



FINANCIAL WISDOM

- WEALTH BUILDER -

April 2024

Planning Ahead Eases Tax Audit Worries

A letter arrives from Canada Revenue Agency (CRA). You are being audited. Panic ensues as you wonder what you did wrong and why the CRA is targeting you. 'There must be bigger fish to fry,' you might say to yourself.

The first thing you need to do is relax and take a few deep breaths. If you have a qualified tax advisor on your team, you have nothing to worry about. If you don't, now is a good time to contact a professional tax planner to review your returns and assist you with the audit.

Unless you have filed your tax returns with gross negligence or displayed willful non-compliance, you are not in any 'real' danger from the taxman. At the same time, no one wants to pay additional taxes and penalties due to an oversight. Instead of scrambling for deductions to reduce your taxes at the end of the year, set a plan with a financial advisor at the beginning of the year. When you plan ahead, facing a CRA audit can be a breeze.

How to prepare for a CRA tax audit:

- Contact your financial advisor. If you do not have a tax planner, you should speak with one. They stay up-to-date on annual changes to Canadian tax legislation.

- A field auditor will contact you to arrange a time to conduct the audit. They will exchange contact information with you and give a general overview of the process.

- Ask for the tax years they will be auditing so that you can have the information ready for their arrival.

- The field auditor will arrive and give an overview of the audit process. You may be asked for an overview of your business and a tour of the premises if relevant.

- Have all of the financial records that were requested available and organized. The easier you make it for the field auditor, the sooner they'll be on their way.

- Only provide the financial records requested. Do not offer additional information.

- Be courteous and professional, they are people just doing their job. Provide them with a quiet, comfortable place to work.

- Questions from the field auditor should be directed to a lead individual such as yourself, your accountant, or your tax planning specialist.

- Answer the field auditor's questions honestly. Refrain from expanding on your answers unless asked.

A financial advisor can provide some basic advice when it comes to audits from the Canada Revenue Agency. They are a key component of a complete financial strategy. Their goal is to aid you in keeping the wealth you have earned and provide assistance in estate and general financial matters. As for the field auditor, they likely won't stay long when they find out that you work with a financial advisor and/or a qualified tax specialist.

Got questions about taxes? Give us a call!

The Cremasco Team

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