learn more about your rights and what you can expect when you deal with the CRA, see Guide RC17, Taxpayer Bill of Rights Guide: Understanding your rights as a taxpayer.

Under the Privacy Act, individuals have the right to access, request correction of personal information, and file a complaint to the Privacy Commissioner of Canada regarding the institution's handling of the individual's personal information.

For more information, refer to personal information banks: CRA PPU 421, CRA PPU 430, CRA PPU 035 on Info Source at canada.ca/cra-info-source.

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 for your accounting records, you must keep your books and records in an electronically readable format, even if you also keep them on paper. Using the services of a tax professional does not relieve you of your responsibilities.

For an audit, you must make available to the auditor all of your relevant records (both paper and electronic) and supporting documents, and provide complete and timely explanations to the auditor's questions. Failure to provide required books and records is an offence under the law.

Need more information?

To get more information about CRA audit programs and policies, or to comment on audit processes, contact your tax services office. You will find the telephone number and mailing address at canada.ca/cra-offices.

You can also view the following videos that explain the CRA's tax audit process at the following link canada.ca/revenue-agency-businesses-videos:

- Why do we audit and what is a tax audit? – Part one
- What are your responsibilities and what happens during an audit? – Part two
- What are your rights? – Part three