

REVENU
QUÉBEC




FAIR.
FOR ALL.



TAX AUDITS

www.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.

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INTRODUCTION

Our mission

Our mission is to ensure that income tax and consumption taxes are collected in a fair and confidential manner. This mission is fundamental in that it provides the funding for the government and the majority of public services to operate.

There are other aspects to our mission, including:

- administering taxation-related social programs, as well as any other program entrusted to us by the government for the collection and redistribution of funds;
- making recommendations to the government on changes to fiscal policy and other programs.

In order to endow ourselves with a frame of reference for carrying out our mission, we have adopted a service statement that details our commitment toward individuals and businesses. This consists of ensuring:

- access to services;
- courteous treatment from personnel;
- reliable answers;
- fair processing of files;
- simple procedures; and
- unwavering concern for the protection of confidential information.

Our service statement is intended to ensure that all individuals and businesses are treated fairly and receive quality services.

For more information, you can refer to document IN-315, *Déclaration de services aux citoyens et aux entreprises*, available (in French only) on our website at www.revenuquebec.ca.

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

Principle of 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 perform tax audit activities on a regular basis to ensure and promote both compliance with the principle of self-assessment and understanding of tax rules.



TAX AUDITS

If you are a taxpayer, an individual in business, an employer or a person that collects consumption taxes, you could be subject to a tax audit. Corporations, partnerships and trusts can also be subject to audits.

Objectives of a tax audit

The objectives of a tax audit are:

- to ensure that you fulfill your fiscal obligations in accordance with the laws we administer and that you obtain the tax refunds to which you are entitled, if applicable;
- to promote both compliance with the principle of self-assessment and understanding of tax rules.

The auditor's role and responsibilities

The role of the auditor, as our representative, is to inform you of your rights and fiscal obligations. In this regard, the auditor will give you a copy of publication COM-366, *Vos droits et vos obligations à l'égard d'une vérification fiscale*, which can otherwise be downloaded from our website. An English courtesy translation of the document (COM-366-T) is also available on our website.

The auditor must also ensure that the tax returns and refund applications that you filed are accurate and that the laws we administer are respected. To this end, the auditor must examine, analyze and understand:

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

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

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



Registers and supporting documents

If you carry on a business or are required to deduct, withhold or collect an amount further to 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 at a future date.

As a rule, registers and supporting documents must 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.

Where **income tax** is concerned, the time limit is generally three years from the date of the first notice of assessment or of a 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.

Where **consumption taxes and source deductions** are concerned, the time limit varies depending on the situation. 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.

Moreover, 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 documents required for the audit.

On-site audit at your home or place of business

Before going to your home or place of business, the auditor will, in most cases, schedule an appointment after consulting with you. The audit is usually carried out at the place where most of the documents are kept.

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

In addition, if the auditor carries out a computer-assisted audit, he or she will determine together with you how the data is to be transferred.



Duration and scope of the audit

The duration and scope of the audit depend on various factors, including the volume and complexity of your activities, the reliability of your accounting system, and the available information. They also depend on the speed with which you are able to provide the auditor with the required information.

Furthermore, it should 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 oblige you to provide all reasonable assistance required to conduct the audit, including having you accompany him or her. Depending on the volume 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 persons related to you. Where a corporation is concerned, the audit may cover all the information in its income tax return, the returns of its shareholders and employees, as well as the returns of all persons related to them.

Draft assessment

At the end of the audit and 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 in respect of returns that you did not file.

Review period after the audit

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

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

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

Notice of assessment

Once the audit is complete, the draft assessment is issued to you and your file is reviewed, you will receive by mail a notice of assessment, if applicable, as well as a notice describing any changes made to the tax returns.



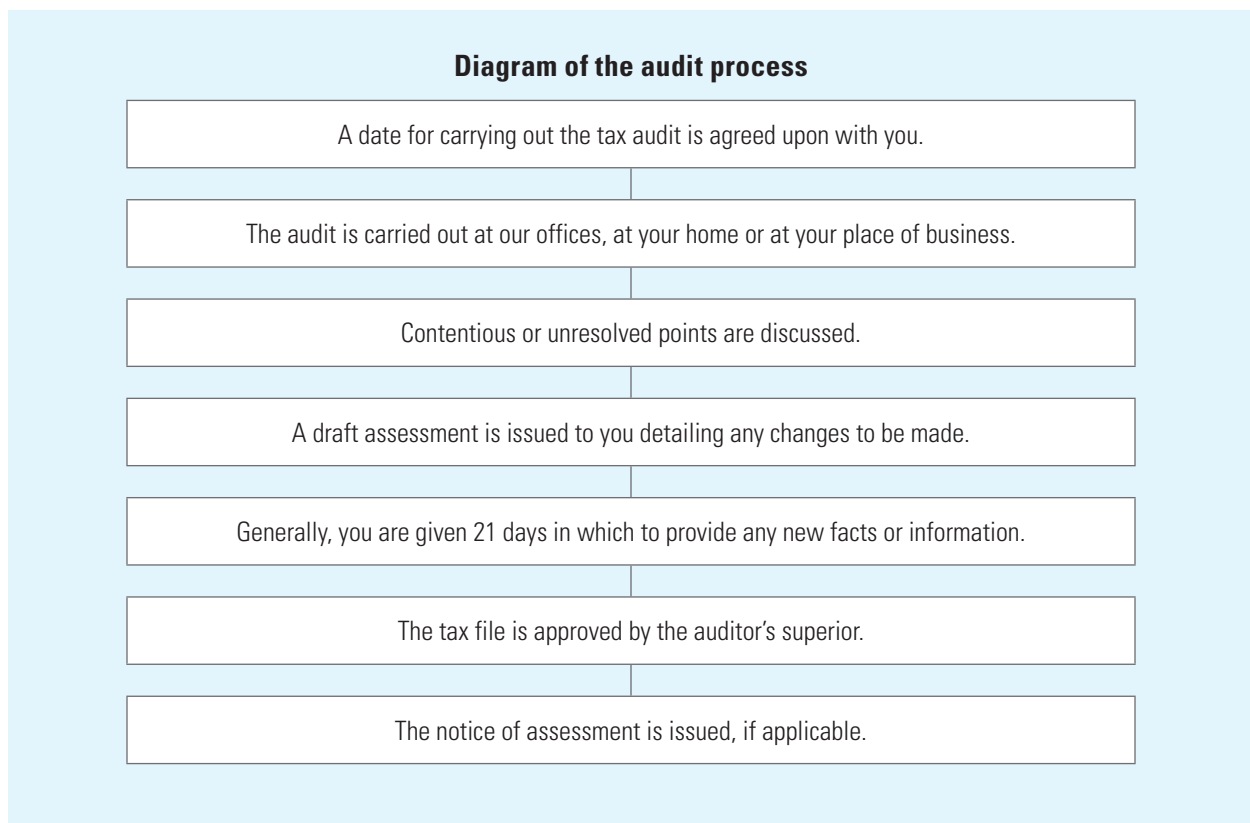
Interest and penalties

Interest is charged automatically when duties become payable, and accrues from that date until the debt is paid in full.

In some cases, a penalty can be imposed, the amount of which is generally established according to the nature of the omission.

However, if payment is made before the date indicated on your notice of assessment, no additional interest is 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 the section entitled "Recourse for taxpayers" on page 11 to find out how you can avail yourself of these provisions.



Failure to pay

We can take steps to recover amounts that remain unpaid following the issuance of a notice of assessment. These measures are applied with due consideration for individuals' and businesses' ability to pay.





RECOURSE FOR TAXPAYERS

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 one of the auditor's superiors, whose names will have been given to you by the auditor at the beginning of the audit process.

To request 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*. In the event of a disagreement, we recommend that you contact the auditor in charge of your file.

If, after this first step, you are still dissatisfied with how the auditor has handled your file, you can request a review of the decision by contacting his or her superior in writing. The superior will take your arguments into consideration and get back to you as soon as possible.



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. Moreover, 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 Court of Québec. If the decision regards GST/HST, you must file the appeal with the Tax Court of Canada.

If you avail yourself of this type of recourse, you must do so according to the prescribed procedure and within the allowed time limits.

For more information, refer to publication IN-106-V, *Recourse for Your Tax-Related Problems*, available on our website. You can also order the document online or by telephone by calling one of the numbers given at the end of this publication.

Other recourse

If you feel that we have not given your file the attention it deserves, you can contact the *Direction du traitement des plaintes*. Its personnel see to it that all complaints it receives are given the attention they deserve.

Finally, if you feel you have been wrongly treated in any tax-related matter or are the victim of an injustice, you can file a complaint with the Québec Ombudsman. The Ombudsman receives complaints regarding all government administrative activities.

For more information, refer to publication IN-106-V, *Recourse for Your Tax-Related Problems*.

IMPORTANT

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



TO CONTACT US

Online

www.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)
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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)
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Complaints – Direction du traitement des plaintes

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

Québec City 418 652-6159	Elsewhere 1 800 827-6159 (toll-free)
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Individuals with a hearing impairment

Montréal 514 873-4455	Elsewhere 1 800 361-3795 (toll-free)
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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 – Direction du traitement des plaintes

Revenu Québec
3800, rue de Marly, secteur 2-2-4
Québec (Québec) G1X 4A5

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