

REVENU
QUÉBEC



FAIR.
FOR ALL.



TAX AUDITS

revenuquebec.ca



BUSINESSES AND INDIVIDUALS CAN BE AUDITED AT ANY TIME.

We carry out audits in order to confirm that the information in the returns and refund applications we receive is accurate.

This publication explains the goals of such audits and describes the steps in the audit process.

CONTENTS

Introduction	5
Our mission	5
Self-assessment	5
Our commitments	5
Tax audits	6
Objectives of a tax audit	6
The auditor's role and responsibilities	6
Registers and supporting documents	6
Time limit for issuing notices of reassessment	7
Audit process	7
Off-site audit at our offices.	7
On-site audit at your place of business.	7
Duration and focus of the audit	8
Draft assessment	9
Post-audit review period	9
Notice of assessment	9
Interest and penalties	9
Collection of unpaid amounts.	10
Recourse	11
Objections and appeals	12
Bureau de la protection des droits de la clientèle	12
Complaints with the Québec Ombudsman.	12

This publication is provided for information purposes only. It does not constitute a legal interpretation of the *Taxation Act*, the *Excise Tax Act*, the *Act respecting the Québec sales tax* or any other legislation.

ISBN 978-2-550-82832-7 (PDF)

Legal deposit – Bibliothèque et Archives nationales du Québec, 2018

Legal deposit – Library and Archives Canada, 2018



INTRODUCTION

This document contains information about our mission and the objectives and steps in auditing an individual or a business.

Our mission

Our mission is to ensure that income tax and consumption taxes are collected in a fair and confidential manner and to administer social programs and any other program for collecting and redistributing funds that the government entrusts us with. This mission is crucial in that it provides funding for the government and most public services.

Self-assessment

The principle of self-assessment means that individuals and businesses are responsible for determining, reporting and remitting to us amounts due to the state. Most Quebecers comply fully with these obligations.

We nevertheless conduct regular tax audits to ensure and promote both compliance with the principle of self-assessment and understanding of tax rules.

Our commitments

To guide us in carrying out our mission, we have adopted a service statement that details our service standards and sets out our commitments toward individuals and businesses, which can be summed up as follows:

- readily accessible services
- helpful staff
- reliable answers
- fair treatment
- streamlined procedures
- unwavering concern for the protection of confidential information

Our service statement is proof of our commitment to providing quality services. That said, honouring our commitments depends on the good faith and cooperation of everyone involved. For more information, read the service statement for individuals and businesses online at revenuquebec.ca (in French only; the portion that applies to individuals is included in the guide to the personal income tax return).

In carrying out our mission, we take great care to respect the rights set out in the *Charter of Taxpayers' and Mandataries' Rights* (ADM-597-V), which is available on our website.

Our practices are grounded in our values: integrity, respect, fairness and service excellence.

We are also committed to helping small and medium-sized businesses as well as individuals in business understand and meet their tax obligations. For more information on the services we offer in this regard, see IN-456-T, *The Assistance Program: Our Expertise at Your Service!*, which is available on our website.

TAX AUDITS

Individuals, individuals in business, employers, corporations, partnerships, trusts and anyone that collects consumption taxes can all be audited. If an auditor contacts you, this does not necessarily mean that you have failed to meet your obligations.

Objectives of a tax audit

We use tax audits to:

- confirm that your returns are accurate;
- see whether you are complying with the laws we administer;
- promote compliance with the principle of self-assessment;
- make sure you understand tax rules.

The auditor's role and responsibilities

As our representative, the auditor is there to inform you of your rights and fiscal obligations. If the audit is conducted at your place of business, the auditor will give you a copy of brochure COM-366-V, *Your Rights and Obligations During a Tax Audit*, which is also available on our website.

During the audit, the auditor must examine, analyze and understand:

- your activities;
- your financial statements;
- your accounting system;
- your registers and supporting documents; and
- any other necessary documents.

The auditor must handle your file in a fair and impartial manner.

Auditors are required to respect the confidential nature of the information that you provide.

Registers and supporting documents

If you carry on a business or are required to deduct, withhold or collect an amount under a fiscal law, you must keep registers and supporting documents, either on an electronic device, a computer system or any other medium, in the event of an audit.

Registers and supporting documents must generally be kept for six years after the last taxation year to which they apply. If they are kept on an electronic device or a computer system, they must remain readable for the entire retention period.

If you fail to comply with these obligations, you could be liable to a fine.

Time limit for issuing notices of reassessment

There is a prescribed time limit within which we may reassess duties, interest and penalties, and issue a notice of reassessment.

For **income tax**, the time limit is generally three years from the date of the first notice of assessment or notice indicating that no taxes were owing for a given taxation year. The time limit is four years in the case of a corporation other than a Canadian-controlled private corporation.

For **consumption taxes and source deductions**, the time limit varies. In general, a notice of assessment cannot be issued more than four years after the date on which a refund application was filed **or** more than four years after the later of the following dates:

- the date by which the duties should have been paid;
- the date on which the return was filed.

However, we can reassess duties, interest and penalties at any time if:

- you waived the time limit using the prescribed form;
- you made a false statement through neglect or deliberate omission or you committed fraud when filing your return or providing information.

Audit process

Off-site audit at our offices

Audits are sometimes carried out at our offices. In such cases, the auditor will ask you to provide the necessary documents.

On-site audit at your place of business

Before going to your place of business, the auditor will usually contact you to schedule a meeting. The audit is usually carried out where most of the documents are kept.

During the first meeting, you will have to provide information on your accounting system. This will help the auditor determine whether the registers needed for the audit are reliable.

If the auditor carries out a computer-assisted audit, the two of you will decide together on how to transfer the data.





Duration and focus of the audit

The duration and focus of the audit depend on various factors, including the scope and complexity of your activities, the reliability of your accounting system, and the available information. The duration also depends on how quickly you are able to provide the required information.

It should also be noted that, under fiscal laws, the auditor can, at any appropriate time, enter any premises where:

- a business is carried on or property is stored;
- business activities are carried out;
- books or registers are or should be kept.

The auditor can require you to provide all reasonable assistance required to conduct the audit, including having you accompany him or her. Depending on the scope and complexity of your activities, a team of auditors is sometimes required to do the work in order to expedite the process.

An audit usually covers only the most recent years, taking into account the time limits mentioned above.

If you are an individual in business, the audit may cover all the information in your income tax return, as well as the returns of anyone related to you. In the case of a corporation, the audit may cover all the information in its income tax return, as well as those filed by shareholders, employees and related individuals.



Draft assessment

At the end of the audit, after discussing any unresolved or contentious points with you, the auditor will issue you a draft assessment, along with complementary documents, if applicable. All these documents describe the changes that the auditor plans to make to returns that you filed or to the notices of assessment issued in respect of returns that you did not file. The changes can result in a refund.

Post-audit review period

You generally have 21 days to provide the auditor with any new information that could have an impact on the draft assessment.

If you require more time, you must request an extension in writing, specifying the reasons for the request.

If the auditor rejects the new information, he or she will inform you of the decision and the reasons for it.

Notice of assessment

After the audit, the draft assessment and the post-audit review, we may mail you a notice of assessment and a notice describing the changes made to the tax returns.

Interest and penalties

Interest is charged automatically when you have an outstanding debt, and accrues from that date until the debt is paid in full.

In some cases, you may be charged a penalty based on the nature of the omission.

However, if you make your payment before the date on your notice of assessment, no additional interest will be charged on the amount assessed.

It should be noted that we can cancel or waive, in whole or in part, interest or penalties pursuant to a fiscal law. This is a discretionary power exercised only in **exceptional circumstances**. See page 11 to find out how to use that recourse.



The audit process

A date for carrying out the tax audit is agreed upon with you.

The audit is carried out at our offices or at your place of business.

Contentious or unresolved points are discussed.

A draft assessment is issued to you detailing any changes to be made.

Generally, you are given 21 days in which to provide any new facts or information.

The tax file is approved by the auditor's superior.

The notice of assessment is issued, if applicable.

Note that your audit may proceed differently, depending on your situation. There are also other types of audits that may result in changes to your file, such as a cursory audit of specific points.

Since we strive to continually improve our services and better meeting your needs, we will send you an email inviting you to fill out an online survey after your audit.

Collection of unpaid amounts

We cannot take any steps to collect unpaid amounts of personal or corporate income tax until after the deadline for objection or appeal. Likewise, unless there is reason to believe that collection of the debt is in jeopardy, we cannot undertake any collection measures in respect of an amount that is the subject of an objection or appeal.

NOTE

For large corporations (those whose paid-up capital for the year is \$10 million or more), collection measures are suspended only for half the contested amount.

These rules do not apply to mandataries that make source deductions or collect consumption taxes. However, we can make the administrative decision to suspend the collection of an amount contested by a mandatory that has filed an objection or appeal, provided the mandatory makes a request to that effect and it is reasonable to consider that the assessment will be corrected after review.





RECOURSE

You can obtain information on your tax file at any time by contacting the auditor in charge of your file in writing or by telephone. Please do so if you wish to:

- obtain further explanations regarding your notice of assessment;
- express your disagreement with respect to amounts that you deem inaccurate; or
- ask that interest or penalties be cancelled or reduced.

If the way your file has been handled raises particular questions, you can contact the auditor's superior. If the audit is carried out at your place of business, the auditor will give you his or her superior's name at the beginning of the process. If it is conducted at our offices, you can ask the auditor for the person's name.

To apply for the cancellation or reduction of interest or penalties, you must complete form MR-94.1-V, *Application for the Cancellation or Waiver of Interest, Penalties or Charges*, or form FP-4288-V, *Application for the Cancellation or Waiver of GST/HST- and QST-Related Interest or Penalties, or of QST-Related Charges*.



Objections and appeals

If, after contacting the auditor in charge of your file or his or her superior, you are still dissatisfied with the handling of your tax file, you can file an objection. For more information about objections, see brochure IN-308-V, *Filing an Objection: It's Your Right*.

If you are dissatisfied with the decision regarding your notice of objection, you can pursue the matter further before the courts by filing an appeal with the Civil Chamber of the Court of Québec. If the decision regards GST/HST, you must file the appeal with the Tax Court of Canada. For more information, see brochure IN-106-V, *Recourse for Your Tax-Related Problems*.

If you use these types of recourse, you must follow the prescribed procedure and time limits.

Both brochures mentioned above are available on our website. You can also order them online or by telephone by calling one of the numbers given at the end of this publication.

Bureau de la protection des droits de la clientèle

If you are unhappy with a decision or service or feel that your rights were not respected, you can file a complaint or request for intervention with the Bureau de la protection des droits de la clientèle (BPDC).

For more information about the BPDC, see brochure IN-602-V, *Your Rights Are Our Priority!*, which is available on our website.

Complaints with the Québec Ombudsman

You can also file a complaint with the Québec Ombudsman, which oversees all government administrative activities.

For more information, see document IN-106-V, *Recourse for Your Tax-Related Problems*.

IMPORTANT

If you are being audited, you cannot make a voluntary disclosure. For more information, refer to publication IN-309-V, *Voluntary Disclosure: Rectifying Your Tax Situation*.



TO CONTACT US

Online

revenuquebec.ca



By telephone

Individuals and individuals in business

Monday to Friday: 8:30 a.m. to 4:30 p.m.

Québec City

418 659-6299

Montréal

514 864-6299

Elsewhere

1 800 267-6299 (toll-free)

Businesses, employers and agents for consumption taxes

Monday, Tuesday, Thursday and Friday: 8:30 a.m. to 4:30 p.m.

Wednesday: 10:00 a.m. to 4:30 p.m.

Québec City

418 659-4692

Montréal

514 873-4692

Elsewhere

1 800 567-4692 (toll-free)

Complaints – Bureau de la protection des droits de la clientèle

Monday to Friday: 8:30 a.m. to noon and 1:00 p.m. to 4:30 p.m.

Québec City

418 652-6159

Elsewhere

1 800 827-6159 (toll-free)

Individuals with a hearing impairment

Montréal

514 873-4455

Elsewhere

1 800 361-3795 (toll-free)

By mail

Individuals and individuals in business

Montréal, Laval, Laurentides, Lanaudière and Montérégie

Direction principale des relations
avec la clientèle des particuliers

Revenu Québec

C. P. 3000, succursale Place-Desjardins

Montréal (Québec) H5B 1A4

Québec City and other regions

Direction principale des relations
avec la clientèle des particuliers

Revenu Québec

3800, rue de Marly

Québec (Québec) G1X 4A5

Businesses, employers and agents for consumption taxes

Montréal, Laval, Laurentides, Lanaudière, Montérégie, Estrie and Outaouais

Direction principale des relations
avec la clientèle des entreprises

Revenu Québec

C. P. 3000, succursale Place-Desjardins

Montréal (Québec) H5B 1A4

Québec City and other regions

Direction principale des relations
avec la clientèle des entreprises

Revenu Québec

3800, rue de Marly

Québec (Québec) G1X 4A5

Complaints – Bureau de la protection des droits de la clientèle

Revenu Québec

3800, rue de Marly, secteur 3-4-5

Québec (Québec) G1X 4A5

2017-12

Cette publication est également disponible en français et s'intitule *La vérification fiscale* (IN-135).