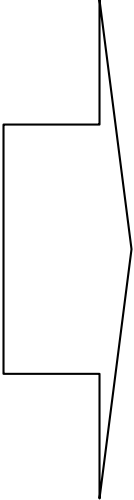
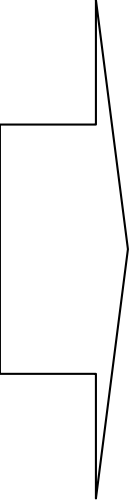


Attachment 2 – Federal Tax Procedure – Employer Compliance Audit – From Audit to Appeal

<u>Audit and Assessment</u>		<u>Objection</u>		<u>Appeal</u>
<ul style="list-style-type: none"> • Canada Revenue Agency (CRA) conducts audit of employer to review taxation of employee benefits • CRA auditor issues a proposal letter (a “30-day letter”) that describes proposed tax adjustments to employee benefits • Employer has 30 days to respond • Response includes additional facts and legal arguments • CRA considers employer response to proposal letter • CRA issues T4s or T4As and Notices of Reassessment to affected employees • Reassessments increase an employee’s taxable income by the value of the benefit, with the result that additional tax and interest will be payable • Employee may object to reassessment by filing Notice of Objection • Employees may form a “group” to deal with next steps 		<ul style="list-style-type: none"> • Notice of Objection must be filed within 90 days of date of mailing of Notice of Reassessment • No prescribed form but CRA suggests taxpayers use Form T400A • Objection must include certain information (<i>i.e.</i>, taxpayer name, SIN, reassessment date, taxation year, facts and reasons for objection) • Send to CRA Chief of Appeals via mail, fax, courier, hand delivery • The CRA is required to respond with “all due dispatch” but no requirement to respond within specific time period • Objection assigned to Appeals Officer, who considers taxpayer’s submissions and makes adjustments or confirms reassessment • If confirmed, CRA will issue Notification of Confirmation to taxpayer • Taxpayer may appeal to Tax Court of Canada 		<ul style="list-style-type: none"> • Tax Court of Canada – An independent and impartial federal court not affiliated with either CRA or Department of Justice • Notice of Appeal may be filed where objection not resolved within 90 days of filing objection • If objection is confirmed, taxpayer must file Notice of Appeal no later than 90 days after date of mailing of confirmation • Where tax in dispute is less than \$12,000, taxpayer may elect “informal” (<i>i.e.</i>, streamlined) procedure • At court hearing, Tax Court judge will consider evidence (including expert valuation evidence) and arguments of parties • Generally, Tax Court will decide (a) whether there was a taxable benefit to taxpayer, and (b) what is value of that benefit, if any • If taxpayer successful, CRA will reassess in accordance with decision • Tax Court decisions may be appealed to Federal Court of Appeal